

APPLICATION FOR FINANCIAL ASSISTANCE FOR WATER AND WASTEWATER INFRASTRUCTURE PROJECTS

This application is comprehensive, covering all loan and grant assistance applications for water and wastewater infrastructure financing through the various Texas Water Development Board (TWDB) programs. The format of the application is intended to expedite the review process for both the applicant and TWDB staff. This application can be used by political subdivisions, including water supply corporations.

Please submit one double-sided original and one indexed, electronic copy, via electronic storage media such as CD or flash drive using MS Word, Excel and/or Adobe Acrobat.

Please submit your application to:

Texas Water Development Board
Water Supply and Infrastructure-Regional Water Planning and Development
P O Box 13231
1700 N. Congress Avenue, 5th Floor
Austin, Texas 78711-3231
(78701 for courier deliveries)

A complete application consists of all of the applicable information and forms requested in this document. When preparing this application please review the Application and all Guidance and Forms, listed at the end.

For more information, please contact your Regional Project Implementation Team at:

http://www.twdb.texas.gov/financial/programs/swift/regional_project_teams.asp

Thank you.

TWDB Use Only

Name of Applicant: _____

Date application received: _____

Date administratively complete: _____

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

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Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Part A: General Information

1. The legal authority under which the applicant was created and operates.
 - a) TYPE A GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.001)
 - b) TYPE B GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.002)
 - c) TYPE C GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.003)
 - d) HOME-RULE MUNICIPALITY (Texas Local Gov't Code Sec. 5.004)
 - e) SPECIAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.005)
 - f) NONPROFIT ORGANIZATION (Business Organization Code Chapter 22)
 - g) NONPROFIT WATER SUPPLY OR SEWER SERVICE CORP. (Texas Water Code Chapter 67)
 - h) ALL DISTRICTS (Texas Water Code Chapter 49)
 - i) OTHER (attach)

2. Applicant Name and Contact Information:

Name:	Brushy Creek Regional Utility Authority, Inc.
County:	Williamson
Physical Address:	221 East Main Street Round Rock, Texas 78664
Mailing Address:	Same
Phone:	512/218-5400
Fax:	512/218-7097
Website:	www.bcrua.org

3. Brief description of the project. The project includes expansion of the floating raw water intake and the water treatment plant from an existing capacity of 17 MGD to 30 MGD. The project is a critical expansion that will provide necessary conveyance and treatment capacity until Phase 2 of the regional project is completed

4. Applicant's Officers and Members:

<u>Name</u>	<u>Office Held</u>
Jon Lux	President
Kris Whitfield	Vice President
Ron Abruzzese	Secretary
Frank Leffingwell	Director
Andrea Navarette	Director
Lyle Grimes	Director

5. Applicant's **primary contact person** for day-to-day project implementation.

Name:	Tom Gallier
Title:	General Manager
Address:	221 East Main Street, Round Rock, Texas 78664
Phone:	512/218-5400
Fax:	512/218-7097
Email:	tgallier@bcrua.org

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6. Applicant's Consultants (Attach copies of all draft and/or executed contracts for consultant services to be used by the Applicant in applying for financial assistance or constructing the proposed project.):

a) Applicant Engineer N/A

Firm Name:	Walker Partners
Contact:	Aaron Archer, P.E.
Address:	804 Las Cimas Parkway, Suite 150, Austin, Texas 78746
Phone:	512/382-0021
Fax:	512/382-0042
Email:	aarcher@walkerpartners.com

b) Bond Counsel N/A

Firm Name:	McCall, Parkhurst & Horton L.L.P. (RR/CP) + Bickerstaff Heath Delgado Acosta LLP (Leander)
Contact:	Richard Donoghue / Tom Pollan
Address:	600 Congress Avenue, Suite 1800, Austin, TX 78701 / 3711 S. MoPac Expwy. Bldg.1 #300, Austin, TX 78746
Phone:	512/478-3805 / 512/472-8021
Fax:	512/472/0871 / 512/320-5638
Email:	rdonoghue@mphlegal.com / tpollan@bickerstaff.com

c) Financial Advisor N/A

Firm Name:	Specialized Public Finance Inc. (Round Rock/Cedar Park) + Hilltop Securities Inc. (Leander)
Contact:	Garry Kimball and Dan Wegmiller / Chris Allen
Address:	248 Addie Roy Road, #B-103, Austin, TX 78746 / 300 W. 6 th Street, #1940, Austin, TX 78701
Phone:	512/275-7300 / 512/481-2013
Fax:	512/275-7305 / 512/481-2010
Email:	garry@spfmuni.com / chris.allen@hilltopsecurities.com

d) Certified Public Accountant (or other appropriate rep) N/A

Firm Name:	Weaver & Tidwell, LLP
Contact:	Adam McCane, CPA
Address:	1601 S MoPac Expressway, D250, Austin, Texas 78746
Phone:	512/609-1900
Fax:	512/609-1911
Email:	Adam.mccane@weaver.com

e) Legal Counsel (if other than Bond Counsel) N/A

Firm Name:	Sheets & Crossfield, P.C.
Contact:	Steve Sheets
Address:	309 East Main Street, Round Rock, Texas 78664
Phone:	512/255-8877

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Fax:	N/A
Email:	steve@scrrlaw.com

f) Any other consultant representing the Applicant before the Board N/A

Firm Name:	
Contact:	
Address:	
Phone:	
Fax:	
Email:	

7. List the counties within the Applicant's service area. Williamson and Travis

8. Identify the Applicant's total service area population: 255,999

9. Applicant is requesting funding from which programs? Check all that apply.

	PROGRAM	AMOUNT REQUESTED
a) <input type="checkbox"/>	Drinking Water State Revolving Fund (DWSRF)	\$ _____
b) <input type="checkbox"/>	Clean Water State Revolving Fund (CWSRF)	\$ _____
c) <input type="checkbox"/>	Texas Water Development Fund (DFund)	\$ _____
d) <input type="checkbox"/>	State Participation	\$ _____
e) <input type="checkbox"/>	Rural Water Assistance Fund (RWAF)	\$ _____
f) <input checked="" type="checkbox"/>	State Water Implementation Fund for Texas (SWIFT)	\$ <u>16,995,000</u>
g) <input type="checkbox"/>	Economically Distressed Areas Program (EDAP)	\$ _____
h) <input type="checkbox"/>	If other please explain: _____	\$ _____

10. Other Funding Sources: Provide a list of any other funding source(s) being utilized to complete the project, including Applicant's local contribution, if any, or commitments applied for and/or received from any other funding agency for this project or any aspect of this project. **Provide commitment letters if available. Additional funding sources must be included within the Project Budget (TWDB-1201).**

Funding Source	Type of Funds (Loan/Grant)	Amount (\$)	Date Applied for Funding	Anticipated or Funding Secured Date
N/A				
Total Funding from All Sources	N/A	\$N/A	N/A	N/A

Comments: _____

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

11. Applicant is requesting funding for which phase(s)? Check all that apply.

- Planning
- Acquisition
- Design
- Construction

12. Is Applicant requesting funding to refinance existing debt?

- Yes If yes, attach a copy of the document securing the debt to be refinanced.
 Attached document
- No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Part B: Legal Information

13. Cite the legal authority under which the Applicant can issue the proposed debt including the authority to make a proposed pledge of revenues. Chapter 431, Subchapter D of the Texas Transportation Code, as amended.

14. What type of pledge will be used to repay the proposed debt?

- Systems Revenue
- Taxes
- Combination of systems revenues and taxes
- Other (Contract Revenue, etc.)

15. Provide the full legal name of the security for the proposed debt issue(s).

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.,_CITY OF ROUND ROCK, TEXAS
CONTRACT REVENUE BONDS, SERIES 2017
(BRUSHY CREEK REGIONAL WATER TREATMENT AND DISTRIBUTION PROJECT);

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.,_CITY OF CEDAR PARK, TEXAS
CONTRACT REVENUE BONDS, SERIES 2017
(BRUSHY CREEK REGIONAL WATER TREATMENT AND DISTRIBUTION PROJECT);

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.,_CITY OF LEANDER, TEXAS CONTRACT
REVENUE BONDS, SERIES 2017
(BRUSHY CREEK REGIONAL WATER TREATMENT AND DISTRIBUTION PROJECT)

16. Describe the pledge being offered and any existing rate covenants. Pledge of contract payments received by BCRUA under Article IX of the Master Contract.

17. Attach the resolution from the governing body requesting financial assistance.

TWDB-0201A (<http://www.twdb.texas.gov/financial/instructions/>)

x **Attached Resolution**

18. Attach the Application Affidavit

TWDB-0201 (<http://www.twdb.texas.gov/financial/instructions/>)

X **Attached Applicant Affidavit**

19. Attach the Certificate of Secretary

TWDB-201B (<http://www.twdb.texas.gov/financial/instructions/>)

X **Attached Certificate of Secretary**

20. Is the applicant a Water Supply Corporation (WSC)? No.

Yes

If yes, attach each of the following:

Articles of Incorporation

Certificate of Incorporation from the Texas Secretary of

State evidencing that the current Articles of Incorporation are on file with the Secretary

By-laws and any amendments

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

- Certificate of Status from the Texas Secretary of State (i.e. Certificate of Existence)**
- Certificate of Account Status from the Texas Comptroller of Public Accounts (certifies that the WSC is exempt from the franchise tax and that the WSC is in good standing).**

No

21. Is the applicant proposing to issue revenue bonds?

- Yes If yes, attach copies of the most recent resolution/ordinance(s) authorizing any outstanding parity debt. This is essential to insure outstanding bond covenants are consistent with covenants that might be required for TWDB financing.
 Attached resolution/ordinance(s)

No

22. Does the applicant possess a Certificate of Convenience and Necessity (CCN)?

- Yes If yes, attach a copy of the CCN and service area map showing the areas the applicant is allowed to provide water or wastewater services.
 Attached CCN and service area map
- No If no, indicate the status of the CCN. _____
- N/A

23. Has the applicant been the subject of any enforcement action by the Texas Commission on Environmental Quality (TCEQ), the Environmental Protection Agency (EPA), or any other entity within the past three years?

- Yes If yes, attach a brief description of every enforcement action within the past three years and action(s) to address requirements.
 Attached
- No

24. Are any facilities to be constructed or the area to be served within the service area of a municipality or other public utility?

- Yes If yes, has the applicant obtained an affidavit stating that the utility does not object to the construction and operation of the services and facilities in its service area?
 If yes, attach a copy of the affidavit.
 Attached affidavit
 If no, provide an explanation as to why not. N/A

No

25. If the assistance requested is more than \$500,000 a Water Conservation Plan (WCP) is required. The WCP cannot be more than **FIVE** years old and must have been adopted by the applicant. Has the applicant adopted a Board-approved WCP? (Check one and attach requested information, if any.)

- Yes Enter date of Applicant's WCP adoption: _____
- No If no, attach a copy of a draft Water Conservation Plan and Drought Contingency Plan prepared in accordance with the TWDB WCP Checklist (<http://www.twdb.state.tx.us/financial/instructions/doc/TWDB-1968.pdf>)

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

- Attached Draft WCP and Drought Contingency Plan**
- Attached Utility Profile TWDB-1965**
- N/A <http://www.twdb.state.tx.us/financial/instructions/doc/TWDB-1965.pdf>
(Request is \$500,000 or less per Water Code §§ 15.106(c), 17.125(c), 17.277(c), and 17.857(c))

Note: If the applicant will utilize the project financed by the TWDB to furnish services to another entity that in turn will furnish services to the ultimate consumer, the requirements for the WCP may be met through contractual agreements between the applicant and the other entity providing for establishment of a water conservation plan. The provision requiring a WCP shall be included in the contract at the earliest of: the original execution, renewal or substantial amendment of that contract, or by other appropriate measures.

26. Does the applicant provide retail water services?
- Yes If yes, has the applicant already submitted to the TWDB the annual water use survey of groundwater and surface water for the last **THREE** years?
 - Yes
 - No If no, please download survey forms and attach a copy of the completed water use surveys to the application.
<http://www.twdb.texas.gov/waterplanning/waterusesurvey/index.asp>
 Attached Water Use Survey
 - No
27. Is the applicant a retail public utility that provides potable water?
- Yes If yes, has the applicant already submitted the most recently required water loss audit to the TWDB?
 - Yes
 - No If no, and if applying for a water supply project, please complete the online TWDB Water Audit worksheet found at <http://www.twdb.texas.gov/conservation/resources/waterloss-resources.asp> and attach a copy to the application.
 Attached TWDB Water Audit worksheet
 - No
28. Does the Applicant provide wastewater services?
- Yes
 - No

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Part C: Financial Information

Regional or wholesale providers, complete questions 29-31.

Retail providers, complete questions 32-34.

29. List top **TEN** customers of the system by annual usage in gallons and percentage of total usage, including whether any are in bankruptcy.

Customer Name	Annual Usage (gal)	Percent of Usage	Bankruptcy (Y/N)
City of Cedar Park	817,000,000	51.28	N
City of Leander	764,000,000	48.01	N
City of Round Rock	11,000,000	0.01	N

Comments: _____

30. List the top TEN customers of the system by gross revenues and percent of total revenues, including whether any are in bankruptcy

Customer Name	Annual Revenue(\$)	Percent of Revenue	Bankruptcy (Y/N)
City of Cedar Park	1,585,299	12.7%	N
City of Leander	6,365,513	51.0%	N
City of Round Rock	4,535,517	36.3%	N
NA			

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

31. Provide a summary of the wholesale contracts with customers

Contract Type	Minimum annual amount	Usage fee per 1,000 gallons	Annual Operations and Maintenance	Annual Capital Costs	Annual Debt Service	Other
See Attached Master Contract						

32. List top **TEN** customers of the water and/or wastewater system by annual revenue with corresponding usage and percentage of total use, including whether any are in bankruptcy.

a. **WATER**

Customer Name	Annual Usage (gal)	Percent of Total Water Revenue	Bankruptcy (Y/N)
See Table 29			
NA			

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

b. **WASTEWATER**

Customer Name	Annual Usage (gal)	Percent of Total Wastewater Revenue	Bankruptcy (Y/N)
N/A			

33. Current Average Residential Usage and Rate Information*

Service	Date of Last Rate Increase	Avg. Monthly Usage (gallons)	Avg. Monthly Bill (\$)	Avg. Monthly Increase Per Customer(\$)	Projected Monthly Increase Necessary (\$)
Water	N/A	N/A	N/A	N/A	N/A
Wastewater	N/A	N/A	N/A	N/A	N/A

*BCRUA has no residential customers.

34. Provide the number of customers for each of the past five years.

Year	Number of Customers*
2016	3
2015	3
2014	3
2013	3
2012	3

*Wholesale only.

All applicants complete questions 35-51 of the financial section, as applicable.

35. Disclose all issues that may affect the project or the applicant's ability to issue and/or repay debt (such as anticipated lawsuits, judgments, bankruptcies, major customer closings, etc.).
No material issues.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

36. Has the applicant ever defaulted on any debt?
 Yes If yes, disclose all circumstances surrounding prior default(s). _____
 No

37. Does the applicant have taxing authority?
 Yes
 No

38. Provide the last five-years of data showing total taxable assessed valuation including net ad valorem taxes levied, corresponding tax rate (detailing debt service and general purposes), and tax collection rate.

Fiscal Year Ending	Net Taxable Assessed Value (\$)	Tax Rate	General Fund	Interest & Sinking Fund	Tax Levy \$	Percentage Current Collections	Percentage Total Collections
20	N/A						
20							
20							
20							
20							

Comments: _____

39. Attach the last five-years of tax assessed values delineated by Classification (Residential, Commercial and Industrial). **If applicant does not have taxing authority, provide the assessed values of the county.**

- a) 20 attached
- b) 20 attached
- c) 20 attached N/A
- d) 20 attached
- e) 20 attached

40. Attach the direct and overlapping tax rate table:
 Attached tax rate table N/A

41. Provide the current top **TEN** taxpayers showing percentage of ownership to total assessed valuation. State if any are in bankruptcy and explain anticipated prospective impacts in the Comments blank, below. If any of these have changed in the past three years, please provide information on the changes to the top ten.

Taxpayer Name	Assessed Value	Percent of Total	Bankruptcy (Y/N)
	N/A		

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Comments: _____

42. Provide the maximum tax rate permitted by law per \$100 of property value. N/A

43. Does the applicant collect sales tax?

Yes Provide the sales tax collection history for the past five years.

Fiscal Year Ending	Total Collections
20	
20	
20	N/A
20	
20	

No

44. Indicate the tax status of the proposed loan?

Tax-Exempt

Taxable

45. Proforma (**Select one of the four listed below**) Please be sure the proforma reflects the schedule requested, including multi-phased funding options.

a. System revenues are anticipated to be used to repay the proposed debt. Attach a proforma indicating the following information for each year the debt is outstanding:

- projected gross revenues
- operating and maintenance expenditures
- outstanding and proposed debt service requirements
- net revenues available for debt service and coverage of current and proposed debt paid from revenues

b. Taxes are anticipated to be used to repay the proposed debt. Attach a pro forma indicating the following information for each year the debt is outstanding:

- N/A outstanding and proposed debt service requirements
- the tax rate necessary to repay current and proposed debt paid from taxes
- list the assumed collection rate and tax base used to prepare the schedule

c. Combination of system revenues and taxes to be used to repay the proposed debt. Attach a pro forma indicating the following information for each year the debt is outstanding:

- N/A projected gross revenues, operating and maintenance expenditures, net revenues available for debt service
- outstanding and proposed debt service requirements
- the tax rate necessary to pay the current and proposed debt
- list the assumed collection rate and tax base used to prepare the schedule

d. Another type of pledge will be used to repay the proposed debt. Attach a pro forma with information for each year the debt is outstanding, which includes projected revenues, annual expenditures, outstanding debt requirements, and revenues available for debt service.

N/A Attached

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

46. Attach a **FIVE** year comparative system operating statement (not condensed) including audited prior years and an unaudited year-to-date statement. Unaudited year-to-date statement must reflect the financial status for a period not exceeding the latest six months.
 Attached Operating Statement. See Attached Audits.
47. Attach **ONE** copy of an annual audit of financial statements, including the management letter, for the preceding fiscal year prepared by a certified public accountant or firm of accountants and, if the last annual audit was more than 6 months ago, then, provide interim financial information.
 Attached Annual Audit See attachments provided with Part C-46.
 Attached Management Letter
 If applicable, attached interim financial information
48. Does the applicant have any outstanding debt? (Check all that apply)
 Yes, General obligation debt
 Yes, Revenue debt
 Yes, Authorized but unissued debt
 No
49. Attach a listing of total outstanding debt and identify the debt holder. Segregate by type (General Obligation or Revenue) and present a consolidated schedule for each, showing total annual requirements. Note any authorized but unissued debt.
- a. General Obligation Debt:
 Yes
 Attached schedule. The schedule should also identify the debt holder.
 No
- b. Revenue:
 Yes
 Attached schedule. The schedule should also identify the debt holder.
 No
- c. Authorized by Unissued Debt:
 Yes
 Attached schedule. The schedule should also identify the debt holder.
 No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

50. List the ten largest employers of the Applicant's service area:

Name	Number of Employees
Dell, Inc.	11,000
Round Rock ISD	5,800
Leander ISD	4,823
City of Round Rock	918
Emerson Process Management	875
Round Rock Premium Outlets	800
Scott & White Healthcare	750
Round Rock Medical Center	689
Liquidation Channel	600
HEB Grocery	575

Comments (example, any anticipated changes to the tax base, employers etc.) _____

51. Provide any current bond ratings with date received.

	Standard & Poor's	Date Received	Moody's	Date Received	Fitch	Date Received
RR-G.O.	AA+	2/5/2012	Aa1	4/23/2010	N/A	N/A
RR-Revenue	AA+	5/12/2016	Aa2	4/23/2010	N/A	N/A
CP-G.O.	AA+	7/29/2016	Aa2	4/23/2010	N/A	N/A
CP-Revenue	AA+	7/29/2016	N/A	N/A	N/A	N/A
Leander-G.O.	AA-	10/14/2016	Aa2	10/11/2016	N/A	N/A
Leander-Revenue	N/A	N/A	N/A	N/A	N/A	N/A

52. Is the project intended to allow the applicant to provide or receive water or sewer services to or from another entity?

Yes. If yes, the applicant must attach, at a minimum, the proposed agreement, contract, or other documentation establishing the service relationship, with the final and binding agreements provided prior to loan closing.

Attached – Previously provided in Master Agreement in connection with the 2009 Phase 1A project financing.

No.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Part D: Project Information

53. Description of Project Need (for example, is the project needed to address a current compliance issue, avoid potential compliance issues, extend service, expand capacity, etc.):
The Brushy Creek Regional Utility Authority is a regional partnership of the cities of Cedar Park, Round Rock, and Leander. Portions of the regional system have already been constructed. The proposed project includes construction funding for Phase 1C of the regional project. Phase 1A has been completed and Phase 1B is underway. Phase 1C completes Phase 1 of the project as described in Volume 2, page 7.2-11. The project involves an expansion of the floating raw water intake and the water treatment plant from an existing capacity of 17 mgd to 30 mgd. Phase 1C is a critical expansion that will provide necessary conveyance and treatment capacity until Phase 2 of the regional project is completed.
54. Description of Project, including a bulleted list of project elements/components, and alternatives considered (including existing facilities):
The project includes an expansion to the floating raw water intake barge floating raw water barge on Lake Travis improvements to the raw water transmission system, and the addition of a treatment train at the water treatment plant. Specific improvements include the following:
- Floating raw water intake barge with superstructure, bridge crane, and anchoring
 - Three vertical turbine raw water pumps with 700 horsepower motors
 - Raw water pipeline improvements including combination air vacuum valves and tees and valves for future raw water storage tanks
 - A new conventional treatment train at the water treatment plant including raw water metering, rapid mixing, flocculation, sedimentation, and filtration
 - Improvements and upgrades to the existing polymer chemical feed system
 - Residual handling improvements including a new sludge thickener
 - Associated electrical and instrumentation and control improvements

A complete preliminary engineering feasibility data must include:

- a. A description and purpose of the project, including existing facilities.
 - Note: CWSRF and DWSRF must address issues scored in Intended Use Plan submittal
 - Attached – N/A Previously submitted for Phase 1A**
- b. **If project is for Construction only, then attach** the appropriate Engineering Feasibility Report:
 - a) **Water** (TWDB-0555 at <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0555.pdf>)
 Attached – N/A Previously submitted for Phase 1A
Engineering and environmental planning documents for the project have been previously submitted to TWDB during Phase 1A (funded by DFund). These documents included project elements and components for Phase 1C. Construction of this capacity expansion has not changed from the plan outlined in the previously submitted documents.
 - b) **Wastewater** (TWDB-0556 at <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0556.pdf>)
 Attached
- c. DWSRF applicants must complete a Projected Draw Schedule (TWDB-1202 at <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-1202.xls>)

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

55. Water Made Available (For projects requesting a construction component):

a. New supply 7,280 (acre-feet/year) \$16,995,000 (\$) capital cost

- The **increase** in the total annual volume of water supply that will be made available to the recipient(s) by the proposed project.
- Water Plan project examples: new groundwater wells, reservoir development, pipelines to sources.

b. New Conservation savings N/A (acre-feet/year) N/A (\$) capital cost

- Annual volume of anticipated water savings resulting from implementation of the proposed conservation project including water loss) and other conservation activities,
- Water Plan project examples: municipal conservation, advanced Water Conservation, on-farm conservation, brush control, irrigation conservation.

c. New Reuse supply N/A (acre-feet/year) N/A (\$) capital cost

- Increase in the annual volume of (direct or indirect) reuse water supply that will be made available to the recipient(s) by the proposed project.
- Water Plan project examples: direct reuse, non-potable reuse, recycled water programs.

d. Maintenance of Current Supply N/A (acre-feet/year) N/A (\$) capital cost

- Volume of recipients' current supplies that will be maintained by implementing the proposed project
- Water Plan project examples: None. Not a water plan project. (Examples of these type projects: treatment rehabilitation, system storage facilities, system upgrades).

56. Project Location:
Travis and Williamson Counties

Attach a map of the service area and drawings as necessary to locate and describe the project. The map should show the project footprint and major project components.

Attached

57. Attach the Census tract numbers in which the applicant's service area is within. The Census tracts within your area may be found at:

<http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>

Please follow these steps:

- Select Advanced Search.
- Select the Geographies button located below Topics (left side of page).
- On the top of the window select the Name tab.
- In the text box, type "All Census Tracts within___" (Fill in the blank with the name of a County Subdivision or a Place.) Select "Go".
- If your town is a County Subdivision, select the geography labeled "All Census Tracts (or parts) within City, County, State" from the Geography Results. If your

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town is a place select the geography labeled "All Census Tracts (or parts) full-or-partially within City, State" from the Geography Results.

- Close the Geographies Search window.
- Use the Topics on the left side of the page to further refine your search or to select a table(s) from your search results.

Attached Census tracts

58. Project Schedule:

- Requested loan closing date.
October 2017
- Estimated date to submit environmental planning documents.
N/A. Previously submitted with the first phase of the project.
- Estimated date to submit engineering planning documents.
N/A. Previously submitted with the first phase of the project.
- Estimated date for completion of design.
May 2018
- Estimated Construction start date for first contract.
July 2018
- Estimated Construction end date for last contract.
January 2020

59. **Attach** a copy of current and future populations and projected water use or wastewater flows. Include entities to be served.

Attached

60. Attach the most current itemized project cost estimate (include all costs and funding sources). Utilize the budget format provided (TWDB-1201 at <http://www.twdb.texas.gov/financial/instructions/>). If applying for pre-construction costs only (i.e., P, A, D) then itemize only the relevant portions in the attached budget template

Attached

61. Attach the appropriate Project Information Form:

Wastewater: Attached a completed Wastewater Project Information Form WRD-253a <http://www.twdb.texas.gov/financial/instructions/index.asp>

Water: Attached a completed Water Project Information Form WRD-253d <http://www.twdb.texas.gov/financial/instructions/index.asp>

62. If the project is for Construction only, wastewater projects that involve the construction of a new plant or the expansion of an existing plant and/or associated facilities, attach evidence that an application for a new Texas Pollution Discharge Elimination System Permit or amendment to an existing permit related to the proposed project has been filed with the Texas Commission on Environmental Quality (TCEQ). Final permit authorization must be obtained from the TCEQ before funds can be released for construction activities.

Attached

No. Provide explanation: N/A

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

63. If this project will result in: (a) an increase by the applicant in the use of groundwater, (b) drilling a new water well, or (c) an increase by the applicant in use of surface water, then the applicant must demonstrate that it has acquired – by contract, ownership or lease – the necessary property rights, groundwater permits, and/or surface water rights sufficient for the project before funds can be released for construction.

a) Does the applicant currently own all the property rights, groundwater permits and surface water rights needed for this project?

- Yes If yes, please attach the completed, appropriate form.
1. WRD 208A (<http://www.twdb.texas.gov/financial/instructions/index.asp>) (Surface Water)
 - Attached**
 2. WRD 208B (<http://www.twdb.texas.gov/financial/instructions/index.asp>) (Groundwater)
 - Attached**
- No
- N/A

b) If all property rights, groundwater permits, and surface water rights, needed for this project have not yet been acquired, identify the rights and/or permits that will need to be acquired and provide the anticipated date by which the applicant expects to have acquired such rights and/or permits.

Type of Permit Water Right	Entity from which the permit or right must be acquired	Acquired by lease or full ownership	Expected acquisition date	Permit / Water Right ID No.
N/A				

c) List any major permits not identified elsewhere that are necessary for completion of project. Also, list any more necessary minor permits that may involve particular difficulty due to the nature of the proposed project.

Permit	Issuing Entity	Permit Acquired (Y/N)
Plan Approval	Texas Commission on Environmental Quality	N (cannot be acquired until design is completed in 2018)

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

64. Has the applicant obtained all necessary land and easements for the project?

Yes. If yes, attach the site certificate (ED-101 at <http://www.twdb.texas.gov/financial/instructions/index.asp>)
 Attached

No. If no, **fill out the table below** and describe the land or easements that will need to be acquired, provide the anticipated date by which the applicant expects to have the land or easements, and indicate if funding from TWDB is to be used for the acquisition.

Description of Land or Easement Permit	Entity from which the permit or right must be acquired	Acquired by lease or full ownership	Expected acquisition date	To Be Funded by TWDB (Yes/No)

65. Has a Categorical Exclusion (CE), Determination of No Effect (DNE), Finding of No Significant Impact (FONSI), Record of Decision (ROD), or any other environmental determination been issued for this project?

Yes
 Attach a copy of the finding.
 No

66. Is the project potentially eligible for a Categorical Exclusion (CE)/ Determination of No Effect (DNE) because it involves only minor rehabilitation or the functional replacement of existing equipment?

Yes
 No

67. Are there potentially adverse environmental or social impacts that may require mitigation or extensive regulatory agency or public coordination (e.g. known impacts to properties eligible for listing on the National Register of Historic Places; potentially significant public controversy; need for an individual permit from the U.S. Army Corps of Engineers)?

Yes
 If yes, attach additional information
 No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Part E: State Water Implementation Fund for Texas (SWIFT) Applicants Only:

68. Identify the type of SWIFT funding (If more than one funding option is being requested indicate the amount of funding for each):

- | | | |
|-------------------------------------|---------------------|--------------|
| <input type="checkbox"/> | Deferred | \$ |
| <input checked="" type="checkbox"/> | Low Interest Loan | \$16,995,000 |
| <input type="checkbox"/> | Board Participation | \$ |

69. For multi-year funding request or phased commitments, provide a schedule reflecting the closing dates for each loan requested.

Attached – N/A

70. **Notice to SWIFT Applicants:** Texas Water Code Sec. 15.435(h) requires all recipients of financial assistance from the SWIFT to acknowledge any applicable legal obligations in federal law, related to contracting with disadvantaged business enterprises, and state law, related to contracting with historically underutilized businesses. Checking the boxes below serves as this acknowledgement.

As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with any applicable legal obligations in federal law related to contracting with disadvantaged business enterprises.

As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with applicable legal obligations in state law (Texas Government Code Chapter 2161 and Texas Administrative Code Chapter 20, Subchapter B) related to contracting with historically underutilized businesses.

71. Provide drafts of the following documents:

Bond resolution has previously been provided by bond counsel

a. Proposed Bond Ordinance

Attached

b. Private Placement Memorandum

Attached

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Part F: Economically Distressed Programs (EDAP) Applicants Only:

In accordance with TWDB Rules (31 TAC Chapter 363), an application for EDAP will **not** be considered until the County has adopted and is enforcing the Model Subdivision Rules (MSRs) Texas Water Code § 16.343. If the proposed project is within a municipality or its extraterritorial jurisdiction (ETJ), or if the applicant is a municipality, the municipality must also have adopted and be enforcing MSRs.

72. Describe procedures for collecting monthly customer bills (include procedures for collection of delinquent accounts)

73. Is financing being requested for a **wastewater** project?
 Yes If yes, does the applicant have the required resolution/ordinance establishing a mandatory hookup policy?
 Yes. If yes, attach a copy of the resolution/ordinance.
 Attached
 No. If no, explain _____
 No
74. Required documentation for the project area for Preliminary EDAP Eligibility (31 TAC Chapter 363)
 Attached documentation of inadequacy of water and/or wastewater services.
 Attached documentation regarding the financial resources of the residential users in the EDAP area. Census data or documentation regarding median household income should be provided.
 Attached documentation demonstrating existence of a residence in the project area prior to **June 1, 2005**. This could include tax records of residence, dated aerial maps, or, other documentation demonstrating existence of a residence.
75. Has the Department of State Health Services issued a determination stating a public health nuisance exists in the project area?
 Yes If yes, attach a copy of the determination.
 Attached
 No If no determination exists, attach documentation demonstrating a public health nuisance exists in the project area. (*Photographs may be submitted, but they **must** be labeled with location and date when taken. If the soil types are mentioned in the project area as an issue, include soil profile maps*) This documentation will be used by TWDB staff to request a determination from the Department of State Health Services
 Attached
76. Is this project providing new service?
 Yes If yes, attach plats of the affected subdivisions.
 Attached
 No
77. Attach an EDAP Facility Engineering Plan/Scope of Services report that complies with the requirements of WRD-023A. <http://www.twdb.texas.gov/financial/instructions/index.asp>
 Attached

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Part G: CWSRF/DWSRF Applicants Only

Only applicants applying for funding from the CWSRF and DWSRF Programs must complete this section.

Pursuant to Federal Funding Accountability and Transparency Act (FFATA) the applicant is required to obtain a DUNS number that will represent a universal identifier for all federal funding assistance. DUNS numbers can be obtained from Dun and Bradstreet at <http://fedgov.dnb.com/webform/>

78. Applicant's Data Universal Number System (DUNS) Number:
DUNS _____

Pursuant to Federal Funding Accountability and Transparency Act (FFATA) the applicant is required to register with System for Award Management (SAM) and maintain current registration at all times during which the Board loan agreement is active or under consideration by the Board. Register at: <https://sam.gov>.

79. The applicant has registered and will maintain current SAM registration at all times during which a federal subaward is active or under consideration by the Board.
 Yes
 No

80. Federal Awards information:

1. Did applicant receive over 80% of their revenue from Federal Awards last year?

Yes
 No

2. Did applicant receive over \$25 million in Federal Awards last year?

Yes
 No

3. Public does not have access to executive compensation information via SEC or IRS reports?

Yes
 No

81. If applicant checked **YES** to **ALL** three boxes in 3 above, applicant is required to disclose the name and compensation of the five most highly compensated officers.

Officer's Name	Officer's Compensation (\$)

82. Complete form WRD 213 (<http://www.twdb.texas.gov/financial/instructions/index.asp>) - Certification Regarding Lobbying

Attached Yes
 No
 N/A

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

83. If applying for CWSRF Equivalency or DWSRF, **attach** the Certification Regarding Debarment, Suspension and Other Responsibility. SRF-404
(<http://www.twdb.texas.gov/financial/instructions/doc/SRF-404.pdf>)

Attached Yes
 No
 N/A

84. If applying for CWSRF Equivalency or DWSRF, **attach** the Assurances – Construction Programs. EPA-424D (<http://www.twdb.texas.gov/financial/doc/EPA-424D.pdf>)

Attached Yes
 No
 N/A

85. The applicant must comply with the Davis-Bacon Act regarding prevailing wage rates. The applicant acknowledges that they are aware of, and will abide by, the Davis-Bacon Act requirements.

Yes
 No

Further information on the Davis-Bacon requirement is available through the TWDB Guidance document, DB-0156 (<http://www.twdb.texas.gov/financial/instructions/index.asp>)

All project costs funded by the TWDB through CWSRF Equivalency or DWSRF must comply with the federal Disadvantaged Business Enterprise (DBE) program rules and requirements. The federal DBE program requires a good faith effort to contract with DBE's for all procurements including: professional and non-professional consulting services, equipment, supplies and construction to be funded by federal equivalency dollars. Guidance and forms are found at:

TWDB-0210 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0210.pdf>)

86. **At a minimum, you must complete and attach** the Applicant Affirmative Steps Certification and Goals. This form is required to obtain a financial assistance commitment.

TWDB-0215 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0215.pdf>)

Attached Yes
 No

87. If you have already solicited contractors, complete and attach the Affirmative Steps Solicitation Report. This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-216 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0216.pdf>)

Attached Yes
 No
 N/A

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

88. If you have awarded contracts to contractors, complete and attach the Loan/Grant Participation Summary. This form must be submitted for review prior to loan closing and release of funds. This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-0373 (<http://www.twdb.texas.gov/financial/doc/TWDB-0373.pdf>)

Attached Yes
 No
 N/A

89. All Contractors that have been awarded will need to complete and attach the Prime Contractor Affirmative Steps Certification and Goals This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-217 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0217.pdf>)

Attached Yes
 No
 N/A

90. **All CWSRF applicants** must be a Designated Management Agency (DMA) for wastewater collection and treatment. Please complete and attach DMA resolutions. WRD-210 (<http://www.twdb.texas.gov/financial/doc/WRD-210.pdf>) is an example of this type of resolution.

 Attached
 N/A

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Part H: Documentation of "Green" Projects and Project Components
CWSRF and DWSRF Applicants Only

All SRF applicants must complete this section if green benefits are all or part of the project (more than an incidental benefit). Project is defined as the entire project or a stand-alone component of the project. This section is required so that the TWDB may determine whether the project qualifies as "green" pursuant to Environmental Protection Agency (EPA) Guidance.

A project (or project component) is "green" if the primary purpose qualifies under EPA Guidance as one of the following:

- a. Green Infrastructure,
- b. Water Efficiency-related,
- c. Energy Efficiency-related, or
- d. Environmentally Innovative.

You must use the Green Project Reserve guidance to complete this section. Current guidance may be found at: **Green Project Reserve: Guidance for determining project eligibility**
TWDB-0161 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0161.pdf>)

91. Does your project or a component of your project qualify as Green, per EPA guidance?
 Yes
 No

If Yes, Please complete the remainder of Section G.

92. Type of Green Project
 Water Efficiency Energy Efficiency Green Infrastructure Environmentally Innovative

93. The correct worksheets must be completed.
Green Project Reserve: CWSRF Green Project Worksheets
TWDB-0162 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0162.pdf>)
Attached Yes
 No
 N/A

- Green Project Reserve: DWSRF Green Project Worksheets**
TWDB-0163 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0163.pdf>)
Attached Yes
 No
 N/A

TWDB will make the final determination whether your project (or project component) meets federal criteria as "green". You may be required to submit a **business case, utilizing the Green guidance**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Part I: Summary of attachments to application

Following is a list of the documents that may be necessary in order to process this application. While not all of the listed information below may be required for all projects, an applicant should review the application carefully because incomplete applications will not be processed until all of this information has been provided. In addition, please make sure your entity system name appears on every attachment. **Label each attachment with the number of the pertinent application section (i.e. "Part B5").**

Check list for your convenience

Part A

- No. 6
- No. 12

General Information

Draft or executed consulting contracts (engineering, financial advisor, bond counsel)
Existing security document for refinancing

Part B

- No. 17
- No. 18
- No. 19
- No. 20

Legal

Resolution (TWDB-0201A)
Application Affidavit (TWDB-0201)
Certificate of Secretary (TWDB-201B)
Water Supply Corporations

- Articles of Incorporation
- Certificate of incorporation from the Texas Secretary of State
- By-laws and any amendments
- Certificate of status from the Texas Secretary of State
- Certificate of account status from Texas Comptroller

- No. 21
- No. 22
- No. 23
- No. 24
- No. 25
- No. 26

Resolution/ordinance authorizing the issuance of parity debt
Certificate of Convenience & Necessity
Enforcement Actions
Affidavit of No Objection
Two copies of the Water Conservation Plan (TWDB-1968 and TWDB-1965)
Water use surveys

- No. 27

Water Loss Audit
<http://www.twdb.texas.gov/waterplanning/waterusesurvey/index.asp>
<http://www.twdb.texas.gov/conservation/resources/waterloss-resources.asp>

Part C

- No. 39
- No. 40
- No. 45
- No. 46
- No. 47
- No. 49
- No. 52

Financial

Assessed Values by Classifications
Direct and Overlapping Tax Table
Proforma for each year of debt outstanding
Five year comparative system operating statement.
Annual audit and management letter
Outstanding debt schedule
Service provider contracts

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Part D

Project Information

- No. 54a Preliminary Engineering Feasibility Data (PEFD)
- No. 54b Engineering Feasibility Report
 - Water (TWDB-0555)
 - Wastewater (TWDB-0556)
- No. 54c Project Draw Schedule (TWDB-1202)
- No. 56 Project Map
- No. 57 Census Tract(s)
- No. 59 Current and future populations and projected water use or wastewater flows
- No. 60 Project Cost Estimate Budget (TWDB-1201)
- No. 61 Wastewater Project Information Form (WRD-253a)
Water Project Information Form (WRD-253d)
- No. 62 Texas Pollution Discharge Elimination System Permit
- No. 63 If applicant has property rights and permits
 - a. WRD-208A (Surface Water)
 - b. WRD-208B (Groundwater)
- No. 63c Additional Permits
- No. 64 Site certificate, evidencing land ownership for the project. (ED-101)
- No. 65 Categorical Exclusion (CE), Finding of No Significant Impact (FONSI), Record of Decision or any other supporting document
- No. 67 Social or environmental issues

Part E

State Water Implementation Fund for Texas

- No. 69 Multi-year/phased commitment schedule
- No. 71a Draft Bond Ordinance
- No. 71b Private Placement Memorandum

Part F

Economically Distressed Areas Program

- No. 73 Resolution/ordinance establishing a mandatory hookup policy
- No. 74 EDAP applicants
 - Inadequacy documentation
 - Financial resources documentation
 - Existence of residences prior to 06/01/2005
- No. 75 Public health nuisance
- No. 76 Plats
- No. 77 EDAP Planning Phase – Facility Engineering Plan/Scope of Services (WRD-023A)

Part G

CWSRF/DWSRF Applicants Only

- No. 82 Lobbying Activities (WRD-213)
- No. 83 Certification Regarding Debarment, Suspension and Other Responsibility Requirements. (SRF-404)
- No. 84 Assurances – Construction Programs (EPA-424D)
Disadvantaged Business Requirements Guidance (TWDB-0210)
- No. 86 Affirmative Steps Certification and Goals (TWDB-0215)
- No. 87 Affirmative Steps Solicitation Report (TWDB-216)
- No. 88 Loan/ Grant Participation Summary (TWDB-0373)
- No. 89 Prime Contractor Affirmative Steps Certification and Goals (TWDB-217)
- No. 90 Designated Management Agency (WRD-210)

Part H

Green Projects

- No. 93 Guidance (TWDB-0161)
CWSRF Green Project Worksheets (TWDB-0162)
DWSRF Green Project Worksheets (TWDB-0163)

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Part J: Guidance and Forms

Part A

General Information

CWSRF – 31 TAC 375

DWSRF – 31 TAC 371

EDAP and SWIFT - 31 TAC 363

For more information visit, <http://www.twdb.texas.gov/about/rules/index.asp>.

Part D

Project Information

[State Programs - 31 TAC 363](#)

[Drinking Water State Revolving Fund - 31 TAC 371](#)

[Clean Water State Revolving Fund / Equivalency - 31 TAC 375](#)

[Clean Water State Revolving Fund / Non-Equivalency - 31 TAC 375](#)

Guidelines for Environmental Assessment, Clean Water Non-Equivalency (ED-001A)

Clean Water EID Instructions (SRF-099)

Guidelines for Environmental Assessment, State Participation, DFund, RWF and WIF,
(ED-001B)

Guidelines for Environmental Assessment, EDAP (ED-001C)

Drinking Water EID Instructions (DW-001)

Part H

Green Projects and Project Components

Green Project Reserve: Guidance for determining project eligibility
(TWDB-0161)

RESOLUTION NO. R-17-02-15-8B

WHEREAS, the Brushy Creek Regional Utility Authority, Inc. (BCRUA) desires to retain professional bond counsel services related to the issuance of City of Leander's proposed refunding bonds or other financing; and

WHEREAS, the firm of Bickerstaff Heath Delgado Acosta LLP has submitted an engagement letter to provide said services; and

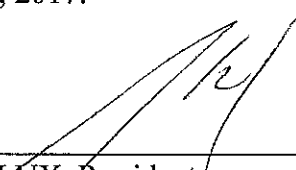
WHEREAS, the BCRUA wishes to enter into an engagement letter with Bickerstaff Heath Delgado Acosta LLP, Now Therefore

BE IT RESOLVED BY THE BRUSHY CREEK REGIONAL UTILITY AUTHORITY,

That the Board President is hereby authorized and directed to execute on behalf of the BCRUA an engagement letter with Bickerstaff Heath Delgado Acosta LLP, a copy of same being attached hereto as Exhibit "A" and incorporated herein for all purposes.

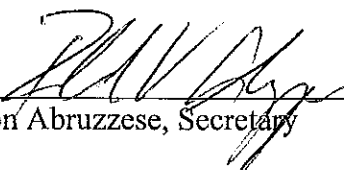
The Board hereby finds and declares that written notice of the date, hour, place and subject of the meeting at which this Resolution was adopted was posted and that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof were discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended.

RESOLVED this 15th day of February, 2017.



JOHN LUX, President
Brushy Creek Regional Utility Authority

ATTEST:



Ron Abruzzese, Secretary

Part A-6 Bond Counsel Engagement Letter

LAW OFFICES

M^cCALL, PARKHURST & HORTON L.L.P.

717 NORTH HARWOOD
SUITE 900
DALLAS, TEXAS 75201-6587
TELEPHONE: 214 754-9200
FACSIMILE: 214 754-9250

600 CONGRESS AVENUE
SUITE 1800
AUSTIN, TEXAS 78701-3248
TELEPHONE: 512 478-3805
FACSIMILE: 512 472-0871

700 N. ST. MARY'S STREET
SUITE 1525
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: 210 225-2800
FACSIMILE: 210 225-2984

_____, 2017

Board of Directors
Brushy Creek Regional Utility Authority, Inc.

Dear Ladies and Gentlemen:

This engagement letter will outline our proposed services as Bond Counsel to the Brushy Creek Regional Utility Authority, Inc. (the "Authority") in connection with the issuance of bonds, notes or other obligations by the Authority for the City of [City] and our understanding of the compensation therefor (the "Matter").

SERVICES

We will perform all usual and necessary legal services as Bond Counsel. Specifically, we will prepare and direct legal proceedings and perform other necessary legal services with reference to the formation of the Authority, preparation and review of financing contracts, and authorization, sale, and delivery of the Authority's bonds, notes or other obligations referenced above (for convenience hereafter collectively referred to as "bonds"), including the following:

1. consultation with the Authority's Board (the "Board"), as appropriate, and any advisors in planning for the bond issue, including consultations concerning federal tax considerations;
2. preparation of all contracts, resolutions, trust indentures, and other instruments pursuant to which bonds will be authorized, secured, sold and delivered in consultation with the Board's General Counsel, financial advisors, the underwriters and their counsel and any officials and consultants thereof;

3. attendance at meetings of the Board, as appropriate, and with other representatives thereof to the extent required or requested with reference to the creation of the Authority and authorization and issuance of the bonds;
4. preparation of all documents necessary to seek the approval of the Attorney General of Texas and the submission of such documents to the Attorney General for approval and to the Comptroller of Public Accounts for registration of the bonds as required by law;
5. supervision of the printing and execution of the bonds and the delivery thereof to the initial purchaser of the bonds;
6. rendering our nationally accepted opinions covering the validity of the bonds under Texas law and tax status of the interest thereon under federal income tax laws; and
7. preparation of a transcript of all proceedings in connection with the issuance of the bonds.

The foregoing legal services as Bond Counsel do not include any direct responsibility for litigation of any kind. However, if during the issuance of the bonds any litigation should develop regarding the issuance of the bonds or the provisions made for their payment or security, we will consult, advise and cooperate with General Counsel to the Board concerning any such litigation. Our fees for such services would be based upon an hourly rate of \$300 an hour.

In addition, our services as Bond Counsel do not include any direct responsibility for the "disclosure obligations" owed to the investing public under the federal securities laws and the various state securities laws. We will not be responsible for the preparation of any Official Statement and will not assume any responsibility with respect thereto nor undertake independently to verify any of the information therein, except that, in our capacity as Bond Counsel, we will review various statements in any Official Statement to verify that such statements conform to the provisions of the legal instruments and documents therein described.

The firm will undertake upon the request of the Board such services as may be necessary to assist the Authority in satisfying the continuing disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission. Our fees for such services would be based upon an hourly billing rate of \$300 per hour. Should it be necessary for the firm to render a written opinion with respect to any matters relating to the compliance by the Authority with the ongoing disclosure or other compliance requirements of Rule 15c2-12, such fee for legal services provided in connection with the delivery of the opinion will be set at an amount agreed upon by us and the Authority.

Our services as Bond Counsel do not include any responsibility for investigating the financial condition and affairs of the Authority. Our approving legal opinion as Bond Counsel will contain a paragraph substantially to the effect that we have acted as Bond Counsel for the Authority for the sole purpose of rendering an opinion with respect to the legality and validity of the bonds under the Constitution and laws of the State of Texas, and with respect to the exemption of the interest on the bonds from federal income taxes, and for no other reason or purpose. The paragraph will also disclose that we have not been requested to investigate or verify, and have not investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Authority, and have not assumed any responsibility with respect thereto.

COOPERATION

To enable us effectively to perform the services contemplated, it is essential that you disclose fully and accurately all facts and keep us apprised of all developments relating to the Matter. You have agreed to cooperate fully with us and to make your representatives available to attend meetings, conferences, hearings, and other proceedings.

CLIENT DOCUMENTS

We will maintain all documents you furnish us in our client files for the Matter. At the conclusion of the Matter (or earlier if appropriate), it is your obligation to advise us as to which, if any, of the documents in our files you wish us to return to you. We may keep copies thereof to the extent we believe advisable for our records. We will retain any remaining documents in our files for a certain period of time and ultimately destroy them in accordance with our record retention program schedule then in effect.

STANDARDS OF PROFESSIONALISM AND ATTORNEY COMPLAINT INFORMATION

In performing services under this Agreement, we agree to comply with all applicable state and federal laws.

Pursuant to rules promulgated by the Texas Supreme Court and the State Bar of Texas, we are to advise clients that the State Bar of Texas investigates and prosecutes complaints of professional misconduct against attorneys licensed in Texas. A brochure entitled *Attorney Complaint Information* is available at all of our Texas offices and is likewise available upon request. A client that has any questions about State Bar's disciplinary process should call the Office of the General Counsel of the State Bar of Texas at 1-800-932-1900 toll free.

CONFLICTS OF INTERESTS

You understand that the firm represents many investment banking firms, commercial banks, and other parties to public finance transactions from time to time in connection with other issues, including the Authority's financial advisors and potential underwriters for your bonds, and you do not object to our continued representation (in connection with other issues) of any such party with respect to which you choose to do business in connection with issuance of the bonds, since doing so is how we are able to gain the experience we need to represent you effectively. If a controversy arises between you and any other client of the firm, the firm, after taking into account the rules of professional ethics applicable to it, may decline to represent either you or such other client or both you and such other client.

COMPENSATION

We propose a fee of 0.20% of the principal amount of bonds issued with a minimum fee of \$15,000. Any fees for refundings or more complicated financing structures utilizing variable rate bonds or SWAPs or similar instruments will be negotiated at that time. Our bond counsel fee is contingent upon the issuance of any bonds.

In addition, for certain complex transactions, including financings through a program funded by the United States Department of Agriculture, the Texas Water Development Board or a similar agency or entity, our fee will be a minimum of \$17,500 for up to the first \$1,000,000 in principal amount, plus \$5 per each \$1,000 in principal amount from \$1,000,000 to \$5,000,000, and plus \$2 per each \$1,000 in principal amount over \$5,000,000.

We also expect to be reimbursed for all normal, actual out-of-pocket expenses incurred (such as travel, communications, reproduction and delivery service) in connection with the services performed. Since the work for the Authority will be performed by attorneys in the Austin office, it is not anticipated that travel expenses will be incurred; however, in the event travel is necessary it will not be undertaken without prior approval by the Board. Copying charges are normally twenty cents a page. Large copying orders are sometimes subcontracted out, in which case the actual charges are billed.

TERMINATION

This engagement may be terminated by either party upon thirty (30) days written notice; provided, however, if the Board exercises the early termination, the Authority shall pay Bond Counsel all fees and expenses accrued to the date of such termination. There shall not be individual liability on any member of the Board, or other official of the Authority, for the payment of any amounts due hereunder.

If the Board finds this proposal to be satisfactory, we ask that a copy of this letter be signed and returned to us for our files. We look forward to working with the Authority.

Respectfully submitted,

McCall, Parkhurst & Horton L.L.P.

Richard S. Donoghue

Brushy Creek RUA
_____, 2017

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The foregoing agreement is hereby accepted on behalf of the Brushy Creek Regional Utility Authority, Inc.

Date: _____

By: _____

Title: _____

Part A-6 Engineer Draft Contract



BRUSHY CREEK REGIONAL UTILITY AUTHORITY CONTRACT FOR ENGINEERING SERVICES

FIRM: WALKER PARTNERS ("Engineer")
ADDRESS: 6850 Austin Center Boulevard, Suite 150, Austin, TX 78731
PROJECT: Phase 1C Water Treatment Plant Expansion and Phase 2 Land Rights
and Stakeholder Coordination

THE STATE OF TEXAS §
§
COUNTY OF WILLIAMSON §

THIS CONTRACT FOR ENGINEERING SERVICES ("Contract") is made and entered into on this the ____ day of _____, 2017 by and between the BRUSHY CREEK REGIONAL UTILITY AUTHORITY, a Texas local government corporation, whose offices are located at 221 East Main Street, Round Rock, Texas 78664-5299, (hereinafter referred to as "BCRUA"), and Engineer, and such Contract is for the purpose of contracting for professional engineering services.

RECITALS:

WHEREAS, V.T.C.A., Government Code §2254.002(2)(A)(vii) under Subchapter A entitled "Professional Services Procurement Act" provides for the procurement by municipalities of services of professional engineers; and

WHEREAS, BCRUA and Engineer desire to contract for such professional engineering services; and

WHEREAS, BCRUA and Engineer wish to document their agreement concerning the requirements and respective obligations of the parties;

NOW, THEREFORE, WITNESSETH:

That for and in consideration of the mutual promises contained herein and other good and valuable considerations, and the covenants and agreements hereinafter contained to be kept and performed by the respective parties hereto, it is agreed as follows:

CONTRACT DOCUMENTS

The Contract Documents consist of this Contract and any exhibits attached hereto (which exhibits are hereby incorporated into and made a part of this Contract) and all Supplemental Contracts (as defined herein in Article 13) which are subsequently issued. These form the entire contract, and all are as fully a part of this Contract as if attached to this Contract or repeated herein.

ARTICLE 1 BCRUA SERVICES

BCRUA shall perform or provide services as identified in Exhibit A entitled “BCRUA Services.”

ARTICLE 2 ENGINEERING SERVICES

Engineer shall perform Engineering Services as identified in Exhibit B entitled “Engineering Services.” As described in Exhibit B, Engineering Services are divided into two major work efforts, *Phase 1C Water Treatment Plant (WTP) Expansion* and *Phase 2 Land Rights and Stakeholder Coordination*.

Engineer shall perform the Engineering Services in accordance with the Work Schedule as identified in Exhibit C entitled “Work Schedule.” Such Work Schedule shall contain a complete schedule so that the Engineering Services under this Contract may be accomplished within the specified time and at the specified cost. The Work Schedule shall provide specific work sequences and definite review times by BCRUA and Engineer of all Engineering Services. Should the review times or Engineering Services take longer than shown on the Work Schedule, through no fault of Engineer, Engineer may submit a timely written request for additional time, which shall be subject to the approval of the General Manager.

ARTICLE 3 CONTRACT TERM

(1) Term. The Engineer is expected to complete the Engineering Services described herein in accordance with the above described Work Schedule. If Engineer does not perform the Engineering Services in accordance with the Work Schedule, then BCRUA shall have the right to terminate this Contract as set forth below in Article 20. So long as the BCRUA elects not to terminate this Contract, it shall continue from day to day until such time as the Engineering Services are completed. Any Engineering Services performed or costs incurred after the date of termination shall not be eligible for reimbursement. Engineer shall notify BCRUA in writing as soon as possible if he/she/it determines, or reasonably anticipates, that the Engineering Services will not be completed in accordance with the Work Schedule.

(2) Work Schedule. Engineer acknowledges that the Work Schedule is of critical importance, and agrees to undertake all necessary efforts to expedite the performance of Engineering Services required herein so that construction of the project will be commenced and completed as scheduled. In this regard, and subject to adjustments in the Work Schedule as provided in Article 2 herein, Engineer

shall proceed with sufficient qualified personnel and consultants necessary to fully and timely accomplish all Engineering Services required under this Contract in a professional manner.

(3) Notice to Proceed. After execution of this Contract, Engineer shall not proceed with Engineering Services until authorized in writing by BCRUA to proceed as provided in Article 7.

ARTICLE 4 **COMPENSATION**

BCRUA shall pay and Engineer agrees to accept the amount shown below as full compensation for the Engineering Services performed and to be performed under this Contract.

(1) Phase 1C Water Treatment Plant (WTP) Expansion

The amount payable for Phase 1C Engineering Services under this Contract, without modification of the Contract as provided herein, is the sum of One Million Seven Hundred Sixty-Three Thousand Nine Hundred and No/100 Dollars (\$1,763,900.00) as shown in Exhibit D. The lump sum amount payable shall be revised equitably only by written Supplemental Contract in the event of a change in Engineering Services as authorized by BCRUA.

Engineer shall prepare and submit to BCRUA monthly progress reports in sufficient detail to support the progress of the Engineering Services and to support invoices requesting monthly payment. Any preferred format of BCRUA for such monthly progress reports shall be identified in Exhibit B. Satisfactory progress of Engineering Services shall be an absolute condition of payment.

The fee herein referenced may be adjusted for additional Engineering Services requested and performed only if approved by written Supplemental Contract.

(2) Phase 2 Land Rights and Stakeholder Coordination

Engineer shall be paid for Phase 2 Engineering Services on the basis of actual hours worked by employees performing work associated with this Contract, in accordance with the Fee Schedule attached hereto as Exhibit D. Payment of monies due for the Engineer's subconsultant's services shall be based on the actual amount billed to the Engineer by the subconsultant. Payment of monies due for direct cost expenses shall be based on the actual costs.

The maximum amount payable for Phase 2 Engineering Services under this Contract, without modification of this Contract as provided herein, is the sum of Two Million Twelve Thousand Six Hundred and No/100 Dollars, (\$2,012,600.00). Engineer shall prepare and submit to City monthly progress reports in sufficient detail to support the progress of the work and to support invoices requesting monthly payment. Any preferred format of City for such monthly progress reports shall be identified in Exhibit B entitled "Engineering Services". Satisfactory progress of work shall be an absolute condition of payment.

The maximum amount payable herein may be adjusted for additional work requested and performed only if approved by written Supplemental Agreement.

ARTICLE 5
METHOD OF PAYMENT

Payments to Engineer shall be made while Engineering Services are in progress. Engineer shall prepare and submit to BCRUA, not more frequently than once per month, a progress report as referenced in Article 4 above. Such progress report shall state the percentage of completion of Engineering Services accomplished during that billing period and to date. Simultaneous with submission of such progress report, Engineer shall prepare and submit one (1) original and one (1) copy of a certified invoice in a form acceptable to BCRUA. This submittal shall also include a progress assessment report in a form acceptable to BCRUA.

Progress payments shall be made in proportion to the percentage of completion of Engineering Services identified in Exhibit D. Progress payments shall be made by BCRUA based upon Engineering Services actually provided and performed. Upon timely receipt and approval of each statement, BCRUA shall make a good faith effort to pay the amount which is due and payable within thirty (30) days. BCRUA reserves the right to withhold payment pending verification of satisfactory Engineering Services performed. Engineer has the responsibility to submit proof to BCRUA, adequate and sufficient in its determination, that tasks were completed.

The certified statements shall show the total amount earned to the date of submission and shall show the amount due and payable as of the date of the current statement. Final payment does not relieve Engineer of the responsibility of correcting any errors and/or omissions resulting from his/her/its negligence.

ARTICLE 6
PROMPT PAYMENT POLICY

In accordance with Chapter 2251, V.T.C.A., Texas Government Code, payment to Engineer will be made within thirty (30) days of the day on which the performance of services was complete, or within thirty (30) days of the day on which BCRUA receives a correct invoice for services, whichever is later. Engineer may charge a late fee (fee shall not be greater than that which is permitted by Texas law) for payments not made in accordance with this prompt payment policy; however, this policy does not apply in the event:

- A. There is a bona fide dispute between BCRUA and Engineer concerning the supplies, materials, or equipment delivered or the services performed that causes the payment to be late; or
- B. The terms of a federal contract, grant, regulation, or statute prevent BCRUA from making a timely payment with federal funds; or
- C. There is a bona fide dispute between Engineer and a subcontractor or between a subcontractor and its supplier concerning supplies, materials, or equipment delivered or the Engineering Services performed which causes the payment to be late; or
- D. The invoice is not mailed to BCRUA in strict accordance with instructions, if any, on the purchase order, or this Contract or other such contractual agreement.

BCRUA shall document to Engineer the issues related to disputed invoices within ten (10) calendar days of receipt of such invoice. Any non-disputed invoices shall be considered correct and payable per the terms of Chapter 2251, V.T.C.A., Texas Government Code.

ARTICLE 7
NOTICE TO PROCEED

The Engineer shall not proceed with any task listed on Exhibit B until the BCRUA has issued a written Notice to Proceed regarding such task. The BCRUA shall not be responsible for work performed or costs incurred by Engineer related to any task for which a Notice to Proceed has not been issued.

ARTICLE 8
PROJECT TEAM

BCRUA's Designated Representative for purposes of this Contract is as follows:

Tom Gallier
General Manager
221 E. Main Street
Round Rock, TX 78664
Cell Number (512) 788-2036
Fax Number (512) 218-7097
Email Address tgallier@bcrua.org

BCRUA's Designated Representative shall be authorized to act on BCRUA's behalf with respect to this Contract. BCRUA or BCRUA's Designated Representative shall render decisions in a timely manner pertaining to documents submitted by Engineer in order to avoid unreasonable delay in the orderly and sequential progress of Engineering Services.

Engineer's Designated Representative for purposes of this Contract is as follows:

Aaron Archer, P.E.
Project Manager
6850 Austin Center Boulevard, Suite 150
Austin, TX 78731
Telephone Number (512) 382-0021
Email Address aarcher@walkerpartners.com

ARTICLE 9
PROGRESS EVALUATION

Engineer shall, from time to time during the progress of the Engineering Services, confer with BCRUA at BCRUA's election. Engineer shall prepare and present such information as may be pertinent and necessary, or as may be requested by BCRUA, in order for BCRUA to evaluate features of the

Engineering Services. At the request of BCRUA or Engineer, conferences shall be provided at Engineer's office, the offices of BCRUA, or at other locations designated by BCRUA. When requested by BCRUA, such conferences shall also include evaluation of the Engineering Services.

Should BCRUA determine that the progress in Engineering Services does not satisfy the Work Schedule, then BCRUA shall review the Work Schedule with Engineer to determine corrective action required.

Engineer shall promptly advise BCRUA in writing of events which have or may have a significant impact upon the progress of the Engineering Services, including but not limited to the following:

- (1) Problems, delays, adverse conditions which may materially affect the ability to meet the objectives of the Work Schedule, or preclude the attainment of project Engineering Services units by established time periods; and such disclosure shall be accompanied by statement of actions taken or contemplated, and BCRUA assistance needed to resolve the situation, if any; and
- (2) Favorable developments or events which enable meeting the Work Schedule goals sooner than anticipated.

ARTICLE 10 **SUSPENSION**

Should BCRUA desire to suspend the Engineering Services, but not to terminate this Contract, then such suspension may be effected by BCRUA giving Engineer thirty (30) calendar days' verbal notification followed by written confirmation to that effect. Such thirty-day notice may be waived in writing by agreement and signature of both parties. The Engineering Services may be reinstated and resumed in full force and effect within sixty (60) days of receipt of written notice from BCRUA to resume the Engineering Services. Such sixty-day notice may be waived in writing by agreement and signature of both parties. If this Contract is suspended for more than thirty (30) days, Engineer shall have the option of terminating this Contract.

If BCRUA suspends the Engineering Services, the contract period as determined in Article 3, and the Work Schedule, shall be extended for a time period equal to the suspension period.

BCRUA assumes no liability for Engineering Services performed or costs incurred prior to the date authorized by BCRUA for Engineer to begin Engineering Services, and/or during periods when Engineering Services is suspended, and/or subsequent to the contract completion date.

ARTICLE 11 **ADDITIONAL ENGINEERING SERVICES**

If Engineer forms a reasonable opinion that any work he/she/it has been directed to perform is beyond the scope of this Contract and as such constitutes extra work, he/she/it shall promptly notify BCRUA in writing. In the event BCRUA finds that such work does constitute extra work and exceeds

the maximum amount payable, BCRUA shall so advise Engineer and a written Supplemental Contract will be executed between the parties as provided in Article 13. Engineer shall not perform any proposed additional work nor incur any additional costs prior to the execution, by both parties, of a written Supplemental Contract. BCRUA shall not be responsible for actions by Engineer nor for any costs incurred by Engineer relating to additional work not directly associated with the performance of the Engineering Services authorized in this Contract or any amendments thereto.

ARTICLE 12
CHANGES IN ENGINEERING SERVICES

If BCRUA deems it necessary to request changes to previously satisfactorily completed Engineering Services or parts thereof which involve changes to the original Engineering Services or character of Engineering Services under this Contract, then Engineer shall make such revisions as requested and as directed by BCRUA. Such revisions shall be considered as additional Engineering Services and paid for as specified under Article 11.

Engineer shall make revisions to Engineering Services authorized hereunder as are necessary to correct errors appearing therein, when required to do so by BCRUA. No additional compensation shall be due for such Engineering Services.

ARTICLE 13
SUPPLEMENTAL CONTRACTS

The terms of this Contract may be modified by written Supplemental Contract if BCRUA determines that there has been a significant change in (1) the scope, complexity or character of the Engineering Services, or (2) the duration of the Engineering Services. Any such Supplemental Contract must be duly authorized by the BCRUA. Engineer shall not proceed until the Supplemental Contract has been executed. Additional compensation, if appropriate, shall be identified as provided in Article 4.

It is understood and agreed by and between both parties that Engineer shall make no claim for extra work done or materials furnished until the BCRUA authorizes full execution of the written Supplemental Contract and authorization to proceed. BCRUA reserves the right to withhold payment pending verification of satisfactory Engineering Services performed.

ARTICLE 14
OWNERSHIP OF DOCUMENTS

All data, basic sketches, charts, calculations, plans, specifications, and other documents created or collected under the terms of this Contract are the exclusive property of BCRUA and shall be furnished to BCRUA upon request. All documents prepared by Engineer and all documents furnished to Engineer by BCRUA shall be delivered to BCRUA upon completion or termination of this Contract. Engineer, at its own expense, may retain copies of such documents or any other data which it has furnished BCRUA under this Contract.

ARTICLE 15
PERSONNEL, EQUIPMENT AND MATERIAL

Engineer shall furnish and maintain, at its own expense, quarters for the performance of all Engineering Services, and adequate and sufficient personnel and equipment to perform the Engineering Services as required. All employees of Engineer shall have such knowledge and experience as will enable them to perform the duties assigned to them. Any employee of Engineer who, in the opinion of BCRUA, is incompetent or whose conduct becomes detrimental to the Engineering Services shall immediately be removed from association with the project when so instructed by BCRUA. Engineer certifies that it presently has adequate qualified personnel in its employment for performance of the Engineering Services required under this Contract, or will obtain such personnel from sources other than BCRUA. Engineer may not change the Project Manager without prior written consent of BCRUA.

ARTICLE 16
SUBCONTRACTING

Engineer shall not assign, subcontract or transfer any portion of the Engineering Services under this Contract without prior written approval from BCRUA. All subcontracts shall include the provisions required in this Contract and shall be approved as to form, in writing, by BCRUA prior to Engineering Services being performed under the subcontract. No subcontract shall relieve Engineer of any responsibilities under this Contract.

ARTICLE 17
EVALUATION OF ENGINEERING SERVICES

BCRUA, or any authorized representatives of it, shall have the right at all reasonable times to review or otherwise evaluate the Engineering Services performed or being performed hereunder and the premises on which it is being performed. If any review or evaluation is made on the premises of Engineer or a subcontractor, then Engineer shall provide and require its subcontractors to provide all reasonable facilities and assistance for the safety and convenience of BCRUA or other representatives in the performance of their duties.

ARTICLE 18
SUBMISSION OF REPORTS

All applicable study reports shall be submitted in preliminary form for approval by BCRUA before any final report is issued. BCRUA's comments on Engineer's preliminary reports shall be addressed in any final report.

ARTICLE 19
VIOLATION OF CONTRACT TERMS/BREACH OF CONTRACT

Violation of contract terms or breach of contract by Engineer shall be grounds for termination of this Contract, and any increased costs arising from Engineer's default, breach of contract, or violation of contract terms shall be paid by Engineer.

ARTICLE 20 **TERMINATION**

This Contract may be terminated as set forth below.

- (1) By mutual agreement and consent, in writing, of both parties.
- (2) By BCRUA, by notice in writing to Engineer, as a consequence of failure by Engineer to perform the Engineering Services set forth herein in a satisfactory manner.
- (3) By either party, upon the failure of the other party to fulfill its obligations as set forth herein.
- (4) By BCRUA, for reasons of its own and not subject to the mutual consent of Engineer, upon not less than thirty (30) days' written notice to Engineer.
- (5) By satisfactory completion of all Engineering Services and obligations described herein.

Should BCRUA terminate this Contract as herein provided, no fees other than fees due and payable at the time of termination shall thereafter be paid to Engineer. In determining the value of the Engineering Services performed by Engineer prior to termination, BCRUA shall be the sole judge. Compensation for Engineering Services at termination will be based on a percentage of the Engineering Services completed at that time. Should BCRUA terminate this Contract under Subsection (4) immediately above, then the amount charged during the thirty-day notice period shall not exceed the amount charged during the preceding thirty (30) days.

If Engineer defaults in the performance of this Contract or if BCRUA terminates this Contract for fault on the part of Engineer, then BCRUA shall give consideration to the actual costs incurred by Engineer in performing the Engineering Services to the date of default, the amount of Engineering Services required which was satisfactorily completed to date of default, the value of the Engineering Services which are usable to BCRUA, the cost to BCRUA of employing another firm to complete the Engineering Services required and the time required to do so, and other factors which affect the value to BCRUA of the Engineering Services performed at the time of default.

The termination of this Contract and payment of an amount in settlement as prescribed above shall extinguish all rights, duties, and obligations of BCRUA and Engineer under this Contract, except the obligations set forth herein in Article 21 entitled "Compliance with Laws." If the termination of this Contract is due to the failure of Engineer to fulfill his/her/its contractual obligations, then BCRUA may take over the project and prosecute the Engineering Services to completion. In such case, Engineer shall be liable to BCRUA for any additional and reasonable costs incurred by BCRUA.

Engineer shall be responsible for the settlement of all contractual and administrative issues arising out of any procurements made by Engineer in support of the Engineering Services under this Contract.

ARTICLE 21
COMPLIANCE WITH LAWS

(1) **Compliance.** Engineer shall comply with all applicable federal, state and local laws, statutes, codes, ordinances, rules and regulations, and the orders and decrees of any court, or administrative bodies or tribunals in any manner affecting the performance of this Contract, including without limitation, minimum/maximum salary and wage statutes and regulations, and licensing laws and regulations. Engineer shall furnish BCRUA with satisfactory proof of his/her/its compliance.

Engineer shall further obtain all permits and licenses required in the performance of the Engineering Services contracted for herein.

(2) **Taxes.** Engineer will pay all taxes, if any, required by law arising by virtue of the Engineering Services performed hereunder. BCRUA is qualified for exemption pursuant to the provisions of Section 151.309 of the Texas Limited Sales, Excise, and Use Tax Act.

ARTICLE 22
INDEMNIFICATION

Engineer shall save and hold harmless BCRUA and its officers and employees from all claims and liabilities due to activities of his/her/itself and his/her/its agents or employees, performed under this Contract, which are caused by or which result from the negligent error, omission, or negligent act of Engineer or of any person employed by Engineer or under Engineer's direction or control.

Engineer shall also save and hold BCRUA harmless from any and all expenses, including but not limited to reasonable attorneys fees which may be incurred by BCRUA in litigation or otherwise defending claims or liabilities which may be imposed on BCRUA as a result of such negligent activities by Engineer, its agents, or employees.

ARTICLE 23
ENGINEER'S RESPONSIBILITIES

Engineer shall be responsible for the accuracy of his/her/its Engineering Services and shall promptly make necessary revisions or corrections to its work product resulting from errors, omissions, or negligent acts, and same shall be done without compensation. BCRUA shall determine Engineer's responsibilities for all questions arising from design errors and/or omissions. Engineer shall not be relieved of responsibility for subsequent correction of any such errors or omissions in its work product, or for clarification of any ambiguities until after the construction phase of the project has been completed.

ARTICLE 24
ENGINEER'S SEAL

The responsible engineer shall sign, seal and date all appropriate engineering submissions to BCRUA in accordance with the Texas Engineering Practice Act and the rules of the State Board of Registration for Professional Engineers.

ARTICLE 25
NON-COLLUSION, FINANCIAL INTEREST PROHIBITED

(1) **Non-collusion.** Engineer warrants that he/she/it has not employed or retained any company or persons, other than a bona fide employee working solely for Engineer, to solicit or secure this Contract, and that he/she/it has not paid or agreed to pay any company or engineer any fee, commission, percentage, brokerage fee, gifts, or any other consideration, contingent upon or resulting from the award or making of this Contract. For breach or violation of this warranty, BCRUA reserves and shall have the right to annul this Contract without liability or, in its discretion and at its sole election, to deduct from the contract price or compensation, or to otherwise recover, the full amount of such fee, commission, percentage, brokerage fee, gift or contingent fee.

(2) **Financial Interest Prohibited.** Engineer covenants and represents that Engineer, his/her/its officers, employees, agents, consultants and subcontractors will have no financial interest, direct or indirect, in the purchase or sale of any product, materials or equipment that will be recommended or required for the construction of the project.

ARTICLE 26
INSURANCE

(1) **Insurance.** Engineer, at Engineer's sole cost, shall purchase and maintain during the entire term while this Contract is in effect professional liability insurance coverage in the minimum amount of One Million Dollars per claim from a company authorized to do insurance business in Texas and otherwise acceptable to BCRUA. Engineer shall also notify BCRUA, within twenty-four (24) hours of receipt, of any notices of expiration, cancellation, non-renewal, or material change in coverage it receives from its insurer.

(2) **Subconsultant Insurance.** Without limiting any of the other obligations or liabilities of Engineer, Engineer shall require each subconsultant performing work under this Contract to maintain during the term of this Contract, at the subconsultant's own expense, the same stipulated minimum insurance required in Article 26, Section (1) above, including the required provisions and additional policy conditions as shown below in Article 26, Section (3).

Engineer shall obtain and monitor the certificates of insurance from each subconsultant in order to assure compliance with the insurance requirements. Engineer must retain the certificates of insurance for the duration of this Contract, and shall have the responsibility of enforcing these insurance requirements among its subconsultants. BCRUA shall be entitled, upon request and without expense, to receive copies of these certificates of insurance.

(3) **Insurance Policy Endorsements.** Each insurance policy shall include the following conditions by endorsement to the policy:

- (a) Each policy shall require that thirty (30) days prior to the expiration, cancellation, non-renewal or reduction in limits by endorsement a notice thereof shall be given to BCRUA by certified mail to:

BCRUA General Manager
221 East Main Street
Round Rock, TX 78664

(b) The policy clause “Other Insurance” shall not apply to any insurance coverage currently held by BCRUA, to any such future coverage, or to BCRUA’s Self-Insured Retentions of whatever nature.

(4) **Cost of Insurance.** The cost of all insurance required herein to be secured and maintained by Engineer shall be borne solely by Engineer, with certificates of insurance evidencing such minimum coverage in force to be filed with BCRUA. Such Certificates of Insurance are evidenced as Exhibit E herein entitled “Certificates of Insurance.”

ARTICLE 27 **COPYRIGHTS**

BCRUA shall have the royalty-free, nonexclusive and irrevocable right to reproduce, publish or otherwise use, and to authorize others to use, any reports developed by Engineer for governmental purposes.

ARTICLE 28 **SUCCESSORS AND ASSIGNS**

This Contract shall be binding upon and inure to the benefit of the parties hereto, their successors, lawful assigns, and legal representatives. Engineer may not assign, sublet or transfer any interest in this Contract, in whole or in part, by operation of law or otherwise, without obtaining the prior written consent of BCRUA.

ARTICLE 29 **SEVERABILITY**

In the event any one or more of the provisions contained in this Contract shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision thereof and this Contract shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

ARTICLE 30 **PRIOR AGREEMENTS SUPERSEDED**

This Contract constitutes the sole agreement of the parties hereto, and supersedes any prior understandings or written or oral contracts between the parties respecting the subject matter defined herein. This Contract may only be amended or supplemented by mutual agreement of the parties hereto in writing.

ARTICLE 31
ENGINEER'S ACCOUNTING RECORDS

Records pertaining to the project, and records of accounts between BCRUA and Engineer, shall be kept on a generally recognized accounting basis and shall be available to BCRUA or its authorized representatives at mutually convenient times. The BCRUA reserves the right to review all records it deems relevant which are related to this Contract.

ARTICLE 32
NOTICES

All notices to either party by the other required under this Contract shall be personally delivered or mailed to such party at the following respective addresses:

BCRUA:

Brushy Creek Regional Utility Authority
Attention: BCRUA General Manager
221 East Main Street
Round Rock, TX 78664

and to:

Stephan L. Sheets
BCRUA Attorney
309 East Main Street
Round Rock, TX 78664

Engineer:

Aaron Archer, P.E.
Project Manager
6850 Austin Center Boulevard, Suite 150
Austin, TX 78731

ARTICLE 33
GENERAL PROVISIONS

(1) Time is of the Essence. Engineer understands and agrees that time is of the essence and that any failure of Engineer to complete the Engineering Services for each phase of this Contract within the agreed Work Schedule may constitute a material breach of this Contract. Engineer shall be fully responsible for his/her/its delays or for failures to use his/her/its reasonable efforts in accordance with the terms of this Contract and the Engineer's standard of performance as defined herein. Where damage

is caused to BCRUA due to Engineer's negligent failure to perform BCRUA may accordingly withhold, to the extent of such damage, Engineer's payments hereunder without waiver of any of BCRUA's additional legal rights or remedies.

(2) Force Majeure. Neither BCRUA nor Engineer shall be deemed in violation of this Contract if prevented from performing any of their obligations hereunder by reasons for which they are not responsible or circumstances beyond their control. However, notice of such impediment or delay in performance must be timely given, and all reasonable efforts undertaken to mitigate its effects.

(3) Enforcement and Venue. This Contract shall be enforceable in Round Rock, Williamson County, Texas, and if legal action is necessary by either party with respect to the enforcement of any or all of the terms or conditions herein, exclusive venue for same shall lie in Williamson County, Texas. This Contract shall be governed by and construed in accordance with the laws and court decisions of the State of Texas.

(4) Standard of Performance. The standard of care for all professional engineering, consulting and related services performed or furnished by Engineer and its employees under this Contract will be the care and skill ordinarily used by members of Engineer's profession practicing under the same or similar circumstances at the same time and in the same locality. Excepting Articles 25 and 34 herein, Engineer makes no warranties, express or implied, under this Contract or otherwise, in connection with the Engineering Services.

(5) Opinion of Probable Cost. Any opinions of probable project cost or probable construction cost provided by Engineer are made on the basis of information available to Engineer and on the basis of Engineer's experience and qualifications and represents its judgment as an experienced and qualified professional engineer. However, since Engineer has no control over the cost of labor, materials, equipment or services furnished by others, or over the contractor(s') methods of determining prices, or over competitive bidding or market conditions, Engineer does not guarantee that proposals, bids or actual project or construction cost will not vary from opinions of probable cost Engineer prepares.

(6) Opinions and Determinations. Where the terms of this Contract provide for action to be based upon opinion, judgment, approval, review, or determination of either party hereto, such terms are not intended to be and shall never be construed as permitting such opinion, judgment, approval, review, or determination to be arbitrary, capricious, or unreasonable.

ARTICLE 34 **SIGNATORY WARRANTY**

The undersigned signatory for Engineer hereby represents and warrants that the signatory is an officer of the organization for which he/she has executed this Contract and that he/she has full and complete authority to enter into this Contract on behalf of the firm. The above-stated representations and warranties are made for the purpose of inducing BCRUA to enter into this Contract.

IN WITNESS WHEREOF, the BCRUA of Round Rock has caused this Contract to be signed in its corporate name by its duly authorized BCRUA Manager or Mayor, as has Engineer, signing by

and through its duly authorized representative(s), thereby binding the parties hereto, their successors, assigns and representatives for the faithful and full performance of the terms and provisions hereof.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY

APPROVED AS TO FORM:

By: _____
Jon Lux, President

Stephan L. Sheets, BCRUA Attorney

ATTEST:

By: _____
Ron Abruzzese, BCRUA Secretary

WALKER PARTNERS

By: _____
Signature of Principal
Printed Name: _____

LIST OF EXHIBITS ATTACHED

- | | |
|---------------|---------------------------|
| (1) Exhibit A | BCRUA Services |
| (2) Exhibit B | Engineering Services |
| (3) Exhibit C | Work Schedule |
| (4) Exhibit D | Fee Schedule |
| (5) Exhibit E | Certificates of Insurance |

EXHIBIT A

BCRUA Services

Attached Behind This Page

EXHIBIT A
OWNER SERVICES

In addition to the other responsibilities of OWNER as set forth in this Agreement, the OWNER shall at its expense:

- A. Review and comment on all deliverables in a timely manner. OWNER will provide a single set of consolidated OWNER review comments on all deliverables.
- B. Coordinate with cooperating jurisdictional and environmental permitting agencies as needed and issue payment for required reviews, approvals, and permits.
- C. Participate in project meetings, workshops, and conference as described in the scope of services.
- D. OWNER is responsible for posting meetings and other technical materials on the OWNER website.
- E. Provide ENGINEER in a timely manner with all criteria and full information as to OWNER'S requirements for the Project, including design objectives and constraints, space, capacity and performance requirements, flexibility, and expandability, and any budgetary limitations; and furnish copies of all design and construction standards which OWNER will require to be included in the Drawings and Specifications; and furnish copies of OWNER'S standard forms, conditions, and related documents for ENGINEER to include in the Bidding Documents, when applicable.
- F. Furnish to ENGINEER any other available information pertinent to the Project including reports and data relative to previous designs, or investigation at or adjacent to the Site.
- G. Following ENGINEER'S assessment of initially-available Project information and data and upon ENGINEER'S request, furnish or otherwise make available in a timely manner such additional Project related information and data as is reasonably required to enable ENGINEER to complete its Basic and Additional Services.
- H. Give prompt written notice to ENGINEER whenever OWNER observes or otherwise becomes aware of the presence at the Site (OWNER water treatment plant and/or OWNER floating intake facilities) of any Constituent of Concern, or of any other development that affects the scope or time of performance of ENGINEER'S services, or any defect or nonconformance in ENGINEER'S services, the Work, or in the performance of any Contractor.
- I. Authorize ENGINEER to provide Additional Services as set forth in this Agreement as required.
- J. Examine all alternate solutions, studies, reports, sketches, Drawings, Specifications, proposals, and other documents presented by ENGINEER (including obtaining advice of an attorney, insurance counselor, and other advisors or consultants as OWNER deems appropriate with respect to such examination) and render in writing timely decisions pertaining thereto.
- K. Provide reviews of all permits that may be necessary for completion of each phase of the Project.

- L. Provide, as required for the Project:
 - 1) Accounting, bond and financial advisory, independent cost estimating, and insurance counseling services.
 - 2) Legal services with regard to issues pertaining to the Project as OWNER requires or deems appropriate, Contractor raises, or ENGINEER reasonably requests, including but not limited to the review of Contract Documents supplied by ENGINEER.
 - 3) Such auditing services as OWNER requires to ascertain how or for what purpose Contractor has used the moneys paid
 - 4) Placement and payment for advertisement for Bids in appropriate publications.
- M. Advise ENGINEER of the identity and scope of services of any independent consultants employed by OWNER to perform or furnish services in regard to the Project, including, but not limited to, cost estimating, project peer review, value engineering, and constructability review.
- N. Attend the construction progress and other job related meetings, and Substantial Completion and final payment inspections.
- O. Provide the services of an independent testing laboratory to perform all inspections, tests, and approvals of Samples, materials, and equipment required by the Contract Documents, or to evaluate the performance of materials, equipment, and facilities of OWNER, prior to their incorporation into the Work with appropriate professional interpretation thereof.
- P. Provide ENGINEER with the findings and reports generated by the entities providing services to OWNER pursuant to this paragraph.

EXHIBIT B
ENGINEERING SERVICES

GENERAL

The Project consists of the following major work efforts:

1) *Phase 1C Water Treatment Plant (WTP) Expansion*

Phase 1C consists of an expansion of the Phase 1A floating raw water intake and WTP from approximately 21 million gallons per day (MGD) to 30 MGD. Phase 1C also includes modifications and improvements to the existing raw water pipeline and elevated storage tank. Basic services for Phase 1C include design and bidding phase services. Construction phase services will be provided as an additional service as a supplemental amendment to this Agreement.

2) *Phase 2 Land Rights and Stakeholder Coordination*

Phase 2 includes acquisition of easements and land rights for the 144.7 MGD Phase 2 Deep Water Intake including easements for the intake, intake and transmission tunnels, and electrical service upgrades. Phase 2 also includes stakeholder coordination, public outreach, and select engineering activities to facilitate project development.

The purpose of this Exhibit is to describe engineering and professional services for completion of the Phase 1C and Phase 2 Projects. The primary tasks and major subtasks of this agreement include:

1.0 *Phase 1C WTP Expansion*

1.1 *Project Management, Coordination and Meetings*

1.2 *Design Phase*

1.2.1 *Preliminary Engineering*

1.2.2 *Final Engineering*

1.3 *Bidding Phase*

1.4 *Agency and Stakeholder Coordination*

1.5 *Special Services*

2.0 *Phase 2 Land Rights and Stakeholder Coordination*

2.1 *Project Management, Coordination and Meetings*

2.2 *Land Acquisition and Right of Way*

2.2.1 *Prioritization Plan and Property Research*

2.2.2 *New Overhead Electric Easement Evaluation*

2.2.3 *Nameless Substation Expansion Evaluation*

2.2.4 *Right-of-Entry*

2.2.5 *Surveying and Mapping*

2.2.6 Real Estate Appraisal and Negotiation Services

2.3 Agency and Stakeholder Coordination

2.4 Preliminary Design Updates

3.0 Additional Services

GENERAL ASSUMPTIONS

ENGINEER'S general assumptions apply to all tasks set forth in this Exhibit. Assumptions specific to Phase 1C and Phase 2 are provided in the Basic Scope of Services.

- 1. OWNER shall furnish ENGINEER with information pertinent to the Project including CAD files prepared by others for the Phase 1A Water Treatment Plant Project and CAD and parcel files for the Phase 2 Preliminary Engineering Project.*
- 2. Draft and final deliverables will be provided in electronic (PDF) format and 10 printed copies will be provided to OWNER for review and filing. Drawings will generally be produced as bound sets of half-size prints. Five bound sets of full-size prints of final bidding and conformed documents shall be produced.*

BASIC SCOPE OF SERVICES

Task 1.0 - Phase 1C WTP Expansion

Task 1.0 shall include design and bidding of the following project elements and facilities:

- Expansion of the Phase 1A floating raw water intake barge. The expansion will be designed by ENGINEER and not completed as a bid allowance to Marine Dynamics as performed in Phase 1A.
- Three additional raw water pumps similar in design and performance to the existing 4160V, 700 horsepower vertical turbine pumps. One pump will have a VFD and the other two pumps will include soft starts.
- New raw water intake ancillary appurtenances including raw water discharge hoses, anchoring systems, and marine power and control conductors.
- Improvements to the existing raw water electrical building to improve ventilation and air handling.
- Implementation of surge control modifications to the existing raw water transmission main to mitigate Phase 2 transient events as described in the Phase 2 Raw Water Pump Station Hydraulic Transient Analysis by Northwest Hydraulic Consultants (Strategy 1).
- Raw water transmission main piping improvements at the WTP to facilitate the future addition of two raw water head tanks.
- Expansion of the treatment structure to add a new treatment train. Project facilities include a new raw water meter vault, hydraulic rapid mix, two flocculation trains, flocculated water channel, sedimentation basin inlet channel, sedimentation basin, sludge collection equipment, basin outlet channel, settled water channel, sludge vault, and filter underdrain and media for two existing filter bays.

- Upgrades to the polymer chemical delivery system.
- Sludge thickener.
- Re-coating of the WTP elevated storage tank interior.
- Replacement of non-functional manually operated valves on the filter-to-waste system with new manually operated valves.
- Security and access control improvements including a new camera at the main entrance of the WTP administration building and access control improvements to link cameras and call buttons to mobile devices.

The following assumptions have been made in preparing the scope of services for Task 1.0 – Phase 1C WTP Expansion:

- The capacity of the floating raw water intake and WTP after Phase 1B and 1C is approximately 21 MGD and 30 MGD, respectively.
- The Phase 1C floating raw water intake and WTP expansion shall be bid as two separate construction contracts.
- The Phase 1C construction contracts shall be bid as competitive sealed proposals utilizing the City of Cedar Park front end documents and CSI MasterFormat (6-digit, 50 division).
- SCADA integration shall be performed by OWNER’S SCADA Integrator, TMT Solutions, Inc., as a bid allowance.
- Electronic AutoCAD record drawings of the Phase 1A floating pump station and WTP projects will be made available by OWNER. Re-drawing of existing structures to be considered an additional service.
- It is understood that the rerated capacity of the OWNER system after completion of Phase 1B is likely to be lower than contemplated during design of Phase 1A. The capacity shortfall will not affect the ability to deliver a minimum of 30 MGD from Phase 1C; however, the capacity of Phase 1D and subsequent WTP expansions will be lower than anticipated during Phase 1A thereby resulting in a reduced ultimate WTP capacity. Various alternatives exist to address this shortfall and maintain an ultimate WTP capacity of 106 MGD. Since the capacity of this expansion will not be significantly impacted by the final approved rerate conditions from Phase 1B, this scope of services will expand the raw water intake and WTP facilities as originally envisioned during design of Phase 1A and does not include an investigation of alternatives to correct this issue. It is recommended that this matter be resolved during final design of Phases 1D and 2.
- No additional borings are required based on a current understanding of the 2008 geotechnical report prepared by Fugro and the facility layout and foundation configuration.
- ENGINEER shall not be required to sign any documents, no matter by whom requested, that would result in the ENGINEER having to certify, guarantee, or warrant the existence of conditions whose existence the ENGINEER cannot ascertain. OWNER agrees not to make resolution of any dispute with the ENGINEER or payment of any amount due to the ENGINEER in any way contingent upon the ENGINEER signing any such documents.
- It is recognized that neither ENGINEER nor the OWNER has control over the cost of labor, materials or equipment; over the Contractor’s methods of determining bid prices; or over

competitive bidding, market or negotiating conditions. Accordingly, ENGINEER cannot and does not warrant or represent that bids or negotiated prices will not vary from the OWNER'S Project budget or from any opinion of construction cost or evaluation prepared or agreed to by ENGINEER.

1.1 Project Management, Coordination and Meetings

1.1.1 Project Administration.

- 1.1.1.1 Project Management Plan (PMP). Develop and document the following plans and procedures to coordinate administration of the contract: team communication, quality management, risk management, document control, change management, and cost and schedule control.
- 1.1.1.2 Manage and coordinate staff resources, subconsultants, and project planning.
- 1.1.1.3 Prepare monthly invoices and project progress reports. As a minimum, monthly progress reports shall include a summary description of tasks completed as of the report date, description of activities planned for the next 60 days, financial status of the project, status of schedule for project, and identification of technical or other issues which may have an impact to the overall project budget and/or schedule.
- 1.1.1.4 Provide and maintain a project schedule in MS Project format that is updated and submitted monthly with each invoice.
- 1.1.1.5 Facilitate document control and document sharing for electronic filing of documents. Develop and coordinate drawing and graphic standards.

1.1.2 Project Meetings. Participants include staff from OWNER and ENGINEER, as well as key ENGINEER subconsultant staff. ENGINEER will prepare meeting minutes and submit for review and comment within 10 days of each meeting.

- 1.1.2.1 Attend a project kickoff meeting with OWNER.
- 1.1.2.2 Attend a project review meeting with OWNER and Wiss Janney Elstner Associates to review the Phase 1A site visit reports that may potentially impact design of Phase 1C. It is assumed that the project kickoff meeting and project review meeting will be scheduled on the same day.
- 1.1.2.3 Attend monthly progress meetings with OWNER for a total of 12 meetings.
- 1.1.2.4 Attend up to two meetings with the OWNER'S Board to provide a presentation on the background and status of the Project and provide regular progress and status updates.

Task 1.1 Project Management Deliverables

- *Monthly invoices and project progress reports*
- *Project schedule (submitted monthly)*
- *Kickoff meeting agenda and minutes*

- *Monthly progress meeting agendas and minutes (12)*
- *Board presentations (2)*

1.2 **Design Phase.** The purpose of this task is to prepare final drawings and specification for the Project that indicates the scope, extent and character of Work to be performed and furnished by a Contractor. The Design Phase will be considered complete at the date when final bidding documents have been delivered to the OWNER.

1.2.1 **Preliminary Engineering.** The purposes of this subtask are to establish the major project design criteria and constraints to clearly identify the design concepts and address major conflicts.

1.2.1.1 Land acquisition and field reconnaissance.

1.2.1.1.1 Acquire temporary construction easements on Trails End Road for the placement of six new combination air-vacuum (CAV) valves on the existing raw water transmission main.

1.2.1.1.1.1 Obtain rights of entry for survey of temporary construction easements.

1.2.1.1.1.2 Perform field survey and prepare field notes from temporary construction easements.

1.2.1.1.1.3 Provide land acquisition real estate appraisal and negotiation services to convey required land rights and deliver payment to property owners. Send final offer package. Provide condemnation support services as an additional service if negotiations are unsuccessful.

1.2.1.1.2 Research and field verify size and space constraints in 10 existing CAV vaults that require a surge check feature on the inlet of the existing CAV as documented in the Phase 2 Raw Water Pump Station Hydraulic Transient Analysis by Northwest Hydraulic Consultants (Strategy 1).

1.2.1.2 Geotechnical investigation.

1.2.1.2.1 Review the 2008 Phase 1A geotechnical report prepared by Fugro and perform a site visit to review existing site conditions including wall and column locations and the locations and extent of excess fill placement.

1.2.1.2.2 Prepare a Geotechnical Technical Memorandum addressing the suitability of the 2008 recommendations for the new facilities that can be included with the 2008 Phase 1A geotechnical report prepared by Fugro in the Phase 1C project manual. Submit draft and final versions of the Technical Memorandum. Attach the Geotechnical Technical Memorandum as an Appendix to the Basis of Design Report.

- 1.2.1.3 Hydraulic transient analysis. Perform a hydraulic transient analysis using TransAM transient analysis software to analyze the Phase 1C floating pump station expansion and improvements of the Phase 1A Contract 1 raw water transmission main.
 - 1.2.1.3.1 Modify the existing Phase 2 transient analysis computer model to include the Phase 1A Contract 3 floating intake and Phase 1A Contract 2 underwater pipeline.
 - 1.2.1.3.2 Define the critical operating scenarios for the system and establish hydraulic grade line elevations for the raw water transmission pipeline under steady state operation and static conditions.
 - 1.2.1.3.3 Perform hydraulic transient analysis simulations including pump power failure, planned pump shutdown, and pump startup for the critical operating scenarios.
 - 1.2.1.3.4 Assess whether surge control measures are required to protect the floating intake and Phase 1A Contract 1 and 2 pipelines from adverse pressure transients (e.g., over-pressurization, vapor cavity formation, and large magnitude negative pressures). If surge control measures are advisable, recommend surge protection measures for the system.
 - 1.2.1.3.5 Prepare a Hydraulic Transient Analysis Technical Memorandum. Submit draft and final versions of the Technical Memorandum. Attach the Hydraulic Transient Analysis Technical Memorandum as an Appendix to the Basis of Design Report.
- 1.2.1.4 Basis of Design Report. The purpose of the Basis of Design Report is to document and communicate the scope, design criteria, and details of the project. The Report includes the following evaluations and information for improvements to the floating raw water intake, raw water transmission main, and WTP. Prepare and submit draft and final versions of the Report.
 - 1.2.1.4.1 Design criteria. Define design criteria and major assumptions used in the evaluation and design of equipment, structures, and alternatives.
 - 1.2.1.4.2 Site layouts. Develop site layouts of the proposed improvements.
 - 1.2.1.4.3 Hydraulic profiles. Prepare hydraulic profiles of the raw water system and WTP.
 - 1.2.1.4.4 Primary system P&IDs. Develop major process P&IDs.
 - 1.2.1.4.5 Process flow diagrams.
 - 1.2.1.4.6 Facility water balance. Update the facility water balance prepared for Phase 1A and 1B based on anticipated OWNER operation strategies.

- 1.2.1.4.7 Preliminary raw water transmission main CAV upgrades and retrofit plan and schematics.
- 1.2.1.4.8 Floating pump station layout and sections. Evaluation includes the review of two expansion alternatives including fixed expansion of the existing barge and separate parallel expansion.
- 1.2.1.4.9 Process structural layouts and sections with main piping and valves.
- 1.2.1.4.10 Major equipment list.
- 1.2.1.4.11 Disinfection CT study update.
- 1.2.1.4.12 Supporting utility requirements.
- 1.2.1.4.13 Raw water pump station electrical building space load simulation and HVAC improvements to improve cooling.
- 1.2.1.4.14 HVAC mechanical load simulation of space loads at the WTP to confirm existing cooling capacity is sufficient given new electrical equipment density.
- 1.2.1.4.15 Instrumentation and control system architecture.
- 1.2.1.4.16 Electrical one-line diagrams.
- 1.2.1.4.17 Power system study to verify voltage dip and load flow.
- 1.2.1.4.18 Site electrical plans.
- 1.2.1.4.19 Security and access improvements. Evaluate security and access control improvements including a new camera at the main entrance of the WTP administration building and access control improvements to link viewing and operation of cameras and call buttons at the WTP gate and administrative building main door to mobile devices.
- 1.2.1.4.20 Codes and standards and site development permitting summaries. Develop codes, standards, and permitting requirements that guide selection of alternatives, layouts, and equipment.
- 1.2.1.4.21 Preliminary opinion of probable construction costs.
- 1.2.1.4.22 Preliminary project schedule.

1.2.2 **Final Engineering.** The purpose of this subtask is to finalize major design decisions and prepare final construction plans, specifications, and an opinion of probable construction costs for bidding.

1.2.2.1 60 Percent Design.

- 1.2.2.1.1 Prepare construction drawings to a 60 percent level of completion. This level of completion will generally include the following: cover sheet, sheet index, general notes, abbreviations and symbols, site plans, yard piping plan, grading plan, plans and sections of major facilities, key details, structural design of major facilities, P&IDs, key electrical and instrumentation diagrams.

- 1.2.2.1.2 Prepare specifications to a 60 percent level of completion. This level of completion will generally include the following: table of contents, front end documents, and specifications for major equipment.
- 1.2.2.1.3 Adjust and update the opinion of probable construction cost as required.
- 1.2.2.1.4 Submit 60 percent design documents to OWNER for review. Incorporate OWNER comments into subsequent submittals and provide written responses to review comments.
- 1.2.2.2 90 Percent Design
 - 1.2.2.2.1 Prepare construction drawings to a 90 percent level of completion. This level of completion is a set of bid-ready documents with the exception of minor comments related to final quality control, OWNER review comments, and agency review comments.
 - 1.2.2.2.2 Prepare specifications to a 90 percent level of completion. This level of completion is a set of bid-ready documents with the exception of minor comments related to final quality control, OWNER review comments, and agency review comments.
 - 1.2.2.2.3 Prepare a 90 percent design opinion of probable construction costs.
 - 1.2.2.2.4 Submit 90 percent design documents to OWNER for review. Incorporate OWNER comments into subsequent submittals and provide written responses to review comments.
- 1.2.2.3 Final Bidding Documents
 - 1.2.2.3.1 Prepare and furnish final drawings and specifications with incorporated compliance comments and OWNER signatures.
 - 1.2.2.3.2 Prepare an opinion of probable construction costs based on the final documents.

Task 1.2 Design Phase Deliverables

- *Temporary construction easements along Trails End Road for new CAV valves.*
- *Geotechnical Technical Memorandum*
- *Hydraulic Transient Analysis Technical Memorandum*
- *Basis of Design Report*
- *60 Percent Submittal (Drawings, Specifications, Opinion of Probable Construction Costs)*
- *90 Percent Submittal (Drawings, Specifications, Opinion of Probable Construction Costs)*
- *Final Bidding Documents (Drawings and Project Manual)*
- *Final Opinion of Probable Construction Cost*

- 1.3 **Bidding Phase.** Assist OWNER in advertising, obtaining, and evaluating proposals for the Work. Phase 1C floating raw water intake and WTP expansion shall be bid as two separate construction contracts. The Bidding Phase will be considered complete upon commencement of the Construction Phase or upon cessation of negotiations with prospective contractors.
- 1.3.1 Assist OWNER in advertising for and obtaining proposals for the Work and, where applicable, maintain a record of prospective proposers to whom Bidding Documents have been issued, conduct one pre-Bid conference for each construction contract, and receive and process contractor deposits or charges for the Bidding Documents. OWNER shall pay for advertisement of the Work.
 - 1.3.2 Issue Addenda as appropriate to clarify, correct, or change the Bidding Documents.
 - 1.3.3 Consult with OWNER to evaluate the acceptability of substitute materials and equipment proposed by potential contractor(s) when substitution prior to the award of contracts is allowed by the Contract Documents.
 - 1.3.4 Provide information or assistance needed by OWNER in the course of any negotiations with prospective contractors.
 - 1.3.5 Consult with OWNER as to the acceptability of subcontractors, suppliers, and other individuals and entities proposed by prospective contractors for those portions of the Work as to which such acceptability is required by the Bidding Documents. Prequalifying prime contractors and subcontractors is not included in this effort.
 - 1.3.6 Attend the Bid opening, Prepare Bid tabulation sheets, and assist OWNER in evaluating Bids or proposals and in assembling and awarding OWNER for the Work. Prepare stamped ENGINEER'S recommendation letter and bid tabulation analysis.
 - 1.3.7 Prepare conformed bidding documents. Incorporate addenda modifications into the drawings and specifications.

Task 1.3 Bidding Phase Deliverables

- *Addenda as required*
- *Pre-bid Conference Agenda and Meeting Minutes (2)*
- *Award Recommendation Letter (2)*
- *Conformed construction drawings and specifications (2)*

- 1.4 **Agency and Stakeholder Coordination.** Coordinate with jurisdictional, regulatory, permitting, and external utility agencies.
- 1.4.1 **Travis County.** Coordinate with Travis County to discuss construction activities and the use of Travis County right-of-way along the raw water transmission main to construct six new CAV valves and retrofit 10 existing CAV valves. Support preparation of applications for required permits and approvals. Attend up to two meetings with Travis County.

- 1.4.2 **City of Jonestown.** Coordinate with the City of Jonestown to discuss construction activities along Trails End Road. Support preparation of applications for required permits and approvals. Attend up to two meetings with City of Jonestown.
- 1.4.3 **Pedernales Electric Cooperative (PEC).** Coordinate electrical power requirements with PEC for upgrading infrastructure to serve the project facilities at the floating intake and WTP sites. Prepare and submit an Electric Service Data Form. Attend up to two meetings with PEC.
- 1.4.4 **Lower Colorado River Authority (LCRA).** Coordinate with LCRA for review and approval of the floating raw water intake expansion. Support preparation of applications for required permits and approvals. It is anticipated that a Buoy Permit and Utility Permit may be required.
- 1.4.5 **Texas Commission on Environmental Quality (TCEQ).** Coordinate with TCEQ for permitting review. Attend up to two meetings with TCEQ.
- 1.4.6 **Texas Water Development Board (TWDB).** Support OWNER coordination with TWDB.

Task 1.4 Agency and Stakeholder Coordination Deliverables

- *Stakeholder coordination meeting minutes (as required)*
- *Applications for permit and approvals (as required)*

1.5 **Special Services.** If authorized in writing by OWNER, ENGINEER shall perform the following Special Services.

1.5.1 **Evaluation of Velocity Conditions in Existing Sedimentation Basins.**

- 1.5.1.1 Utilize acoustic Doppler survey of an existing sedimentation basin at average demand and peak flow conditions. Profile up to six transects along the length of one sedimentation basin. It is assumed that the WTP can sustain a peak capacity condition of approximately 11 MGD or at a flow to obtain a basin velocity at or above 0.5 cm/second through one basin for at least three consecutive hours. Prepare and submit a technical memorandum on the findings of the evaluation.
- 1.5.1.2 Based on the recommendations of the velocity profiling identified in the preceding Task and the potential identification of non-uniform velocity conditions, provide computation fluid dynamics (CFD) modeling to evaluate potential improvements to the sedimentation basin design. ANSYS Fluent software will be used to conduct CFD modeling. The inlet and downstream extent of the model will be the flocculator basin gates entering the flocculated water channel (TSC-SLG-FLX02). The outlet of the downstream extent of the model will be the sedimentation basin outlet channel gate (TSC-SLG-SBX02). Conduct up to six simulations including two simulations to confirm the velocity profile measurements conducted in the preceding Task. The model will be conducted at steady-state with a fixed water surface and single-phase flow (water

only). For each modeled scenario, a conservative tracer will be simulated using the model. Flocculated particles will not be modeled. Model results will be presented to OWNER for validation and selection of improvements and modifications to be modeled. A technical memorandum presenting the simulation model results (validation and modification) will be submitted and presented. OWNER comments will be addressed and the technical memorandum will be finalized and incorporated in the Basis of Design Report.

- 1.5.2 **Raw Water Pump Station Power Factor Evaluation.** Evaluate the type and size of power factor correction required to correct the power factor at the floating pump station site to meet Pedernales Electric Cooperative's power factor requirements. Prepare a Technical Memorandum describing options for correcting power factor and opinions of probable construction cost for OWNER review and approval. Design of a power factor correction capacitor is not included.

Task 1.5 Special Services Deliverables

- *Sedimentation Basin Hydraulic Evaluation Technical Memorandum*
- *Power Factor Correction Technical Memorandum*

Task 2.0 - Phase 2 Land Rights and Stakeholder Coordination

Task 2.0 shall include the following efforts related to the Phase 2 Deep Water Intake:

- Acquisition of easements and land rights for the Phase 2 project including easements for the intake, intake tunnel, transmission tunnel, and electrical service upgrades.
- Stakeholder coordination and public outreach.
- Limited preliminary design updates to support project development.

The following assumptions have been made in preparing the scope of services for Task 2.0 – Phase 2 Land Rights and Stakeholder Coordination:

- The Phase 2 Preliminary Engineering Report dated June 1, 2016 and prepared by HDR is the source document for easement and right of way alignments and widths.
- Preliminary engineering electronic AutoCAD drawings, GIS files, parcel files, and groundwater well inventory database related to design and land rights aspects of the Phase 2 project prepared by HDR and subconsultants to HDR will be made available by OWNER.
- Fees associated with title commitments, insurance, recording fees, and title curative will be paid by OWNER.
- Fees charged by financial institutions to process lien releases or title escrow fees will be paid by OWNER.
- Presentation and discussion of property owner counteroffers will occur during monthly progress meetings with OWNER.

2.1 Project Management, Coordination and Meetings

2.1.1 Project Administration.

- 2.1.1.1 Project Management Plan (PMP). Develop and document the following plans and procedures to coordinate administration of the contract: team communication, quality management, risk management, document control, change management, and cost and schedule control.
- 2.1.1.2 Manage and coordinate staff resources, subconsultants, and project planning.
- 2.1.1.3 Prepare monthly invoices and project progress reports. As a minimum, monthly progress reports shall include a summary description of tasks completed as of the report date, description of activities planned for the next 60 days, financial status of the project, status of schedule for project, and identification of technical or other issues which may have an impact to the overall project budget and/or schedule.
- 2.1.1.4 Provide and maintain a project schedule in MS Project format that is updated and submitted monthly with each invoice.
- 2.1.1.5 Facilitate document control and document sharing for electronic filing of documents. Develop and coordinate drawing and graphic standards.

2.1.2 Project Meetings. Participants include staff from OWNER and ENGINEER, as well as key ENGINEER subconsultant staff. ENGINEER will prepare meeting minutes and submit for review and comment within 10 days of each meeting.

- 2.1.2.1 Attend a project kickoff meeting with OWNER.
- 2.1.2.2 Attend monthly progress meetings with OWNER for a total of 17 meetings.
- 2.1.2.3 Attend up to two meetings with the OWNER'S Board to provide a presentation on the background and status of the Project and provide regular progress and status updates.

Task 2.1 Project Management Deliverables

- *Monthly invoices and project progress reports*
- *Project schedule (submitted monthly)*
- *Kickoff meeting agenda and minutes*
- *Monthly progress meeting agendas and minutes (24)*
- *Board presentations (2)*

- 2.2 **Land Acquisition and Right of Way.** Support acquisition of easements and land rights for the Phase 2 Deep Water Intake project. The total number of parcels/easements for Task 2.2 is 106 including 1 fee simple, 4 temporary easements, 53 permanent easements, and 48 rights of entry for locating existing groundwater wells along the intake tunnel alignment as described in Task 2.4.1 Well Mapping, Monitoring, and Mitigation Plan.
- 2.2.1 **Land Acquisition Prioritization.** Develop a land acquisition prioritization plan to rank the relative order of importance of the acquisition of each easement/parcel and document the plan in a brief memorandum. The purpose of this plan is to guide the strategic acquisition of easement and right of way should the costs of acquiring easements and right of way exceed the amount budgeted by OWNER.
- 2.2.2 **New Overhead Electric Easement Evaluation.** Confirm power distribution routes and land requirements documented in the 2016 Preliminary Engineering Report. For segments of new overhead electric distribution lines from the Nameless substation to the proposed Phase 2 pump station location, identify additional easement requirement for guy wires beyond the standard 20 feet wide easement required by PEC. This evaluation does not include an evaluation of upgrades to existing overhead electric facilities and any additional easement requirements associated with these requisite upgrades.
- 2.2.2.1 Determine Guy Wire Easement Requirements. Identify additional easement requirement for guy wires beyond the standard 20 feet wide easement required by PEC. Document findings and recommendations in a Technical Memorandum. Attend up to four meetings with PEC.
- 2.2.2.2 Environmental Constraints Review. Perform an environmental review of the new easements required to extend power from the PEC Nameless substation to the Phase 2 pump station site on Lime Creek Road. The review includes desktop and field reconnaissance review of approximately two miles of “new build” overhead electric power supply. Specific tasks are as follows. The review does not include the assessment “rebuild” portions of the recommended route wherein existing overhead electric in existing easements will be rebuilt and improved to serve the Phase 2 project. An Environmental Constraints Report will be submitted and presented. OWNER comments will be addressed and the Report will be finalized.
- 2.2.2.2.1 Jurisdictional Waters Assessment. Identify the location and extent of potential waters of the U.S. in accordance with Section 404 of the Clean Water Act. Utilize aerial photographs, topographical maps, National Wetlands Inventory database, National Hydrography Dataset, soil surveys, and conduct the appropriate field work.
- 2.2.2.2.2 Hazardous Materials Review. Conduct a hazardous materials review of the study area by completing an American Society for Testing and Materials (ASTM) standard environmental background search and site reconnaissance. The study does not include a complete ASTM 1527-05 level of review.

- 2.2.2.2.3 Endangered Songbird Review. Perform a habitat assessment for golden-cheeked warbler and black-capped vireo. The task includes visual inspection within the proposed alignment easements and does not include habitat evaluation outside of the project alignment in adjacent areas.
- 2.2.2.2.4 Cultural Resources Investigations. Prepare a Texas Historical Commission (THC) permit application to perform a cultural resources study. The work includes a pedestrian survey, shovel testing, site photography, site recording, preliminary archival research, National Register eligibility assessment, data analysis, and report preparing and curation in accordance with THC and the Council of Texas Archaeologists standards. The findings of the cultural survey will be prepared as a stand-alone report.
- 2.2.3 **Nameless Substation Expansion Evaluation.** Coordinate with PEC and perform required evaluations to determine the land requirements for expansion of the Nameless substation. Summarize the channel diversion and environmental review findings in a technical memorandum.
 - 2.2.3.1 Channel Diversion Analysis. An existing ephemeral stream crosses the proposed substation expansion site. Prepare a conceptual level channel diversion plan to accommodate the substation expansion plan proposed by PEC. Complete a topographic and tree survey of the approximate one acre expansion tract using one foot interval contours. The survey will include locating all improvements and visible utilities. The tree survey will include trees 8-inch diameter and larger. Provide a hydrologic and hydraulic analysis for the 2-year through 100-year storm events. Determine the size, typical cross-section and alignment of the proposed channel diversion around the expansion area. Determine the area of likely disturbance and approximate cut and fill quantities. Propose the channel lining and energy dissipation options, if necessary, and erosion control measures for the period during and after construction of the diversion.
 - 2.2.3.2 Environmental Review. Review the substation expansion and channel diversion plans generated in the preceding task for impacts to waters of the US and permitting implications.
- 2.2.4 **Rights of Entry.** Prepare and mail introduction letter with request for right to enter property. Communicate and coordinate with property owners to secure rights of entry. A total of 106 rights of entry are anticipated inclusive of rights of entry for locating existing groundwater wells along the intake tunnel alignment as described in Task 2.4.1 Well Mapping, Monitoring, and Mitigation Plan. Property owner participation for inventorying existing groundwater wells is voluntary. Task 2.4.1 defines the objectives and approach to development of the well inventory.
- 2.2.5 **Surveying and Mapping.** Perform surveying services for a total of 48 acquisitions.

- 2.2.5.1 Verify and recover existing project control points. Horizontal and vertical datums for project control will remain on NAD83/NAVD88 Texas State Plane, Central Zone.
- 2.2.5.2 Field survey. Perform boundary survey and prepare exhibits and field notes of parcels to be conveyed. The anticipated number of parcels to be surveyed for easements for each project component is as follows.
 - 2.2.5.2.1 Electrical upgrade easements. Survey a portion of 27 parcels for required for power distribution upgrades and relocation of existing electric facilities at the pump station site. The estimated area of the substation site is 1.25 acres. The assumed width of new electrical distribution easements is 20 feet. Additional easement width may be required as determined in Task 2.4.2 for guy wires.
 - 2.2.5.2.2 Subsurface easements. Survey 27 parcels for subsurface easements. The assumed width of subsurface easements for tunnels is 50 feet. Perform a profile survey every 100 linear feet and at grade breaks along the centerline of the intake tunnel alignment (not including submerged areas). Locate building and homes within the proposed tunnel easements.
 - 2.2.5.2.3 Drop shaft easements. Stake two proposed drop shaft locations and survey a portion of three parcels and road right of way for the proposed drop shaft easements. The location, size and configuration of these easements is described in Exhibit 2 of Technical Memorandum 6-2 in the 2016 Phase 2 Preliminary Engineering Report.
- 2.2.5.3 Groundwater well locates. Locate existing groundwater wells along an 800 foot corridor centered on the intake tunnel alignment using X, Y, and Z coordinates. Contingent on the voluntary participation of property owners, it is anticipated that up to 48 existing groundwater wells may be located along this corridor.
- 2.2.5.4 Monitoring well locates. Stake four monitoring well locations in Village of Volente right of way along Lime Creek Road using X, Y, and Z coordinates. Locate the monitoring wells as placed and drilled.
- 2.2.6 **Real Estate Appraisals and Land Plan.**
 - 2.2.6.1 Notices.
 - 2.2.6.1.1 Prepare and conduct personal pre-appraisal contact with interest owners or their designated representatives for each parcel/easement and offer an opportunity to accompany the Appraiser on the inspection of the subject property.
 - 2.2.6.1.2 Secure written permission from the property owner or their designated representative to enter the subject property. If, after diligent effort, the Appraiser is unable to secure written permission

from the property owner, a written waiver must be obtained from BCRUA.

- 2.2.6.2 Appraisal Report. Prepare an appraisal report for each parcel/easement to be acquired. Reports will conform to the Uniform Standards of Professional Appraisal Practice as promulgated by the Appraisal Foundation.
- 2.2.6.3 Land Plan. Prepare a land plan for the Attwood property. Consider the location and depth of the tunnel and review property owner's master plan in relationship to the proposed tunnel. Prepare schematic plans, exhibits, and a land plan report. Review findings with Village of Volente staff to evaluate feasibility. Prepare a remainder plan with required alterations to the property owner's master plan.

2.2.7 Negotiation Services.

- 2.2.7.1 Analyze preliminary Title Commitment report to identify potential title problems and prepare a title curative plan outlining methods to cure title deficiencies.
- 2.2.7.2 Secure Title Commitment updates in accordance with insurance rules and requirements for parcel/easement payment submissions.
- 2.2.7.3 Analyze appraisal report and confirm OWNER approved value prior to making offer for each parcel/easement.
- 2.2.7.4 Prepare and send the letter transmitting the Landowner's Bill of Rights by Certified Mail-Return Receipt Requested (CMRRR).
- 2.2.7.5 Prepare documents required on forms approved by OWNER (i.e., the initial offer letter, memorandum of agreement, instruments of conveyance).
- 2.2.7.6 Send the written offer and appraisal report to each property owner or the property owner's designated representative by CMRRR.
- 2.2.7.7 Maintain follow-up contacts and secure the instruments necessary for the closing upon acceptance of the offer.
- 2.2.7.8 Respond to property owner inquiries verbally or in writing within two business days.
- 2.2.7.9 The curative services necessary to provide a clear title to OWNER are the responsibility of ENGINEER and thus are part of ENGINEER'S fee for Negotiation Services and Condemnation Support Services.
- 2.2.7.10 ENGINEER performs closing services in conjunction with the Title Company and will be required to attend closings. In the event of a closing by mail, title work will be reviewed prior to the closing by mail and again prior to recording of the instrument.
- 2.2.7.11 Cause the recordation of original instruments immediately after closing at the respective County Clerk's Office, except for donations, which

must be forwarded to OWNER for acceptance by the OWNER Board prior to recording.

- 2.2.7.12 If negotiations are unsuccessful, send a final offer package to property owners by CMRRR.
- 2.2.7.13 Prepare and provide to OWNER a memo requesting condemnation proceedings using information from the Title Commitment and other available sources to join interested parties.

Task 2.2 Land Acquisition and Right of Way Deliverables

- *Land Acquisition Prioritization Memo*
- *PEC Nameless Circuit Guy Wire Evaluation Technical Memorandum*
- *Environmental Constraints Report for New Build Overhead Electric Power Supply*
- *Cultural Survey Report for New Build Overhead Electric Power Supply*
- *Nameless Substation Expansion Plan Technical Memorandum*
- *Land Plan for the Attwood property*
- *Recorded conveyance documents and title policy for successful negotiations*
- *Memo requesting condemnation proceedings including a copy of the final project file for unsuccessful negotiations*

2.3 Agency and Stakeholder Coordination.

2.3.1 Village of Volente (Village).

2.3.1.1 Meetings.

2.3.1.1.1 Develop and present one town-hall style presentation to provide a project update to the Village.

2.3.1.1.2 Meet with OWNER and Village quarterly for a total of five meetings to provide project progress updates and coordinate future activities.

2.3.1.2 Coordination and communication. Support ongoing OWNER coordination and communication with the Village. Prepare and submit project figures and exhibits for use and display by the Village including a general project layout, an overall project schedule, a detailed schedule of activities included in this scope of services that will in occur in and around the Village, and summary updates of upcoming activities. Coordinate activities within the Village corporate limits with OWNER and the Village.

2.3.1.3 Interlocal Agreement (ILA) Support. Support OWNER development of an ILA with the Village.

2.3.1.3.1 Assist OWNER in defining project requirements to be included in the ILA and responding to Village key issues including construction impacts, spoils handling, intake tunnel concrete drop shaft

requirements, traffic and hauling, roadway assessment and repair, and O&M activities for the proposed maintenance building.

2.3.1.3.2 Attend up to four meetings with OWNER and Village to support development of the ILA.

2.3.2 **Travis County.** Coordinate with Travis County to discuss the use of Travis County right-of-way along the recommended tunnel and electrical upgrade alignments. Attend up to two meetings with Travis County.

2.3.3 **Lower Colorado River Authority.** Attend up to three meetings with LCRA to provide an overview of the project requirement, land acquisition process, and technical concepts and layouts for the intake and intake tunnel.

Task 2.3 Agency and Stakeholder Coordination Deliverables

- *Village of Volente town-hall presentation*
- *Stakeholder coordination meeting minutes (as required)*

2.4 **Preliminary Design Updates.** Perform the following task related to updating information in the Phase 2 Preliminary Engineering Report (June 1, 2016) to support OWNER planning and agency and stakeholder coordination.

2.4.1 **Well Mapping, Monitoring, and Mitigation Plan.** Prepare a supplemental update to Technical Memorandum 6-3 (Preliminary Well Mapping, Monitoring, and Mitigation Plan) from the Phase 2 Preliminary Engineering Report. The primary objectives of this task are to expand the well mapping database within the recommended horizontal offset from the subsurface tunnels and to implement well monitoring recommendations through the construction of new monitoring wells and water level and water quality monitoring of the existing piezometers and proposed monitoring wells. Information obtained in this task will be used to baseline groundwater conditions and proactively categorize and identify groundwater wells that may potentially be vulnerable to impacts.

2.4.1.1 Update the existing well mapping database.

2.4.1.1.1 Add new wells to the database as required from the Texas Water Development Board and TCEQ digital databases and file records.

2.4.1.1.2 Inventory existing wells in the 800 feet offset of the tunnel alignment from information obtained under Task 2.2.4.3. Coordinate with land agent and surveyor to collect additional information on specific wells of interest including well depth, position of the well screen, pump setting, and static water level.

2.4.1.2 Perform groundwater monitoring.

2.4.1.2.1 Install four monitoring wells adjacent to the land boring sites LB-2 and LB-4 as proposed in TM 6-3 (attached to the 2016 Phase 2 Preliminary Engineering Report). The well construction program includes construction of the wells, oversight and verification of the

drilling operation, geologic logging, well completion diagrams, stratigraphic logs, and transducer installation and documentation.

2.4.1.2.2 Obtain groundwater well level and water quality information.

2.4.1.2.2.1 Download continuous monitoring data from the proposed monitoring wells monthly.

2.4.1.2.2.2 Sample water levels in the existing land borings completed during Phase 2 Preliminary Engineering monthly.

2.4.1.2.2.3 Collect monthly manual well level measurements from up to 10 privately owned wells along the tunnel alignment and within the 800 feet offset.

2.4.1.2.2.4 Collect monthly groundwater water quality samples from the four monitoring wells and up to six privately owned wells along the tunnel alignment and within the 800 feet offset.

2.4.1.3 Reporting.

2.4.1.3.1.1 Prepare a supplemental update to TM 6-3 to document the updated well mapping database and water monitoring information.

2.4.1.3.1.2 Develop a web-GIS application for well owners that provides project monitoring data. The monitoring data will include well-specific data including well logs and completion information as available in addition to water level monitoring and water quality data.

2.4.2 **Phasing and Capacity.** Update the phasing and capacity summary from the Phase 2 Preliminary Engineering Report based on updated future water demand projections from the three partner cities. The purpose of this update is to estimate the when the initial Phase 2 project and subsequent capacity expansions may be required. The projections do not represent an officially accepted forecast of future water demands by OWNER or the three partner cities. Summarize the findings in a brief Technical Memorandum.

2.4.3 **Project Schedule.** Update the Phase 2 project implementation schedule from the Preliminary Engineering Report and include the schedule in the Phasing and Capacity Technical Memorandum.

2.4.4 **Pumping System Research.** Consult with pumps suppliers identified during Phase 2 preliminary engineering and Southern Nevada Water Authority (SNWA) to assess the performance of submersible pumps installed at SNWA for performance testing. Document relevant information and findings in a memorandum.

Task 2.4 Preliminary Design Updates Deliverables

- *Well Mapping, Monitoring, and Mitigation Plan Technical Memorandum*
- *Phasing and Capacity Technical Memorandum (includes Phase 2 Project Implementation Schedule)*
- *Pumping System Memorandum*

Task 3.0 - Additional Services

The following Additional Services are not included in the Scope of Services and will not be performed unless specifically authorized by the OWNER:

- 3.1 Preparing to serve or serving as a consultant or witness for OWNER in any litigation, arbitration, or other dispute resolution process related to the Project including obtaining easements.
- 3.2 Providing information or assistance needed by OWNER or OWNER'S legal counsel to prepare for easement proceedings.
- 3.3 Construction Phase Services. After acceptance by OWNER of the Phase 1C Final Bidding Documents and upon written authorization, construction phase services shall be provided. Work tasks for construction phase services will be defined in a future scope of services.
- 3.4 Performing bench-scale or outside laboratory water quality studies.
- 3.5 Environmental, biological, historical, and cultural field investigations for efforts other than those associated with the study of the route for the proposed new electrical distribution service lines.
- 3.6 Coordination with other regulatory including but not limited to Texas Parks & Wildlife Department (TPWD), U.S. Fish & Wildlife Service (USFWS), Balcones Canyonland Conservation Plan, and U.S. Environmental Protection Agency (USEPA).
- 3.7 Site clearing and grading for monitoring well drilling equipment to access the proposed monitoring well locations and site restoration activities beyond the removal of boring spoils.
- 3.8 Bathymetric surveying and mapping services.
- 3.9 Preparation of applications and supporting documents (in addition to those furnished under Basic Services) for private or governmental grants, loans, or advances in connection with the Project; preparation or review of environmental assessments and impact statements; review and evaluation of the effects on the design requirements for the Project of any such statements and documents prepared by others; and assistance in obtaining approvals of authorities having jurisdiction over the anticipated environmental impact of the Project.
- 3.10 Services to make measured drawings of or to investigate existing conditions or facilities, or to verify the accuracy of drawings or other information furnished by OWNER or others.
- 3.11 Services resulting from significant changes in the scope, extent, or character of the portions of the Project designed or specified by ENGINEER or its design requirements including, but not limited to, changes in size, complexity, OWNER'S schedule, character of construction, or

method of financing; and revising previously accepted studies, reports, Drawings, Specifications, or Contract Documents when such revisions are required by changes in Laws and Regulations enacted subsequent to the Effective Date of this Agreement or are due to other causes beyond ENGINEER'S control.

- 3.12 Services required as a result of OWNER'S providing incomplete or incorrect Project information to ENGINEER.
- 3.13 Services required due to delays or other causes beyond ENGINEER'S control.
- 3.14 Undertaking investigations and studies including, but not limited to, detailed consideration of operations, maintenance, and overhead expenses; the preparation of feasibility studies, cash flow and economic evaluations, rate schedules, and appraisals; assistance in obtaining financing for the Project; evaluating processes available for licensing, and assisting OWNER in obtaining process licensing; detailed quantity surveys of materials, equipment, and labor; and audits or inventories required in connection with construction performed by OWNER.
- 3.15 Furnishing services of Consultants for other than Basic Services.
- 3.16 Services attributable to assisting the OWNER in prequalifying prime contractors and/or subcontractors/suppliers for this Project.
- 3.17 Preparing for, coordinating with, participating in and responding to structured independent review processes, including, but not limited to, construction management, cost estimating, project peer review, value engineering, and constructability review requested by OWNER; and performing or furnishing services required to revise studies, reports, Drawings, Specifications, or other Bidding Documents as a result of such review processes.
- 3.18 Providing assistance in responding to the presence of any Constituent of Concern at the Site, in compliance with current Laws and Regulations.
- 3.19 Providing more extensive services required to enable ENGINEER to issue notices or certifications requested by OWNER.
- 3.20 Preparation of comprehensive operation and maintenance manuals beyond that required to be supplied by the Contractor within the Construction Contract.
- 3.21 Preparing additional Bidding Documents or Contract Documents for alternate bids or prices requested by OWNER for the Work or a portion thereof.
- 3.22 Assistance in connection with Bid protests, rebidding, or renegotiating contracts for construction, materials, equipment, or services.
- 3.23 Providing construction surveys and staking to enable Contractor to perform its work,
- 3.24 Other services performed or furnished by ENGINEER not otherwise provided for in this Agreement.

EXHIBIT C WORK SCHEDULE

A detailed project work schedule is attached to this Exhibit C as Appendix 1. The assumed primary Task durations are as follows. Specific sub-task dates and durations contained in Appendix 1 are anticipated to vary.

- Task 1.0 – WTP Expansion: 14 months (12 month Design Phase and 2 month Bidding Phase)
- Task 2.0 – Land Rights and Stakeholder Coordination: 17 months

Appendix 1 to Exhibit C
Detailed Work Schedule

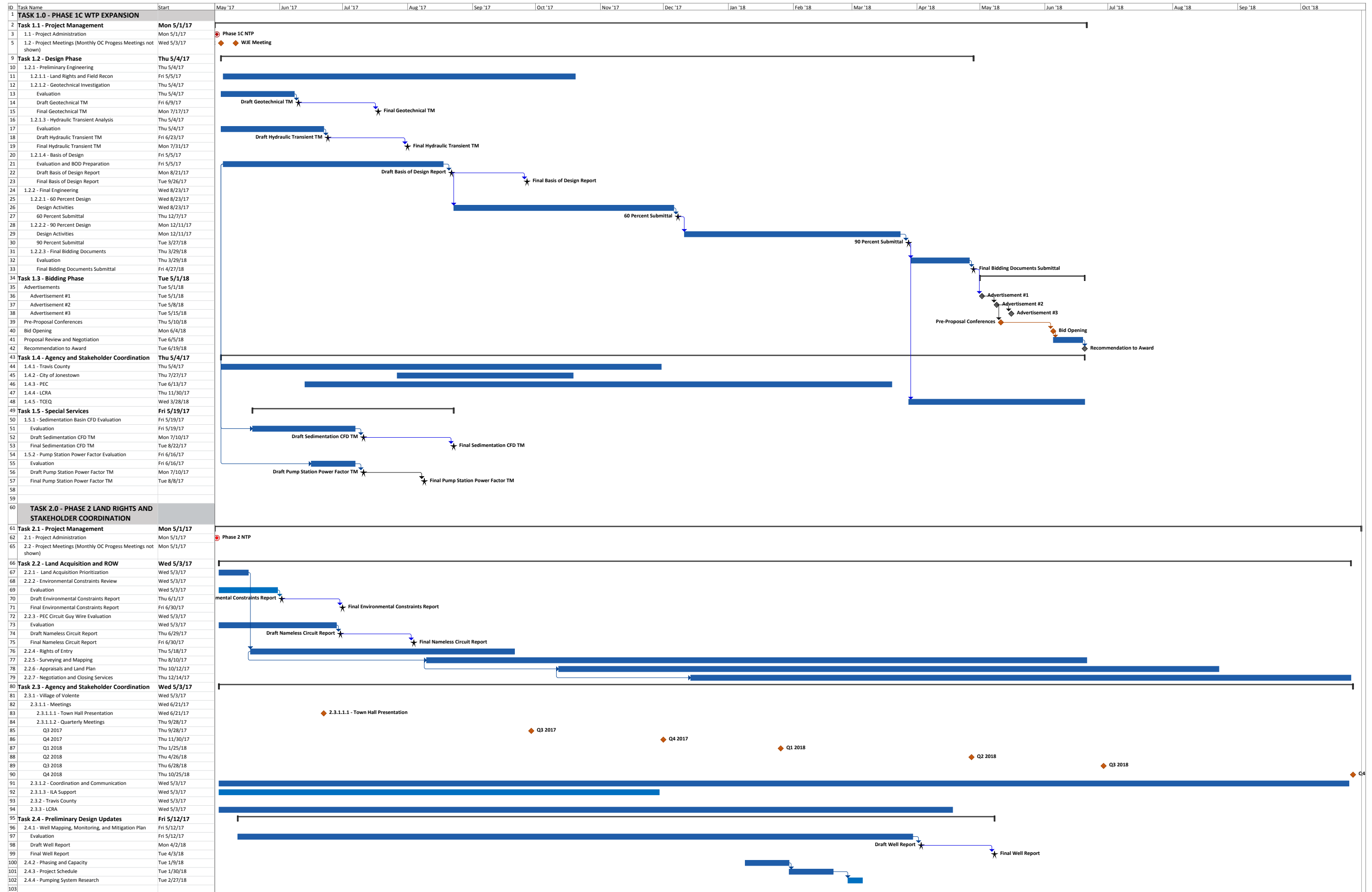


EXHIBIT D

Fee Schedule

Attached Behind This Page

EXHIBIT D
COMPENSATION

Total compensation for Basic Services set forth in Exhibit B is estimated to be \$3,776,500. OWNER shall pay ENGINEER for Basic Services Task 1.0 – Phase 1C Water Treatment Plant Expansion set forth in Exhibit B on the basis of Lump Sum as described in Paragraph 1.0. OWNER shall pay ENGINEER for Basic Services Tasks 2.0 – Phase 2 Land Rights and Stakeholder Coordination set forth in Exhibit B on the basis of Standard Hourly Rates as described in Paragraph 2.0. ENGINEER’S labor and fee summaries are attached as Appendix 1.

1.0 OWNER shall pay ENGINEER for Basic Services Task 1.0 – Phase 1C Water Treatment Plant Expansion set forth in Exhibit B as follows:

A. A Lump Sum amount of \$1,763,900 based on the following estimated distribution of compensation:

1. Task 1.1 – Project Management, Coordination, and Meetings	\$207,400
2. Task 1.2 – Design Phase	\$1,376,300
3. Task 1.3 – Bidding Phase	\$76,400
4. Task 1.4 – Agency and Stakeholder Coordination	\$31,700
5. Task 1.5 – Special Services	\$72,100

B. The portion of the Lump Sum amount billed for ENGINEER’S services will be based upon ENGINEER’S estimate of the percentage of the total services actually completed during the billing period for each Task described in Paragraph 1.0.A.

C. ENGINEER may not alter the distribution of compensation between individual phases noted herein and shall not exceed the total Lump Sum amount unless approved in writing by the OWNER.

D. The Lump Sum includes compensation for ENGINEER’S services and services of ENGINEER’S Consultants, if any. Appropriate amounts have been incorporated in the Lump Sum to account for labor costs, overhead, profit, expenses, and Consultant charges.

2.0 OWNER shall pay ENGINEER for Basic Services Task 2.0 – Phase 2 Land Rights and Stakeholder Coordination set forth in Exhibit B as follows:

A. An amount equal to the cumulative hours charged to the Project by each class of ENGINEER’S personnel times Standard Hourly Rates for each applicable billing class for all services performed on the Project, plus Reimbursable Expenses and ENGINEER’S Consultants’ charges, if any.

- B. The Standard Hourly Rates charged by ENGINEER constitute full and complete compensation for ENGINEER'S services, including labor costs, overhead, and profit; the Standard Hourly Rates do not include Reimbursable Expenses or ENGINEER'S Consultants' charges.
- C. ENGINEER'S Standard Hourly Rates are attached to this Exhibit D as Appendix 2.
- D. The total compensation for services under Paragraph 2.0 is estimated to be \$2,012,600 based on the following distribution of compensation:

1. Task 2.1 – Project Management, Coordination, and Meetings	\$229,500
2. Task 2.2 – Land Acquisition and Right of Way	\$1,464,300
3. Task 2.3 – Agency and Stakeholder Coordination	\$137,100
4. Task 2.4 – Preliminary Design Updates	\$181,700
- E. ENGINEER may not alter the distribution of compensation between individual phases of the work noted herein and shall not exceed the total estimated compensation amount unless approved in writing by OWNER.
- F. The total estimated compensation for ENGINEER'S services included in the breakdown by phases as noted in Paragraph 2.0.D incorporates all labor, overhead, profit, Reimbursable Expenses, and ENGINEER'S Consultant's charges.
- G. If it becomes apparent to ENGINEER that the compensation amount for Engineer's services will be exceeded, ENGINEER shall give OWNER written notice thereof for review of the matter.
- H. The amounts billed for ENGINEER'S services under Paragraph 2.0 will be based on the cumulative hours charged to the Project during the billing period by each class of ENGINEER'S employees times Standard Hourly Rates for each applicable billing class, plus Reimbursable Expenses and ENGINEER'S Consultants' charges.
- I. The amounts payable to ENGINEER for Reimbursable Expenses will be the Project-related internal expenses actually incurred or allocated by ENGINEER multiplied by a factor of 5%.

3.0 Other Provisions Concerning Payment

- A. Whenever ENGINEER is entitled to compensation for the charges of ENGINEER'S Consultants, those charges shall be the amounts billed by ENGINEER'S Consultants to Engineer times a factor of 5%.

Brushy Creek Regional Utility Authority

Phase 1C WTP Expansion and Phase 2 Land Rights and Stakeholder Coordination

Labor Summary

TASK DESCRIPTION	Walker Partners Labor Classifications and Hours											Walker Partners Total Hours
	Project Principal	Project Manager	Senior QA/QC Reviewer	Senior Process Engineer	Project Engineer	EIT	Senior Designer	Admin Support	Survey RPLS	3 Man Survey Crew	Survey Technician	
TASK 1.0 - PHASE 1C WTP EXPANSION												
1.1 Project Management, Coordination, and Meetings												
1.1.1 Project Administration	8	120	8		40			80				256
1.1.2 Project Meetings												
1.1.2.1 Kickoff Meeting	2	4	1	8				4				19
1.1.2.2 WJE Meeting	2	4	1	8				4				19
1.1.2.3 Monthly Progress Meetings	4	50	8	50	16		8	16				152
1.1.2.4 BCRUA Board Updates	2	24	4		16		16	16				78
SUBTOTAL	18	202	22	66	72		24	120				524
1.2 Design Phase												
1.2.1 Preliminary Engineering												
1.2.1.1 Land Acquisition and Field Reconnaissance												
1.2.1.1.1 TER TCEs		4		8		12		8	15	40	38	125
1.2.1.1.2 Existing CAV Field Measurements		2		4	8	16						30
1.2.1.2 Geotechnical Investigation		4	2	4				4				14
1.2.1.3 Hydraulic Transient Analysis	2	10	2	24	40			4				82
1.2.1.4 Basis of Design Report	22	82	21	164	132	144	216	32				813
1.2.2 Final Engineering												
1.2.2.1 60 Percent Design												
1.2.2.1.1 Construction Drawings to 60% Level	4	60	12	100	120	160	240	4				700
1.2.2.1.2 Specifications to 60% Level	4	16	8	24	60	40		24				176
1.2.2.1.3 OPCC to 60% Level	4	8	8	24	24	40	40	4				152
1.2.2.1.4 60% Submittal and Comment Recovery	4	4		8	16	16	40	8				96
1.2.2.2 90 Percent Design												
1.2.2.2.1 Construction Drawings to 90% Level	4	60	12	100	160	200	240					776
1.2.2.2.2 Specifications to 90% Level	4	16	8	80	120	100		80				408
1.2.2.2.3 OPCC to 90% Level	4	8	8	16	16							52
1.2.2.2.4 90% Submittal and Comment Recovery	4	4		8	24		24	24				88
1.2.2.3 Final Bidding Documents												
1.2.2.3.1 Final Drawings and Specifications	4	8	8	40	80	80	80	80				380
1.2.2.3.2 Final OPCC	4	8	8	16	24							60
SUBTOTAL	64	294	97	620	824	808	880	272	15	40	38	3,952
1.3 Bidding Phase												
1.3.1 Plan Issuance and Pre-Bid Conference	2	4		12				40				58
1.3.2 Issue Addenda	2	4	4	40			60	16				126
1.3.3 Substitutions Evaluation			2	8								10
1.3.4 Negotiation		4		8								12
1.3.5 Proposal Review	2	4		8				8				22
1.3.6 Bid Tab and Recommendation		1		4				4				9
1.3.7 Conformed Documents		2		8			24	24				58
SUBTOTAL	6	19	6	88			84	92				295
1.4 Agency and Stakeholder Coordination												
1.4.1 Travis County	2	16			24			8				50
1.4.2 City of Jonestown		8				12		4				24
1.4.3 Pedernales Electric Cooperative		8		16				4				28
1.4.4 Lower Colorado River Authority		4		8				4				16
1.4.5 Texas Commission on Environmental Quality		2		4	8			4				18
1.4.6 Texas Water Development Board		12		12	12			8				32
SUBTOTAL	2	50		28	44	12		32				168
1.5 Special Services												
1.5.1 Sedimentation Basin CFD Evaluation												
1.5.1.1 Doppler Survey		2	1		4			4				11
1.5.1.2 CFD Modeling	1	2	2		4			4				13
1.5.2 Pump Station Power Factor Evaluation		2	2	2	4			4				12
SUBTOTAL	1	6	5		12			12				36
TASK 1.0 TOTAL HOURS	91	571	130	802	952	820	988	528	15	40	38	4,975
Task 2.0 - Phase 2 Land Rights and Stakeholder Coordination												
2.1 Project Management, Coordination, and Meetings												
2.1.1 Project Administration	12	120	8		40			40				220
2.1.2 Project Meetings												
2.1.2.1 Kickoff Meeting	2	4			8			4				18
2.1.2.2 Monthly Progress Meetings	4	50	8	24		24	24	16				150
2.1.2.3 BCRUA Board Updates	2	24	4		16		16	16				78
SUBTOTAL	20	198	20	24	64	24	40	76				466
2.2 Land Acquisition and Right of Way												
2.2.1 Prioritization Plan and Property Research		2							2			6
2.2.2 New Overhead Electric Easement Evaluation	3	42	8	16		20		28				117
2.2.3 Nameless Substation Expansion Evaluation	1	8	2		50		16		4	10	12	103
2.2.4 Rights of Entry	2	8			24			8				42
2.2.5 Surveying and Mapping	4	28	16		24	36	40	40	252	676	936	2,052
2.2.6 Real Estate Appraisals and Land Plan	1	8	2	16	24			24				75
2.2.7 Negotiation Services	1	8	2		8			16				35
SUBTOTAL	12	104	30	32	130	56	58	116	258	686	948	2,430
2.3 Agency and Stakeholder Coordination												
2.3.1 Village of Volente												
2.3.1.1 Meetings												
2.3.1.1.1 Town Hall Presentation	4	40	4	24	24		40	16				152
2.3.1.1.2 Quarterly Meetings		40					16	16				72
2.3.1.2 Coordination and Communication	2	40	4	16	24		24	16				126
2.3.1.3 ILA Support	2	24	4	24	50		24	16				144
2.3.2 Travis County	1	4	2	16			8	4				35
2.3.3 Lower Colorado River Authority	1	12	2	24			24	8				71
SUBTOTAL	10	160	16	104	98		136	76				600
2.4 Preliminary Design Updates												
2.4.1 Well Mapping, Monitoring, Mitigation Plan	2	8	2	40			32	8				92
2.4.2 Phasing and Capacity	2	4	2	8	16			2				34
2.4.3 Project Schedule	2	2		4				4				12
2.4.4 Pumping System Research	8	8	8									24
SUBTOTAL	14	22	12	52	16		32	14				162
TASK 2.0 TOTAL HOURS	56	484	78	212	308	80	266	282	258	686	948	3,658
TOTAL HOURS	147	1,055	208	1,014	1,260	900	1,254	810	273	726	986	8,633

Brushy Creek Regional Utility Authority
Phase 1C WTP Expansion and Phase 2 Land Rights and Stakeholder Coordination
Fee Summary

TASK DESCRIPTION	Walker Partners Total Cost	Subconsultant Cost									Total Fee
		CLS	FNI	Schnabel	Intera	NHC	Portier Group	David Dial	M&S	aci	
TASK 1.0 - PHASE 1C WTP EXPANSION											
1.1 Project Management, Coordination, and Meetings											
1.1.1 Project Administration	\$49,178		\$58,561								\$107,739
1.1.2 Project Meetings											
1.1.2.1 Kickoff Meeting	\$4,059		\$12,387								\$16,446
1.1.2.2 WJE Meeting	\$4,101										\$4,101
1.1.2.3 Monthly Progress Meetings	\$33,405		\$26,086								\$59,491
1.1.2.4 BCRUA Board Updates	\$14,683										\$14,683
Sub Management Fee	\$4,900										\$4,900
SUBTOTAL	\$110,324		\$97,034								\$207,400
1.2 Design Phase											
1.2.1 Preliminary Engineering											
1.2.1.1 Land Acquisition and Field Reconnaissance											
1.2.1.1.1 TER TCEs	\$18,476	\$30,920									\$49,396
1.2.1.1.2 Existing CAV Field Measurements	\$4,285							\$500			\$4,785
1.2.1.2 Geotechnical Investigation	\$2,863			\$12,800							\$15,663
1.2.1.3 Hydraulic Transient Analysis	\$16,125					\$25,855					\$41,980
1.2.1.4 Basis of Design Report	\$140,737		\$106,644			\$1,945	\$5,000	\$3,820			\$258,146
1.2.2 Final Engineering											
1.2.2.1 60 Percent Design											
1.2.2.1.1 Construction Drawings to 60% Level	\$113,309		\$197,096				\$2,500	\$2,320			\$315,225
1.2.2.1.2 Specifications to 60% Level	\$28,585		\$6,248								\$34,833
1.2.2.1.3 OPCC to 60% Level	\$24,686		\$8,688								\$33,374
1.2.2.1.4 60% Submittal and Comment Recovery	\$14,923		\$6,248								\$21,171
1.2.2.2 90 Percent Design											
1.2.2.2.1 Construction Drawings to 90% Level	\$123,268		\$183,675				\$2,500	\$2,320			\$311,763
1.2.2.2.2 Specifications to 90% Level	\$60,975		\$7,412								\$68,387
1.2.2.2.3 OPCC to 90% Level	\$11,646		\$8,970								\$20,616
1.2.2.2.4 90% Submittal and Comment Recovery	\$13,683		\$14,388								\$28,071
1.2.2.3 Final Bidding Documents											
1.2.2.3.1 Final Drawings and Specifications	\$53,563		\$62,383					\$1,000			\$116,946
1.2.2.3.2 Final OPCC	\$13,266		\$7,701								\$20,967
Sub Management Fee	\$35,000										\$35,000
SUBTOTAL	\$675,388	\$30,920	\$609,453	\$12,800		\$27,800	\$10,000	\$9,960			\$1,376,300
1.3 Bidding Phase											
1.3.1 Plan Issuance and Pre-Bid Conference	\$8,120		\$3,895								\$12,015
1.3.2 Issue Addenda	\$22,075		\$16,704								\$38,779
1.3.3 Substitutions Evaluation	\$2,350										\$2,350
1.3.4 Negotiation	\$2,840										\$2,840
1.3.5 Proposal Review	\$4,083										\$4,083
1.3.6 Bid Tab and Recommendation	\$1,506										\$1,506
1.3.7 Conformed Documents	\$8,365		\$5,204								\$13,569
Sub Management Fee	\$1,300										\$1,300
SUBTOTAL	\$50,639		\$25,803								\$76,400
1.4 Agency and Stakeholder Coordination											
1.4.1 Travis County	\$9,520										\$9,520
1.4.2 City of Jonestown	\$3,653										\$3,653
1.4.3 Pedernales Electric Cooperative	\$6,184										\$6,184
1.4.4 Lower Colorado River Authority	\$3,291										\$3,291
1.4.5 Texas Commission on Environmental Quality	\$3,218										\$3,218
1.4.6 Texas Water Development Board	\$5,787										\$5,787
Sub Management Fee											
SUBTOTAL	\$31,653										\$31,700
1.5 Special Services											
1.5.1 Sedimentation Basin CFD Evaluation											
1.5.1.1 Doppler Survey	\$1,838		\$7,176								\$9,014
1.5.1.2 CFD Modeling	\$2,404		\$40,768								\$43,172
1.5.2 Pump Station Power Factor Evaluation	\$2,113		\$14,626								\$16,739
Sub Management Fee	\$3,100										\$3,100
SUBTOTAL	\$9,455		\$62,570								\$72,100
TASK 1.0 TOTAL FEE	\$877,458	\$30,920	\$794,860	\$12,800		\$27,800	\$10,000	\$9,960			\$1,763,900
Task 2.0 - Phase 2 Land Rights and Stakeholder Coordination											
2.1 Project Management, Coordination, and Meetings											
2.1.1 Project Administration	\$47,865	\$112,875									\$160,740
2.1.2 Project Meetings											
2.1.2.1 Kickoff Meeting	\$3,304	\$1,500									\$4,804
2.1.2.2 Monthly Progress Meetings	\$29,528	\$13,300									\$42,828
2.1.2.3 BCRUA Board Updates	\$14,683										\$14,683
Sub Management Fee	\$6,400										\$6,400
SUBTOTAL	\$101,779	\$127,675									\$229,500
2.2 Land Acquisition and Right of Way											
2.2.1 Prioritization Plan and Property Research	\$1,220	\$400									\$1,620
2.2.2 New Overhead Electric Easement Evaluation	\$21,743	\$4,628						\$60,000	\$17,600		\$103,971
2.2.3 Nameless Substation Expansion Evaluation	\$17,459							\$2,700			\$20,159
2.2.4 Rights of Entry	\$7,309	\$133,400									\$140,709
2.2.5 Surveying and Mapping	\$292,128			\$5,000							\$297,128
2.2.6 Real Estate Appraisals and Land Plan	\$12,411	\$342,000									\$354,411
2.2.7 Negotiation Services	\$5,542	\$481,280		\$6,800							\$493,622
Sub Management Fee	\$52,700										\$52,700
SUBTOTAL	\$410,511	\$961,708		\$11,800				\$60,000	\$20,300		\$1,464,300
2.3 Agency and Stakeholder Coordination											
2.3.1 Village of Volente											
2.3.1.1 Meetings											
2.3.1.1.1 Town Hall Presentation	\$30,448	\$3,157									\$33,605
2.3.1.1.2 Quarterly Meetings	\$14,395										\$14,395
2.3.1.2 Coordination and Communication	\$25,015										\$25,015
2.3.1.3 ILA Support	\$26,578	\$10,000									\$36,578
2.3.2 Travis County	\$7,090	\$1,157									\$8,247
2.3.3 Lower Colorado River Authority	\$13,716	\$4,628									\$18,344
Sub Management Fee	\$900										\$900
SUBTOTAL	\$118,141	\$18,942									\$137,100
2.4 Preliminary Design Updates											
2.4.1 Well Mapping, Monitoring, Mitigation Plan	\$17,988				\$138,327						\$156,315
2.4.2 Phasing and Capacity	\$7,071										\$7,071
2.4.3 Project Schedule	\$2,301										\$2,301
2.4.4 Pumping System Research	\$9,158										\$9,158
Sub Management Fee	\$6,900										\$6,900
SUBTOTAL	\$43,416				\$138,327						\$181,700
TASK 2.0 TOTAL FEE	\$673,847	\$1,108,325		\$11,800	\$138,327				\$60,000	\$20,300	\$2,012,600
TOTAL FEE	\$1,551,305	\$1,139,245	\$794,860	\$24,600	\$138,327	\$27,800	\$10,000	\$9,960	\$60,000	\$20,300	\$3,776,500

Appendix 2 to Exhibit D
Standard Hourly Rates Schedule

Standard Hourly Rates are subject to annual review and adjustment. Hourly rates for services in effect on the date of the Agreement are:

Managing Principal	\$275/hour
Manager III	\$260/hour
Manager II	\$225/hour
Manager I	\$195/hour
Senior Engineer III	\$275/hour
Senior Engineer II	\$225/hour
Senior Engineer I	\$200/hour
Survey Manager	\$200/hour
Senior Project Manager	\$165/hour
Project Manager	\$150/hour
Senior Design Engineer	\$150/hour
Project Engineer III	\$130/hour
Project Engineer II	\$120/hour
Project Engineer I	\$110/hour
Senior Project Surveyor	\$130/hour
Project Surveyor III	\$110/hour
Project Surveyor II	\$95/hour
Project Surveyor I	\$85/hour
Professional IV	\$95/hour
Professional III	\$90/hour
Professional II	\$85/hour
Professional I	\$80/hour
Technician XI	\$150/hour
Technician X	\$130/hour
Technician VII	\$110/hour
Technician VI	\$95/hour
Technician V	\$90/hour
Technician IV	\$80/hour
Technician III	\$75/hour
Technician II	\$60/hour
Technician I	\$50/hour
Support Staff III	\$80/hour
Support Staff II	\$70/hour
Support Staff I	\$60/hour
4-Man Crew	\$170/hour
3-Man Crew	\$160/hour
2-Man Crew	\$135/hour
1-Man Crew	\$115/hour

Land Agent Project Manager	\$200/hour
Senior Land Agent	\$140/hour
Acquisition Agent	\$125/hour
Title Agent	\$100/hour
GIS, VROW & ROW Technician	\$85/hour
Administrative Agent	\$75/hour
Land Planner	\$200hour
Researcher/Planner	\$150/hour
Land Planner Technician	\$110/hour
Lead Appraiser	\$250/hour

EXHIBIT E

Certificates of Insurance

Attached Behind This Page

This page is a placeholder for information submitted with the application that may contain confidential information.

Please contact Cindy Deprato at 512 463-8420 to request reviewing this information.

RESOLUTION NO. R-16-07-20-7C

WHEREAS, the Brushy Creek Regional Utility Authority, Inc. (BCRUA) desires to retain professional municipal advisory services related to the issuance of City of Leander Contract Revenue Bonds; and

WHEREAS, FirstSouthwest has submitted an engagement letter to provide said services; and

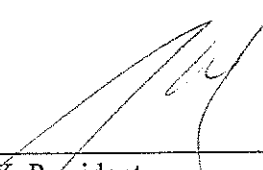
WHEREAS, the BCRUA wishes to enter into an engagement letter with FirstSouthwest, Now Therefore

BE IT RESOLVED BY THE BRUSHY CREEK REGIONAL UTILITY AUTHORITY,

That the Board President is hereby authorized and directed to execute on behalf of the BCRUA an engagement letter with FirstSouthwest, a copy of same being attached hereto as Exhibit "A" and incorporated herein for all purposes.

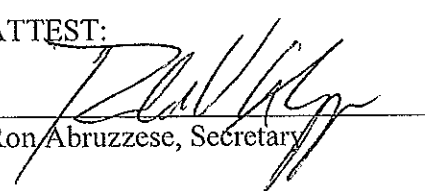
The Board hereby finds and declares that written notice of the date, hour, place and subject of the meeting at which this Resolution was adopted was posted and that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof were discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended.

RESOLVED this 20th day of July, 2016.



JON LUX, President
Brushy Creek Regional Utility Authority

ATTEST:



Ron Abruzzese, Secretary

Part A-6 Financial Advisor Contract

ENGAGEMENT LETTER FOR MUNICIPAL ADVISORY SERVICES

Specialized Public Finance, Inc. ("SPFI" or "Municipal Advisor") has been engaged to serve as the Municipal Advisor to the Brushy Creek Regional Utility Authority, Inc. ("Issuer"). This document is our written engagement and sets forth the duties and responsibilities of the Municipal Advisor in connection with the issuance of City of Round Rock or City of Cedar Park Contract Revenue Bonds or similar instruments by the Issuer. Any City of Leander Contract Revenue Bonds or similar instruments issued by Issuer are specifically excluded from this engagement.

Section 1: Municipal Advisor Role. The Municipal Advisor is engaged as a recognized independent expert whose primary responsibility is to give objective advice on the structure and issuance of municipal securities. In our capacity as Municipal Advisor to the Issuer, we will provide the following services: (1) Evaluate alternatives and options related to the Issuer's objective of reducing financing costs related to previously issued bonds; (2) Prepare preliminary financing schedules for review and consideration by the Issuer; (3) Provide advice on the structure and suitability of municipal securities relative to the financial resources of the Issuer for new projects; (4) Work with Bond Counsel and the Issuer to prepare the offering documents necessary for the sale of municipal securities; and (5) Provide assistance in coordinating with underwriters, bond rating agencies, the Texas Water Development Board, and other professionals, as needed, related to the proper structuring and final issuance of municipal securities.

Section 2: Disclosure of Conflicts of Interest. Rules established by the Municipal Securities Rulemaking Board and the Securities and Exchange Commission require the registered Municipal Advisor to provide a written description of any material conflicts of interest, including any plans to mitigate any such conflicts of interest. Federal law imposes an explicit fiduciary duty on the Municipal Advisor to act in the best interest of the Issuer. This means several important things: (1) SPFI has a duty to exercise due care in performing municipal advisory activities; (2) SPFI has a duty of loyalty, requiring advice to be rendered in the best interest of the Issuer, without regard to the financial interests of SPFI; (3) SPFI must have the knowledge and expertise needed to provide the Issuer with informed advice; (4) SPFI has a duty to understand the Issuer's specific financial circumstances so that any advice may be deemed suitable to the Issuer's situation; and (5) SPFI has a duty to discuss material risks and benefits with the Issuer so as to best serve the Issuer's needs.

Specific conflicts of interest will be disclosed in detail in a separate letter provided by SPFI before the date of execution of this engagement.

Section 3: Term of Engagement. The term of this engagement shall extend from the date of execution of this Engagement Letter for a period of (3) years from such date. Unless SPFI or Issuer shall notify the other party in writing at least (30) days in advance of the applicable anniversary date that this engagement will not be renewed, this engagement will be automatically renewed on the third anniversary of the date hereof for successive (1) year periods.

Section 4: Fees and Expenses. The Issuer agrees to pay to SPFI for the services described in Section 1), above, the amount of 0.225% of the par amount of municipal securities issued and delivered relating to Phase 1 Improvements and 0.175% of the par amount of municipal securities issued and delivered for other projects. The foregoing charges shall be multiplied by 1.25 times for the issuance of refunding bonds, reflecting the additional services required. Additionally, the Issuer agrees to reimburse SPFI for any transaction-related costs advanced by SPFI in the normal course of issuance of the municipal securities covered by this engagement, including but not limited to paying agent fees, rating agency fees (including any ratings-related travel expenses, at the specific instruction of the Issuer), CUSIP registration fees, escrow agent fees, verification agent fees, and any fees related to the bidding of escrow securities to the extent they are beneficial to the transaction or required due to the inability to subscribe to State and Local Government Securities or SLGS.

This engagement shall take effect upon action by a duly authorized representative of the Issuer to approve this engagement.

Representative of the Issuer:

Jon Lux, Board President

Date:

7-20-16

Representative of the Municipal Advisor:

Carlyle E. Marshall

Date:

7-20-16

**DISCLOSURE STATEMENT
OF
SPECIALIZED PUBLIC FINANCE, INC.**

This Disclosure Statement is provided by **SPECIALIZED PUBLIC FINANCE, INC.** ("Specialized Public Finance, Inc." or "the Advisor") to **Brushy Creek Regional Utility Authority, Inc.** (the "Client") in connection with our existing Financial Advisory Services Agreement or similar instrument (the "Agreement"). This Disclosure Statement provides information regarding conflicts of interest and legal or disciplinary events of Specialized Public Finance, Inc. required to be disclosed to Client pursuant to Municipal Securities Rulemaking Board ("MSRB") Rule G-42(b) and (c)(ii), which took effect on June 23, 2016.

PART A – Disclosures of Conflicts of Interest

Newly adopted MSRB Rule G-42 requires that Specialized Public Finance, Inc. provide disclosures relating to any actual or potential material conflicts of interest, including certain categories of potential conflicts of interest identified in Rule G-42, if applicable. If no such material conflicts of interest are known to exist based on the exercise of reasonable diligence, Specialized Public Finance, Inc. is required to provide a written statement to that effect.

Material Conflicts of Interest – Specialized Public Finance, Inc. makes the disclosures set forth below with respect to material conflicts of interest in connection with the Agreement, together with explanations of how the Advisor addresses or intends to manage or mitigate each conflict.

General Mitigations – With respect to all of the conflicts disclosed below, Specialized Public Finance, Inc. mitigates such conflicts through its adherence to its fiduciary duty to Client, which includes a duty of loyalty to Client in performing all advisory activities for Client. This duty of loyalty obligates Specialized Public Finance, Inc. to deal honestly and with the utmost good faith with Client and to act in Client's best interests without regard to Specialized Public Finance, Inc.'s financial or other interests. Furthermore, Specialized Public Finance, Inc.'s supervisory structure provides strong safeguards against individual representatives of Specialized Public Finance, Inc. potentially departing from their regulatory duties due to personal interests. The disclosures below describe, as applicable, any additional mitigations that may be relevant with respect to any specific conflict disclosed below.

Compensation-Based Conflicts. The fees due under the Agreement will be based on the size of the financing and the payment of such fees shall be contingent upon closing of the financing transaction. While this form of compensation is customary in the municipal securities market, this may present a conflict because it could create an incentive for the Advisor to recommend unnecessary financings or financings that are disadvantageous to Client, or to advise Client to increase the size of the issue. This conflict of interest is mitigated by the general mitigations described above.

Specialized Public Finance, Inc. Also Advising Wholesale Utility Customers of Client. In addition to serving as Advisor to Client, Specialized Public Finance, Inc. serves as Advisor to certain wholesale utility customers of Client. Client and the wholesale utility customers may have conflicting interests with regard to fees, terms of the issuance, and other matters. Such conflict is mitigated by the fact that no wholesale utility customer transactions are originated by Specialized Public Finance, Inc. and all work done on behalf of the Client is undertaken at the specific request of the Client. Additionally, as it relates to the primary goals of any such financing transaction, achieving the lowest possible debt service and bond issuance costs are common to both the Client and the wholesale utility customers.

Specialized Public Finance, Inc., as an independent municipal advisory firm, is not affiliated with any broker-dealer. As such, Specialized Public Finance, Inc. has NONE of the following potential conflicts of interest unique to municipal advisors affiliated with a broker-dealer.

**THE FOLLOWING CONFLICTS OF INTEREST DO NOT APPLY TO
SPECIALIZED PUBLIC FINANCE, INC.**

Affiliate Conflict. The Affiliate's business with Client could create an incentive for the municipal advisor to recommend to Client a course of action designed to increase the level of Client's business activities with the Affiliate or to recommend against a course of action that would reduce or eliminate Client's business activities with the Affiliate.

Solicitor Payments to Be Retained. Such payments could create an incentive for the Solicitor to make a biased recommendation to Client in conflict with the fiduciary duty of the municipal advisor.

Payments From Third Parties for Recommendations. Such payments could create an incentive for the municipal advisor to make a biased recommendation of the Recommended Third-Party to Client.

Fee-Splitting Arrangements. Such fee-splitting arrangements could result in divided loyalties of the municipal advisor and the Third-Party besides Client.

Underwriting Relationships. Broker dealer municipal advisors serve a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of Client. These other clients may, from time to time and depending on the specific circumstances, have competing interests, such as accessing the new issue market with the most advantageous timing and with limited competition at the time of the offering. In acting in the interests of its various clients, the broker-dealer municipal advisor could potentially face a conflict of interest arising from these competing client interests. In other cases, as a broker-dealer that engages in underwritings of new issuances of municipal securities by other municipal entities, the interests of the broker-dealer municipal advisor to achieve a successful and profitable underwriting for its municipal entity underwriting clients could potentially constitute a conflict of interest.

Broker-Dealer and Investment Advisory Business. Such securities-related activities, which may include but are not limited to the buying and selling of new issue and outstanding securities and investment advice in connection with such securities, including securities of Client, may be undertaken on behalf of, or as counterparty to, Client, personnel of Client, and current or potential investors in the securities of Client. These other clients may, from time to time and depending on the specific circumstances, have interests in conflict with those of Client, such as when their buying or selling of Client's securities may have an adverse effect on the market for Client's securities, and the interests of such other clients could create the incentive for the broker-dealer and investment advisor affiliated municipal advisor to make recommendations to Client that could result in more advantageous pricing for the other clients.

Secondary Market Transactions in Client's Securities. The broker-dealer municipal advisor, in connection with its sales and trading activities, may take a principal position in securities, including securities of Client, and therefore could have interests in conflict with those of Client with respect to the value of Client's securities while held in inventory and the levels of mark-up or mark-down that may be available in connection with purchases and sales thereof. In particular, the broker-dealer municipal advisor or its affiliates may submit orders for and acquire Client's securities issued in an Issue under the Agreement from members of the underwriting syndicate, either for its own account or for the accounts of its customers. This activity may result in a conflict of interest with Client in that it could create the incentive for the broker-dealer municipal advisor to make recommendations to Client that could result in more advantageous pricing of Client's bond in the marketplace.

PART B – Disclosures of Information Regarding Legal Events and Disciplinary History

Newly adopted MSRB Rule G-42 requires that Specialized Public Finance, Inc. provide certain disclosures of legal or disciplinary events material to its client's evaluation of the Advisor or the integrity of the Advisor's management or advisory personnel.

Accordingly, Specialized Public Finance, Inc. sets out below required disclosures and related information in connection with such disclosures.

There are NO legal or disciplinary events of disclosure relating to Specialized Public Finance, Inc. or the integrity of Specialized Public Finance, Inc.'s management or advisory personnel disclosed, or that should be disclosed, on any Form MA or Form MA-I filed with the SEC.

How to Access Form MA and Form MA-I Filings. Specialized Public Finance, Inc.'s most recent Form MA and each most recent Form MA-I filed with the SEC are available on the SEC's EDGAR system at <http://www.sec.gov>. The SEC permits certain items of information required on Form MA or MA-I to be provided by reference to such required information already filed by Specialized Public Finance, Inc. in its capacity as a state-registered investment adviser. Specialized Public Finance, Inc.'s most recent Form ADV is publicly accessible at the Investment Adviser Public Disclosure website at <http://www.adviserinfo.sec.gov>. For purposes of accessing Form ADV, Specialized Public Finance, Inc.'s CRD number is 148951. The SEC municipal advisor registration number for Specialized Public Finance, Inc. is 866-00363-00.

PART C – Future Supplemental Disclosures

As required by newly adopted MSRB Rule G-42, this Disclosure Statement may be supplemented or amended, from time to time as needed, to reflect changed circumstances resulting in new conflicts of interest or changes in the conflicts of interest described above, or to provide updated information with regard to any legal or disciplinary events of Specialized Public Finance, Inc. Specialized Public Finance, Inc. will provide Client with any such supplement or amendment as it becomes available throughout the term of the Agreement.

Dated: June 14, 2016

Specialized Public Finance, Inc.

Disclosure language adapted from Securities Industry and Financial Markets Association ("SIFMA") suggested municipal advisory conflicts of interest disclosure dated June 1, 2016.

RESOLUTION NO. R107.17.04.27.H2

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CEDAR PARK, TEXAS, AUTHORIZING A REQUEST FOR FINANCIAL ASSISTANCE FROM THE TEXAS WATER DEVELOPMENT BOARD FOR THE BRUSHY CREEK REGIONAL UTILITY AUTHORITY WATER TREATMENT PLANT PHASE 1C EXPANSION PROJECT; AUTHORIZING THE FILING OF AN APPLICATION FOR ASSISTANCE; AND FINDING AND DETERMINING THAT THE MEETING AT WHICH THIS RESOLUTION IS PASSED WAS NOTICED AND IS OPEN TO THE PUBLIC AS REQUIRED BY LAW.

WHEREAS, the cities of Cedar Park, Leander, and Round Rock are participating cities in the Brushy Creek Regional Utility Authority, Inc. ("BCRUA"); and

WHEREAS, on behalf of the participating cities, the BCRUA is requesting financial assistance from the Texas Water Development Board ("TWDB") to construct the Phase 1C Water Treatment Plant Expansion Project, and

WHEREAS, the Brushy Creek Regional Utility Authority Board approved a resolution seeking financial assistance from the TWDB, subject to approval by the participating Cities, on April 19, 2017.

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

SECTION 1. The BCRUA is hereby authorized to file an application with the Texas Water Development Board seeking financial assistance in amount not to exceed \$16,995,000 to provide for the cost of an expansion of the floating raw water intake and the water treatment plant from an existing 17 MGD to 30 MGD. The City of Cedar Park's portion of the amount sought for financial assistance shall not exceed \$4,430,152.

SECTION 2. Brenda Eivens, City Manager, is hereby designated the authorized representative of the City of Cedar Park for purposes of furnishing such information and executing such documents as may be required in connection with the preparation and filing of such application for financial assistance and the rules of the Texas Water Development Board.

SECTION 3. The following firms and individuals are hereby authorized and directed to aid and assist in the preparation and submission of such application and appear on behalf of and represent the City of Cedar Park and the BCRUA before any hearing held by the Texas Water Development Board on such application, to wit:

Financial Advisor: Specialized Public Finance Inc.
248 Addie Roy Road, Suite B-103
Austin, TX 78746

Engineer: Walker Partners
6850 Austin Center Blvd., Suite 150
Austin, Texas 78731

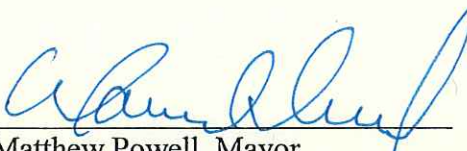
Bond Counsel McCall, Parkhurst, & Hornton L.L.P.
600 Congress Ave, Suite 1800
Austin, Texas 78701

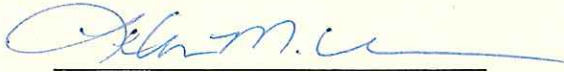
SECTION 4. That it is hereby officially found and determined that the meeting at which this resolution is passed is open to the public and that public notice of the time, place, and purpose of said meeting was given as required by law.

PASSED AND APPROVED this the 27th day of April 2017.

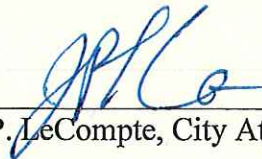
CITY OF CEDAR PARK, TEXAS

ATTEST:


Matthew Powell, Mayor


LeAnn M. Quinn, TRMC
City Secretary

APPROVED AS TO FORM
AND CONTENT:


J.P. LeCompte, City Attorney



RESOLUTION NO. R107.17.04.27.H2

A RESOLUTION OF THE CITY OF LEANDER, TEXAS

RESOLUTION NO. 17-013-00

A RESOLUTION OF THE CITY OF LEANDER, TEXAS AUTHORIZING A REQUEST FOR FINANCIAL ASSISTANCE FROM THE TEXAS WATER DEVELOPMENT BOARD; AUTHORIZING THE FILING OF AN APPLICATION FOR ASSISTANCE; AND MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH

WHEREAS, the cities of Cedar Park, Leander, and Round Rock are participating cities in the Brushy Creek Regional Utility Authority, Inc. ("BCRUA"),

WHEREAS, on behalf of the participating cities, the BCRUA is requesting financial assistance from the Texas Water Development Board (the "BCRUA's Application") to provide for the cost of an expansion of the floating raw water intake and the water treatment plant from 17 mgd to 30 mgd (the "Project"), and

WHEREAS, the City of Leander wishes to authorize the City Manager to file the application for financial assistance for the City's percentage of the cost of the Project, which is 46.7%,

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

SECTION 1. The City of Leander is hereby authorized to file an application with the Texas Water Development Board, in connection with the BCRUA's Application, seeking financial assistance in amount not to exceed \$8,134,560, to provide for the cost of an expansion of the floating raw water intake and the water treatment plant from an existing 17 mgd to 30 mgd.

SECTION 2. Kent Cagle, Leander City Manager, be and is hereby designated the authorized representative of the City of Leander for purposes of furnishing such information and executing such documents as may be required in connection with the preparation and filing of such application for financial assistance and the rules of the Texas Water Development Board.

SECTION 3. The following firms and individuals are hereby authorized and directed to aid and assist in the preparation and submission of such application and appear on behalf of and represent the City of Leander and the BCRUA before any hearing held by the Texas Water Development Board on such application, to wit:


Financial Advisor: Chris Allen
FirstSouthwest, a Division of Hilltop Securities, Inc.
300 West 6th Street, Suite 1940
Austin, Texas 78701

Engineer: Walker Partners
6850 Austin Center Blvd., Suite 150
Austin, Texas 78731

Bond Counsel Bickerstaff, Heath, Delgado, Acosta, LLP
3711 S. MoPac Expy.
Building 1, Suite 300
Austin, Texas 78746

The City Council hereby finds and declares that written notice of the date, hour, place and subject of the meeting at which this Resolution was adopted was posted and that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof were discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended.

RESOLVED this 20th day of April, 2017.



CHRISTOPHER FIELDER, Mayor
City of Leander, Texas

ATTEST:



DARA CRABTREE, City Secretary



RESOLUTION NO. R-17-04-19-6B

WHEREAS, the Brushy Creek Regional Utility Authority, Inc. ("BCRUA"), was created by Cedar Park, Leander, and Round Rock to develop a regional water system for the three cities; and

WHEREAS, on behalf of the cities, the BCRUA is requesting financial assistance from the Texas Water Development Board for Phase 1C of the regional water system, and

WHEREAS, the Board of Directors wishes to approve said application for financial assistance,

NOW THEREFORE

BE IT RESOLVED BY THE BOARD OF DIRECTORES OF THE BRUSHY CREEK REGIONAL UTILITY AUTHORITY, THAT:

Sec. 1. The application is hereby approved and the General Manager of the BCRUA is hereby authorized to file said application with the Texas Water Development Board seeking financial assistance in amount not to exceed \$16,995,000 to provide for the cost of an expansion of the floating raw water intake and the water treatment plant from an existing capacity of 17 mgd to 30 mgd.

Sec. 2. Tom Gallier, General Manager of the BCRUA, be and is hereby designated the authorized representative of the BCRUA for purposes of furnishing such information and executing such documents as may be required in connection with the preparation and filing of such application for financial assistance and the rules of the Texas Water Development Board.

Sec. 3. The following firms and individuals are hereby authorized and directed to aid and assist in the preparation and submission of such application and appear on behalf of and represent the City of Round Rock and the BCRUA before any hearing held by the Texas Water Development Board on such application, to wit:

BCRUA's Financial Advisor
for Cedar Park's and
Round Rock's Portion of
the Loan Amount:

Garry Kimball
Specialized Public Finance, Inc.
7000 N. Mopac Expy #410
Austin, Texas 78731

BCRUA's Financial Advisor
for Leander's portion of
the Loan Amount:

First Southwest Company

Austin, Texas _____

Engineer:

Walker Partners
6850 Austin Center Blvd., Suite 150
Austin, Texas 78731

BCRUA's Bond Counsel
for Cedar Park's and
Round Rock's Portion of
the Loan Amount:

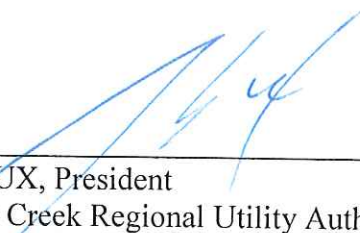
McCall, Parkhurst & Horton L.L.P
600 Congress Avenue, Suite 1800
Austin, Texas 78701

BCRUA's Bond Counsel
for Leander's Portion of
the Loan Amount:

Bickerstaff Heath Delgado Acosta LLP
3711 S. MoPac, Bldg. One, Suite 300
Austin, Texas 78746

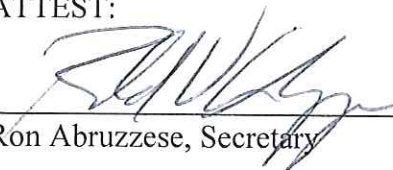
The Board of Directors hereby finds and declares that written notice of the date, hour, place and subject of the meeting at which this Resolution was adopted was posted and that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof were discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended.

RESOLVED this 19th day of April, 2017.



JON LUX, President
Brushy Creek Regional Utility Authority

ATTEST:



Ron Abruzzese, Secretary



THE STATE OF TEXAS *
COUNTY OF WILLIAMSON *
CITY OF ROUND ROCK *

I, SARA L. WHITE, City Clerk of the City of Round Rock, Texas, do hereby certify that I am the custodian of the public records maintained by the City and the attached is a true and correct copy of Resolution No. R-2017-4379 which requests financial participation from the Texas Water Development Board; and authorizes the filing of an application for financial participation; and making certain findings therewith.

This resolution was approved by the Round Rock City Council at a regular meeting held on the 27th day of April 2017 with the duly sworn members of the City Council being as follows:

Alan McGraw, Craig Morgan, Rene Flores, Frank Leffingwell, Will Peckham, Writ Baese, and Kris Whitfield all of whom were present at the meeting.

A motion was made by Councilmember Whitfield and seconded by Councilmember Leffingwell to adopt the resolution and the resolution passed by the following vote:

7 votes "For" 0 votes "Against" 0 "Abstained"

The actions of the City Council for this resolution is recorded and shown in minute book no. 61 of the Round Rock City Council.

CERTIFIED by my hand and seal of the City of Round Rock, Texas on this 28th day of April 2017.




SARA L. WHITE, TRMC, City Clerk

RESOLUTION NO. R-2017-4379

WHEREAS, the cities of Cedar Park, Leander, and Round Rock are participating cities in the Brushy Creek Regional Utility Authority, Inc. (“BCRUA”), and

WHEREAS, on behalf of the participating cities, the BCRUA is requesting financial assistance from the Texas Water Development Board, and

WHEREAS, the City of Round Rock wishes to authorize the BCRUA to file the application for assistance, Now Therefore

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ROUND ROCK, THAT:

Sec. 1. The BCRUA is hereby authorized to file an application with the Texas Water Development Board seeking financial assistance in amount not to exceed \$16,995,000 to provide for the cost of an expansion of the floating raw water intake and the water treatment plant from an existing capacity of 17 mgd to 30 mgd.

Sec. 2. Laurie Hadley, Round Rock City Manager, be and is hereby designated the authorized representative of the City of Round Rock for purposes of furnishing such information and executing such documents as may be required in connection with the preparation and filing of such application for financial assistance and the rules of the Texas Water Development Board.

Sec. 3. The following firms and individuals are hereby authorized and directed to aid and assist in the preparation and submission of such application and appear on behalf of and represent the City of Round Rock and the BCRUA before any hearing held by the Texas Water Development Board on such application, to wit:

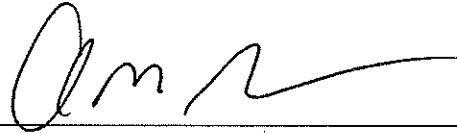
Financial Advisor: Garry Kimball
Specialized Public Finance, Inc.
7000 N. Mopac Expy #410
Austin, Texas 78731

Engineer: Walker Partners
6850 Austin Center Blvd., Suite 150
Austin, Texas 78731

Bond Counsel McCall, Parkhurst & Horton L.L.P
600 Congress Avenue, Suite 1800
Austin, Texas 78701

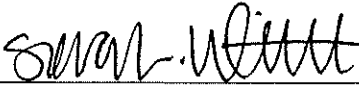
The City Council hereby finds and declares that written notice of the date, hour, place and subject of the meeting at which this Resolution was adopted was posted and that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof were discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended.

RESOLVED this 27th day of April, 2017.



ALAN MCGRAW, Mayor
City of Round Rock, Texas

ATTEST:



SARA L. WHITE, City Clerk

Application Affidavit

THE STATE OF TEXAS §
COUNTY OF Williamson §
APPLICANT City of Cedar Park §

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Brenda Eivens as the Authorized Representative of the City of Cedar Park, who being by me duly sworn, upon oath says that:

1. The decision by the City of Cedar Park (authority, city, county, corporation, district) to request financial assistance from the Texas Water Development Board ("TWDB") was made in a public meeting held in accordance with the Open Meetings Act (Government Code, §551.001, et seq.) and after providing all such notice as required by such Act as is applicable to the City of Cedar Park (authority, city, county, corporation, district) .

2. The information submitted in the application is true and correct according to my best knowledge and belief.

3. The City of Cedar Park (authority, city, county, corporation, district) has no pending, threatened, or outstanding judgments, orders, fines, penalties, taxes, assessment or other enforcement or compliance issue of any kind or nature by the Environmental Protection Agency, Texas Commission on Environmental Quality, Texas Comptroller, Texas Secretary of State, or any other federal, state or local government, except for the following (if no such outstanding compliance issues, write in "none").

None

4. The City of Cedar Park (authority, city, county, corporation, district) warrants compliance with the representations made in the application in the event that the TWDB provides the financial assistance; and

5. the City of Cedar Park (authority, city, county, corporation, district) will comply with all applicable federal laws, rules, and regulations as well as the laws of this state and the rules and regulations of the TWDB.

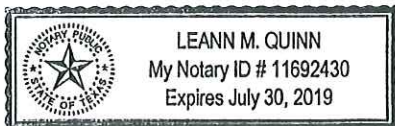
Brenda Eivens

Official Representative

Title: City Manager

SWORN TO AND SUBSCRIBED BEFORE ME, by Brenda Eivens,
on this 27th day of April, 2017.

(NOTARY'S SEAL)



Leann M. Quinn
Notary Public, State of Texas

Application Affidavit

THE STATE OF TEXAS §
COUNTY OF Williamson §
APPLICANT City of Round Rock §

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Laurie Hadley as the Authorized Representative of the City of Round Rock, who being by me duly sworn, upon oath says that:

1. The decision by the City of Round Rock (authority, city, county, corporation, district) to request financial assistance from the Texas Water Development Board ("TWDB") was made in a public meeting held in accordance with the Open Meetings Act (Government Code, §551.001, et seq.) and after providing all such notice as required by such Act as is applicable to the City of Round Rock (authority, city, county, corporation, district).

2. The information submitted in the application is true and correct according to my best knowledge and belief.

3. The City of Round Rock (authority, city, county, corporation, district) has no pending, threatened, or outstanding judgments, orders, fines, penalties, taxes, assessment or other enforcement or compliance issue of any kind or nature by the Environmental Protection Agency, Texas Commission on Environmental Quality, Texas Comptroller, Texas Secretary of State, or any other federal, state or local government, except for the following (if no such outstanding compliance issues, write in "none").
none.

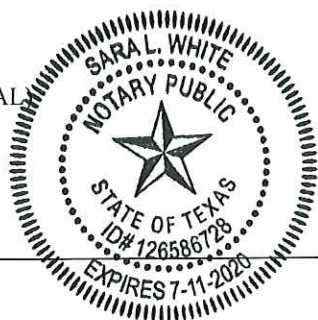
4. The City of Round Rock (authority, city, county, corporation, district) warrants compliance with the representations made in the application in the event that the TWDB provides the financial assistance; and

5. the City of Round Rock (authority, city, county, corporation, district) will comply with all applicable federal laws, rules, and regulations as well as the laws of this state and the rules and regulations of the TWDB.

Laurie Hadley
Official Representative
Title: City Manager

SWORN TO AND SUBSCRIBED BEFORE ME, by Laurie Hadley,
on this 29th day of April, 2017.

(NOTARY'S SEAL)



Sara L. White
Notary Public, State of Texas

Application Affidavit

THE STATE OF TEXAS §
COUNTY OF WILLIAMSON §
APPLICANT LEANDER §

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Kent Cagle as the Authorized Representative of the City of Leander, who being by me duly sworn, upon oath says that:

1. The decision by the City of Leander to request financial assistance from the Texas Water Development Board ("TWDB") was made in a public meeting held in accordance with the Open Meetings Act (Government Code, §551.001, et seq.) and after providing all such notice as required by such Act as is applicable to the City of Leander.

2. The information submitted in the application is true and correct according to my best knowledge and belief.

3. The City of Leander has no pending, threatened, or outstanding judgments, orders, fines, penalties, taxes, assessment or other enforcement or compliance issue of any kind or nature by the Environmental Protection Agency, Texas Commission on Environmental Quality, Texas Comptroller, Texas Secretary of State, or any other federal, state or local government, except for the following (if no such outstanding compliance issues, write in "none"). *The City of Leander is currently working on amendments to the cross connection control/backflow prevention ordinance to be in compliance with measures outlined by TCEQ and to adopt regulations that will comply with applicable legal requirements.*

4. The City of Leander warrants compliance with the representations made in the application in the event that the TWDB provides the financial assistance; and

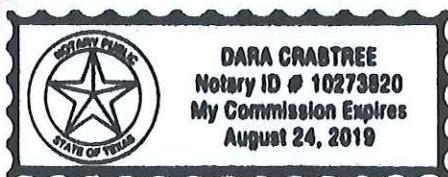
5. The City of Leander will comply with all applicable federal laws, rules, and regulations as well as the laws of this state and the rules and regulations of the TWDB.

Kent Cagle
Official Representative Title: City Manager

SWORN TO AND SUBSCRIBED BEFORE ME, by Kent Cagle
on this 25th day of April, 2017.

(NOTARY'S SEAL)

Dara Crabtree
Notary Public, State of Texas



Application Affidavit

THE STATE OF TEXAS §
COUNTY OF Williamson §
APPLICANT Brushy Creek Regional Utility Authority, Inc. §

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared William Thomas (Tom) Gallier as the Authorized Representative of the Brushy Creek Regional Utility Authority, Inc., who being by me duly sworn, upon oath says that:

1. The decision by the Brushy Creek Regional Utility Authority, Inc. (authority, city, county, corporation, district) to request financial assistance from the Texas Water Development Board ("TWDB") was made in a public meeting held in accordance with the Open Meetings Act (Government Code, §551.001, et seq.) and after providing all such notice as required by such Act as is applicable to the Brushy Creek Regional Utility Authority, Inc. (authority, city, county, corporation, district) .

2. The information submitted in the application is true and correct according to my best knowledge and belief.

3. The Brushy Creek Regional Utility Authority, Inc. (authority, city, county, corporation, district) has no pending, threatened, or outstanding judgments, orders, fines, penalties, taxes, assessment or other enforcement or compliance issue of any kind or nature by the Environmental Protection Agency, Texas Commission on Environmental Quality, Texas Comptroller, Texas Secretary of State, or any other federal, state or local government, except for the following (if no such outstanding compliance issues, write in "none").
none

4. The Brushy Creek Regional Utility Authority, Inc. (authority, city, county, corporation, district) warrants compliance with the representations made in the application in the event that the TWDB provides the financial assistance; and

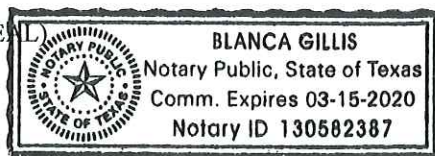
5. the Brushy Creek Regional Utility Authority, Inc. (authority, city, county, corporation, district) will comply with all applicable federal laws, rules, and regulations as well as the laws of this state and the rules and regulations of the TWDB.

William Thomas Gallier
Official Representative

Title: General Manager

SWORN TO AND SUBSCRIBED BEFORE ME, by Blanca Gillis,
on this 26 day of April, 2017.

(NOTARY'S SEAL)



Blanca Gillis
Notary Public, State of Texas

THE STATE OF TEXAS *
COUNTY OF WILLIAMSON *
CITY OF ROUND ROCK *

I, SARA L. WHITE, City Clerk of the City of Round Rock, Texas, do hereby certify that I am the custodian of the public records maintained by the City and the attached is a true and correct copy of Resolution No. R-2017-4379 which requests financial participation from the Texas Water Development Board; and authorizes the filing of an application for financial participation; and making certain findings therewith.

This resolution was approved by the Round Rock City Council at a regular meeting held on the 27th day of April 2017 with the duly sworn members of the City Council being as follows:

Alan McGraw, Craig Morgan, Rene Flores, Frank Leffingwell, Will Peckham, Writ Baese, and Kris Whitfield all of whom were present at the meeting.

A motion was made by Councilmember Whitfield and seconded by Councilmember Leffingwell to adopt the resolution and the resolution passed by the following vote:

7 votes "For" 0 votes "Against" 0 "Abstained"

The actions of the City Council for this resolution is recorded and shown in minute book no. 61 of the Round Rock City Council.

CERTIFIED by my hand and seal of the City of Round Rock, Texas on this 28th day of April 2017.




SARA L. WHITE, TRMC, City Clerk

Application Resolution - Certificate of Secretary

THE STATE OF TEXAS §
COUNTY OF Williamson §
APPLICANT BCRUA, Inc. §

I, the undersigned, Secretary of the BCRUA, Inc. in Round Rock Texas,
DO HEREBY CERTIFY as follows:

1. That on the 19th day of April, 2017, a regular/special meeting of the Brushy Creek Regional Utility Authority, Inc. was held; the duly constituted members of the Board being as follows:

Jon Lux, Kris Whitfield, Ron Abruzzese, Lyle Grimes, Frank Leffingwell, and Andrea Navarrette

all of whom were present at the meeting, except the following:

Kris Whitfield and Lyle Grimes

Among other business considered at the meeting, the attached resolution entitled:

"A RESOLUTION by the Board Members of the BCRUA, Inc. requesting financial participation from the Texas Water Development Board; authorizing the filing of an application for financial participation; and making certain findings in connection therewith."


was introduced and submitted to the Board for passage and adoption. After presentation and consideration of the resolution, and upon a motion made by Ron Abruzzese and seconded by Frank Leffingwell, the resolution was passed and adopted by the BCRUA Board Members by the following vote:

4 voted "For" 0 voted "Against" 0 abstained

all as shown in the official minutes of the BCRUA Board for this meeting.

2. That the attached resolution is a true and correct copy of the original on file in the official records of the BCRUA, Inc.; the qualified and acting members of the Board on the date of this meeting are those persons shown above and, according to the records of my office, advance notice of the time, place, and purpose of meeting was given to each member of the Board; and that the meeting, and the deliberations of the public business described above, was open to the public and written notice of the meeting, including the subject of the resolution described above, was posted and given in advance of the meeting in compliance with the provisions of Chapter 551 of the Texas Government Code.

IN WITNESS WHEREOF, I have signed my name and affixed the seal of the BCRUA, Inc., this the 19th day of April, 2017.


Secretary

(SEAL)

Application Resolution - Certificate of Secretary

THE STATE OF TEXAS §
COUNTY OF WILLIAMSON §
APPLICANT LEANDER §

I, the undersigned, Secretary of the City of Leander Texas, DO HEREBY CERTIFY as follows:

1. That on the 20th day of April, 2017, a regular/special meeting of the City Council of the City of Leander was held; the duly constituted members of the City Council being as follows:
Mayor Christopher Fielder, Mayor Pro Tem Ron Abruzzese, Place 1 Andrea Navarrette, Place 2 Michelle Stephenson, Place 3, Shanan Shepherd, Place 5 Jeff Seiler, Place 6 Troy Hill all of whom were present at the meeting, except the following: no one was absent.

Among the other business considered at the meeting, the attached resolution entitled:

"A RESOLUTION OF THE CITY OF LEANDER, TEXAS AUTHORIZING A REQUEST FOR FINANCIAL ASSISTANCE FROM THE TEXAS WATER DEVELOPMENT BOARD; AUTHORIZING THE FILING OF AN APPLICATION FOR ASSISTANCE; AND MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH"

was introduced and submitted to the City Council for passage and adoption. After presentation and consideration of the resolution, and upon a motion made by Mayor Pro Tem Ron Abruzzese and seconded by Place 2 Michelle Stephenson, the resolution was passed and adopted by the City Council by the following vote:

7 voted "For" 0 voted "Against" 0 abstained

all as shown in the official minutes of the City of Leander for this meeting.

2. That the attached resolution is a true and correct copy of the original on file in the official records of the City of Leander; the qualified and acting members of the City Council on the date of this meeting are those persons shown above and, according to the records of my office, advance notice of the time, place, and purpose of meeting was given to each member of the City Council; and that the meeting, and the deliberations of the public business described above, was open to the public and written notice of the meeting, including the subject of the resolution described above, was posted and given in advance of the meeting in compliance with the provisions of Chapter 551 of the Texas Government Code.

IN WITNESS WHEREOF, I have signed my name and affixed the seal of the City of Leander this the 24th day of April, 2017.



Dara Crabtree
Secretary

Application Resolution - Certificate of Secretary

THE STATE OF TEXAS §
COUNTY OF Williamson §
APPLICANT City of Cedar Park §

I, the undersigned, Secretary of the City of Cedar Park Texas,
DO HEREBY CERTIFY as follows:

1. That on the 27th day of April, 2017, a regular/special meeting of the
Cedar Park City Council was held; the duly constituted members of the
Cedar Park City Council being as follows:

Matthew Powell, Stephen Thomas, Corbin Van Arsdale, Lyle Grimes, Cobby Caputo, Jon Lux, and Kristyne Bollier

all of whom were present at the meeting, except the following:

Among other business considered at the meeting, the attached resolution entitled:

"A RESOLUTION by the City Council of the City of Cedar Park requesting
financial participation from the Texas Water Development Board; authorizing the filing of an application
for financial participation; and making certain findings in connection therewith."

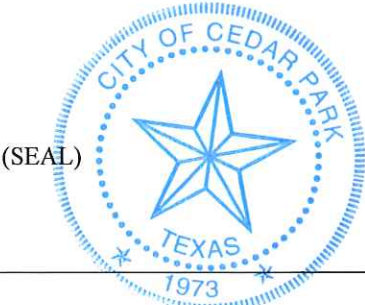
was introduced and submitted to the Cedar Park City Council for passage and adoption. After
presentation and consideration of the resolution, and upon a motion made by Lyle Grimes and
seconded by Stephen Thomas, the resolution was passed and adopted by the
Cedar Park City Council by the following vote:

6 voted "For" _____ voted "Against" 1 abstained

all as shown in the official minutes of the Cedar Park City Council for this meeting.

2. That the attached resolution is a true and correct copy of the original on file in the official records
of the City of Cedar Park; the qualified and acting members of the Cedar Park City Council on
the date of this meeting are those persons shown above and, according to the records of my office, advance notice of
the time, place, and purpose of meeting was given to each member of the Cedar Park City Council; and that the
meeting, and the deliberations of the public business described above, was open to the public and written notice of
the meeting, including the subject of the resolution described above, was posted and given in advance of the meeting
in compliance with the provisions of Chapter 551 of the Texas Government Code.

IN WITNESS WHEREOF, I have signed my name and affixed the seal of
the City of Cedar Park, this the 27th day of April, 2017.



[Signature]
Secretary

Part B-21 Cedar Park Bond Resolution

RESOLUTION NO. _____

A RESOLUTION BY THE BOARD OF DIRECTORS OF THE BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. AUTHORIZING THE ISSUANCE OF "BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. CITY OF CEDAR PARK, TEXAS CONTRACT REVENUE BONDS, (BRUSHY CREEK REGIONAL WATER TREATMENT AND DISTRIBUTION PROJECT)"; ESTABLISHING THE PROCEDURES FOR SELLING AND DELIVERING THE BONDS AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH BONDS

ADOPTED JUNE 3, 2009

RESOLUTION NO. _____

A RESOLUTION BY THE BOARD OF DIRECTORS OF THE BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. AUTHORIZING THE ISSUANCE OF "BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. CITY OF CEDAR PARK, TEXAS CONTRACT REVENUE BONDS, (BRUSHY CREEK REGIONAL WATER TREATMENT AND DISTRIBUTION PROJECT)"; ESTABLISHING THE PROCEDURES FOR SELLING AND DELIVERING THE BONDS AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH BONDS

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RESOLUTION NO. _____

A RESOLUTION BY THE BOARD OF DIRECTORS OF THE BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. AUTHORIZING THE ISSUANCE OF "BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. CITY OF CEDAR PARK, TEXAS CONTRACT REVENUE BONDS, (BRUSHY CREEK REGIONAL WATER TREATMENT AND DISTRIBUTION PROJECT)"; ESTABLISHING THE PROCEDURES FOR SELLING AND DELIVERING THE BONDS AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH BONDS

WHEREAS, the Brushy Creek Regional Utility Authority, Inc. (the "BCRUA") is a non-profit corporation of the State of Texas (the "State"), created by the Cities of Cedar Park, Leander and Round Rock, Texas (collectively, the "Cities" or singularly, a "City") and existing under the laws of the State, including Subchapter D of Chapter 431, as amended, Texas Transportation Code (the "Authority Act"); and

WHEREAS, pursuant to the Authority Act, the BCRUA, is empowered to acquire and construct water facilities including water conservation, storage, transportation, treatment and distribution facilities and to deliver this water to the Cities; and

WHEREAS, the Authority Act also authorizes the BCRUA acting through its Board of Directors (the "Board") to issue revenue bonds to finance such water projects, payable solely from the revenues derived from payments to be made to the BCRUA by each respective City for which a series of bonds are issued for the purpose of defraying such City's share of the cost of financing, acquiring, and constructing the BCRUA Project (as hereinafter defined); and

WHEREAS, the BCRUA initially expects to issue separate series of such revenue bonds for the City of Cedar Park, Texas ("Cedar Park"), the City of Leander, Texas ("Leander") and the City of Round Rock, Texas ("Round Rock") to finance their share of the BCRUA Project, with each such series payable from and secured solely by payments made by each respective City under the Contract (as hereinafter defined); and

WHEREAS, pursuant to the Authority Act, the BCRUA and the Cities have entered into a "Master Contract for the Financing, Construction and Operation of the BCRUA Regional Water Treatment and Distribution Project," dated as of September 2, 2008 as amended by the "First Amendment to the Master Contract for the Financing, construction and Operation of the BCRUA Regional Water Treatment and Distribution Project" dated as of February 12, 2009 (collectively, the "Contract") pursuant to which the BCRUA has agreed to design, finance, construct, own, acquire, maintain and operate the BCRUA Project in a manner that will allow the BCRUA to deliver potable water to the Cities on a regional basis and under which each of the Cities agree to pay their share of the BCRUA Project and to make payments to or on behalf of the BCRUA in amounts sufficient to meet all of the BCRUA's obligations under the Contract including relating to a City's respective series

of bonds issued to finance and refinance a City's share of the BCRUA Project and to own, operate and maintain the BCRUA Project; and

WHEREAS, Cedar Park has requested that the BCRUA issue a separate series of revenue bonds in an aggregate principal amount not to exceed \$24,970,000 pursuant to the Contract to finance Cedar Park's share of the BCRUA Project (the "Bonds"); and

WHEREAS, Round Rock and Leander have also requested the BCRUA issue separate series of contract revenue bonds pursuant to the Contract to finance their respective share of the BCRUA Project Costs and the three separate series of contract revenue bonds for the Cities are expected to be issued and delivered simultaneously; and

WHEREAS, the Cities and the BCRUA have approved the Contract; and

WHEREAS, this Resolution constitutes a Bond Resolution as that term is defined in the Contract; and

WHEREAS, Cedar Park has agreed pursuant to Article X of the Contract to provide continuing disclosure of certain financial and operating data so long as the Bonds are Outstanding; and

WHEREAS, the principal of the Bonds and the interest thereon are and shall be solely payable from and secured by a lien on and pledge of the portion of the Annual Payments designated as "Bond Payments" to be made by Cedar Park pursuant to the Contract in amounts sufficient to pay and redeem, and provide for the payment of the principal of, premium, if any, and interest on the Bonds, when due, and the fees and expenses of the Paying Agent/Registrar for the Bonds, all as required by this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. THAT:

Section 1. DEFINITIONS. In addition to the definitions set forth in the preamble of this Resolution, the terms used in this Resolution (except as may be otherwise indicated in the FORM OF BOND) and not otherwise defined shall have the meanings given in Exhibit "A" to this Resolution attached hereto and made a part hereof.

Section 2. AMOUNT, PURPOSE AND DESIGNATION OF THE BONDS. (a) *Amount and Designation.* The BCRUA's bonds issued pursuant to this Resolution shall each be entitled "BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. CITY OF CEDAR PARK, TEXAS CONTRACT REVENUE BONDS (BRUSHY CREEK REGIONAL WATER TREATMENT AND DISTRIBUTION PROJECT)," are hereby authorized to be issued and delivered in an aggregate maximum principal amount not to exceed \$24,970,000. The title of the Bonds shall be designated by the year in which such Bonds are awarded pursuant to Section 3 below. The authority of the

BCRUA Representative to execute and deliver an Award Certificate for the Bonds shall expire at 5:00 p.m., C.D.T. on June 3, 2010.

(b) **Purpose.** The Bonds are to be issued for the following purposes to pay: (i) CEDAR PARK'S SHARE OF THE COSTS OF CONSTRUCTING, ACQUIRING, IMPROVING AND/OR EXPANDING THE BCRUA PROJECT INCLUDING BUT NOT LIMITED TO LAND INTERESTS, TEMPORARY INTAKE STRUCTURE, STORAGE TANKS, LINES, BOOSTER PUMPS, TREATMENT FACILITIES AND OTHER APPURTENANCES NECESSARY FOR THE DELIVERY, TREATMENT AND TRANSMISSION OF RAW WATER AND ACQUIRING EASEMENTS, RIGHTS-OF-WAY AND OTHER INTERESTS IN LAND OR OTHER FACILITIES NECESSARY FOR THE WITHDRAWAL, DIVERSION DELIVERY, TRANSMISSION AND TREATMENT OF RAW WATER ALL AS DESCRIBED IN THE PRELIMINARY DESIGN REPORT AND (ii) THE COSTS OF ISSUANCE OF THE BONDS.

Section 3. DATE, DENOMINATIONS, NUMBERS, MATURITIES AND TERMS OF BONDS. (a) **Terms of the Bonds.** The Bonds shall initially be issued, sold, and delivered hereunder as fully registered bonds, without interest coupons, numbered consecutively from R-1 upward (except the initial Bond delivered to the Attorney General of the State which shall be numbered T-1), payable to the respective initial Registered Owners thereof in an Authorized Denomination, maturing not later than August 1, 2039, serially or otherwise on the dates, in the years and in the principal amounts, respectively, dated, all as set forth in the Award Certificate executed by the BCRUA Representative in substantially the form attached hereto as Exhibit "B".

(b) **Award Certificate.** As authorized by the Authority Act, the BCRUA Representative is hereby authorized, appointed, and designated to act on behalf of the Board in selling and delivering the Bonds and carrying out the other procedures specified in this Resolution, including determining and fixing the date the Bonds, any additional or different designation or title by which the Bonds shall be known, the price at which the Bonds will be sold, the years in which the Bonds will mature, the principal amount to mature in each of such years, the aggregate principal amount of the Bonds, the rate or rates of interest to be borne by each maturity, the interest payment periods, the dates, price, and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the Board, as well as any mandatory sinking fund redemption provisions for the Bonds and all other matters relating to the issuance, sale, and delivery of the Bonds, all of which shall be specified in a certificate of the BCRUA Representative (the "Award Certificate"); provided that (i) the price to be paid for the Bonds shall not be less than 98% of the aggregate original principal amount thereof plus accrued interest, if any, thereon from its date to its delivery and (ii) the Bonds shall not bear interest at a net effective interest rate in excess of 5.75% per annum.

It is further provided, however, that, notwithstanding the foregoing provisions, the Bonds shall not be delivered unless prior to delivery of the Bonds the Award Certificate has been executed and delivered as required by this Resolution.

The Award Certificate is hereby incorporated in and made a part of this Resolution and shall be filed in the minutes of the Board as a part of this Resolution.

(c) ***Sale of the Bonds.*** To achieve advantageous borrowing costs for the BCRUA, the Bonds shall be sold to the Texas Water Development Board (the "Purchaser") at the price as set forth in the Award Certificate.

(d) ***In General.*** The Bonds (i) may and shall be redeemed prior to the respective scheduled maturity dates, (ii) may be assigned and transferred, (iii) may be exchanged for other Bonds, (iv) shall have the characteristics, (v) shall be signed and sealed, and the principal of and interest on the Bonds shall be payable, all as provided, and in the manner required or indicated, in the FORM OF BOND set forth in Exhibit "C" to this Resolution and as determined by the BCRUA Representative as provided herein, with such changes and additions as are required to be consistent with the terms and provisions shown in the Award Certificate.

Section 4. INTEREST. The Bonds shall bear interest, calculated on the basis of a 360-day year composed of twelve 30-day months, from their date of delivery as set forth in the Award Certificate, until maturity or redemption, at the rate or rates set forth in the Award Certificate. Interest shall be payable to the Registered Owner of any such Bond in the manner provided and on the dates stated in the FORM OF BOND set forth in Exhibit "C" to this Resolution and the Award Certificate.

Section 5. REGISTRATION, TRANSFER, AND EXCHANGE; AUTHENTICATION; BOOK-ENTRY-ONLY SYSTEM. (a) ***Paying Agent/Registrar.*** The Bank of New York Mellon Trust Company, National Association is hereby appointed the Paying Agent/Registrar for the Bonds. The BCRUA Representative is authorized to enter into and carry out a Paying Agent/Registrar Agreement with the Paying Agent/Registrar with respect to the Bonds in substantially the form and substance presented to the Board set forth in Exhibit "D" in connection with the approval of this Resolution with such changes as are acceptable to the BCRUA Representative.

(b) ***Registration Books.*** The Board shall keep or cause to be kept at the designated corporate trust office of the Paying Agent/Registrar in Austin, Texas (the "Designated Trust Office") the Registration Books and the Board hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, exchanges, and replacements under such reasonable regulations as the Board and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, exchanges, and replacements as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the Registered Owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each Registered Owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Board shall have the right to inspect the Registration Books at the Designated Trust Office of the Paying Agent/Registrar during regular business hours, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. A copy of the Registration Books shall be maintained in the State.

(c) ***Ownership of Bonds.*** The entity or person in whose name any Bond shall be registered in the Registration Books at any time shall be deemed and treated as the absolute owner thereof for all purposes

of this Resolution, whether or not such Bond shall be overdue, and, to the extent permitted by law, the Board and the Paying Agent/Registrar shall not be affected by any notice to the contrary; and payment of, or on account of, the principal of, premium, if any, and interest on any such Bond shall be made only to such Registered Owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(d) ***Payment of Bonds and Interest.*** The Paying Agent/Registrar shall further act as the paying agent for paying the principal of, premium, if any, and interest on the Bonds, all as provided in this Resolution. The Paying Agent/ Registrar shall keep proper records of all payments made by the Board and the Paying Agent/Registrar with respect to the Bonds.

(e) ***Authentication.*** The Bonds initially issued and delivered pursuant to this Resolution shall be authenticated by the Paying Agent/Registrar by execution of the Paying Agent/Registrar's Authentication Certificate unless they have been approved by the Attorney General of the State and registered by the Comptroller of Public Accounts of the State, and on each substitute Bond issued in exchange for any Bond or Bonds issued under this Resolution the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE (the "Authentication Certificate"). The Authentication Certificate shall be in the form set forth in the FORM OF BOND in Exhibit "C" attached hereto.

(f) ***Transfer, Exchange, or Replacement.*** Each Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid or unredeemed principal amount thereof, may, upon surrender of such Bond at the Designated Trust Office of the Paying Agent/Registrar, together with a written request therefor duly executed by the Registered Owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the Registered Owner or such assignee or assignees, as appropriate, be exchanged for fully registered Bonds, without interest coupons, in the appropriate form prescribed in the FORM OF BOND set forth in Exhibit "C" to this Resolution, in any Authorized Denomination (subject to the requirement hereinafter stated that each substitute Bond shall be of the same Series and have a single stated maturity date), as requested in writing by such Registered Owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid or unredeemed principal amount of any Bond or Bonds so surrendered, and payable to the appropriate Registered Owner, assignee, or assignees, as the case may be. If a portion of any Bond shall be redeemed prior to its scheduled maturity as provided herein, a substitute Bond or Bonds having the same series designation and maturity date, bearing interest at the same rate, and payable in the same manner, in Authorized Denominations at the request of the Registered Owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon surrender thereof for cancellation. If any Bond or portion thereof is assigned and transferred, each Bond issued in exchange therefor shall have the same series designation and maturity date and bear interest at the same rate and payable in the same manner as the Bond for which it is being exchanged. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. The Paying Agent/Registrar shall exchange or replace Bonds as provided herein, and each fully registered Bond delivered in exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Bonds for all purposes of this Resolution, and may again be exchanged or replaced. On each substitute Bond issued in exchange for or replacement

of any Bond or Bonds issued under this Resolution there shall be printed an Authentication Certificate, in the form set forth in Exhibit "C" to this Resolution. An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the Authentication Certificate, and, except as provided in (e) above, no such Bond shall be deemed to be issued or outstanding unless the Authentication Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all Bonds surrendered for transfer, exchange, or replacement. No additional orders or resolutions need be passed or adopted by the Board or any other body or person so as to accomplish the foregoing transfer, exchange, or replacement of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be in typed or printed form as determined by the BCRUA Representative. Pursuant to Subtitle D, Texas Government Code and particularly Section 1201.063, thereof, the duty of transfer, exchange, or replacement of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the Authentication Certificate, the exchanged or replaced Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds which were originally issued pursuant to this Resolution. The Board shall pay the Paying Agent/Registrar's standard or customary fees and charges, if any, for transferring, and exchanging any Bond or any portion thereof, but the one requesting any such transfer and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer, exchange, or replacement of Bonds or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following interest payment date, or (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. To the extent possible, any new Bond issued in an exchange, replacement, or transfer of a Bond will be delivered to the Registered Owner or assignee of the Registered Owner not more than three business days after the receipt of the Bonds to be canceled and the written request as described above.

(g) ***Substitute Paying Agent/Registrar.*** The Board covenants with the Registered Owners of the Bonds that at all times while the Bonds are outstanding the Board will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under this Resolution, and that the Paying Agent/Registrar will be one entity. The Board reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than ninety (90) days written notice to the Paying Agent/Registrar, to be effective not later than sixty (60) days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Board covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Board. Upon any change in the Paying Agent/Registrar, the Board promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each Registered Owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such,

each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

(h) ***Book-Entry-Only System.*** The Bonds issued in exchange for the Bonds initially issued and delivered to the Purchaser shall be issued in the form of a separate single fully registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of DTC, and except as provided in subsection (i) hereof, all of the Outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC. With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Board and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest on the Bonds. Without limiting the immediately preceding sentence, the Board 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 DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner, as shown on the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Registered Owner, as shown in the Registration Books of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Resolution to the contrary but to the extent permitted by law, the Board and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest, with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Registered Owners, as shown in the Registration Books as provided in this Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Board's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Registered Owner, as shown in the Registration Books, shall receive a Bond certificate evidencing the obligation of the Board to make payments of principal, premium, if any, and interest pursuant to this Resolution. 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 Resolution with respect to interest checks being mailed to the Registered Owner at the close of business on the Record Date, the word "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

(i) ***Successor Securities Depository; Transfers Outside Book-Entry-Only System.*** In the event that the Board or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the Board to DTC (as described in Section 35 of this Resolution) or DTC determines to discontinue providing its services with respect to the Bonds, the Board shall (i) appoint a successor securities depository, qualified to act as such under Section 17A of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their

DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Registered Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

(j) ***Payments to Cede & Co.*** Notwithstanding any other provision of this Resolution 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 of the BCRUA to DTC.

(k) ***Notice of Redemption.*** In addition to the method of providing a notice of redemption set forth in the FORM OF BOND, the Paying Agent/Registrar shall give notice of redemption of Bonds by mail, first-class postage prepaid at least thirty (30) days prior to a redemption date to each registered securities depository and to any national information service that disseminates redemption notices. In addition, in the event of a redemption caused by an advance refunding of the Bonds, the Paying Agent/Registrar shall send a second notice of redemption to the persons specified in the immediately preceding sentence at least thirty (30) days but not more than ninety (90) days prior to the actual redemption date. Any notice sent to the registered securities depositories or such national information services shall be sent so that they are received at least two (2) days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar shall also send a notice of prepayment or redemption to the Registered Owner of any Bond who has not sent the Bonds in for redemption sixty (60) days after the redemption date. Each notice of redemption, whether required in the FORM OF BOND or in this Section, shall contain a description of the Bonds to be redeemed including the complete name of the Bonds, the Series, the date of issue, the interest rate or rates, the maturity date, the CUSIP number, a reference to the certificate numbers and the amounts called of each certificate, the publication and mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar and the address at which the Bonds may be redeemed, including a contact person and telephone number. All redemption payments made by the Paying Agent/Registrar to the registered owners of the Bonds shall include a CUSIP number relating to each amount paid to such Registered Owner.

(l) ***Conditional Notice of Redemption.*** With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Resolution have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the BCRUA, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the BCRUA shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

Section 6. FORM OF BOND. The form of the Bond, including the form of the Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State, with respect to the Bonds initially issued and delivered pursuant to this Resolution, shall be, respectively, substantially as set forth in Exhibit "C", with such appropriate variations, omissions, or insertions as are permitted or required by this Resolution and any Award Certificate including specifically information relating to payment dates, the Bond date and redemption provisions.

Section 7. PLEDGE OF BOND PAYMENTS. (a) *Pledge.* The BCRUA hereby covenants and agrees that the Bond Payments 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 on the books and records of the BCRUA for the payment and security thereof, all as hereinafter provided; and it is hereby resolved that the Bonds Similarly Secured, and the interest thereon, shall constitute a lien on and pledge of the Bond Payments and be valid and binding without any physical delivery thereof or further act by the BCRUA, and the lien created hereby on the Bond Payments for the payment and security of the Bonds Similarly Secured shall be prior in right and claim as to any other indebtedness, liability, or obligation of the BCRUA or the BCRUA Project payable pursuant to the terms of the Contract. The BCRUA shall deposit the Bond Payments, as collected and received, into a separate fund and account on the books and records of the BCRUA known as the "Cedar Park Debt Service Fund," which is hereby created, to be utilized pursuant to the Contract and Sections 9 and 12 hereof to pay the Bonds; provided, however, that the Board of the BCRUA may utilize any revenues, including those generated by the Contract, in excess of the Debt Service Requirements on the Bonds Similarly Secured for any lawful purpose in accordance with this Resolution and the Contract.

(b) *Perfection of Pledge.* Chapter 1208, as amended, Texas Government Code, applies to the issuance of the Bonds Similarly Secured and the lien on and pledge of Bond Payments granted by the BCRUA under subsection (a) of this Section, and such pledge is therefore valid, effective, and perfected. If State law is amended at any time while the Bonds Similarly Secured are outstanding and unpaid such that the pledge of the Bond Payments granted by the BCRUA 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 Similarly Secured the perfection of the security interest in this pledge, the Board agrees to take such measures as it determines are reasonable and necessary under State 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 8. RATES AND CHARGES. For the benefit of the Registered Owners of the Bonds Similarly Secured and in addition to all provisions and covenants in the laws of the State and in this Resolution, the Contract between the BCRUA and Cedar Park expressly stipulates and agrees, while any of the Bonds Similarly Secured are Outstanding, Cedar Park will fix and collect such rates and charges for services to be supplied by the Cedar Park System as will produce gross revenues at all times during the term of the Contract in an amount equal to pay all of the expenses of operation and maintenance of the Cedar Park System including Annual Payments and Bond Payments under the Contract and all other amounts required by the laws and the provisions of the ordinances or resolutions authorizing the Cedar Park Utility Bonds or other obligations now or hereafter outstanding payable, in whole or in part, from the net revenues of the Cedar Park System, including the amounts required to pay all principal of and interest

on such Cedar Park Utility Bonds and other obligations. The BCRUA hereby expressly stipulates that it will maintain rates and charges through the Bond Payments to meet the debt service requirements on the Bond Similarly Secured and agrees that it will take all appropriate action to enforce such terms of the Contract while any of the Bonds Similarly Secured are Outstanding.

The Registered Owner shall never have the right to demand payment for the Bonds out of any funds raised or to be raised from taxation by Cedar Park or the BCRUA.

Section 9. DISTRIBUTION OF BOND PAYMENTS. After the Bond Payments have been received by the BCRUA such payments shall be further deposited into the Debt Service Fund when and as required by this Resolution.

Section 10. DEBT SERVICE FUND; CONSTRUCTION FUND; ESCROW FUND. (a) **Debt Service Fund.** 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 BCRUA agrees to maintain, at the Depository, a separate and special fund or account on its books and records to be created and known as the "Brushy Creek Regional Utility Authority, Inc. City of Cedar Park, Texas Contract Revenue Bonds (Brushy Creek Regional Water Treatment and Distribution Project), Debt Service Fund" (the "Debt Service Fund"). The BCRUA covenants that there shall be deposited into the Debt Service Fund prior to each principal and interest payment date solely from the available Bond Payments made by Cedar Park pursuant to Section 9 of this Resolution an amount equal to one hundred per cent (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 first day of each month, beginning September 2009. If the Bond Payments in any month are insufficient to make the required payments into the Debt Service Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Debt Service Fund in the next month.

The required monthly deposits to the Debt Service 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 Debt Service Fund is equal to the amount required to fully pay and discharge all Outstanding Bonds Similarly Secured (principal and interest) or, (ii) the Bonds Similarly Secured are no longer Outstanding.

Any surplus proceeds from the sale of the Bonds, including investment income therefrom, not expended for authorized purposes shall be deposited into the Debt Service Fund, and such amounts (i.e., accrued and investment interest) so deposited into the Debt Service Fund shall reduce the sum otherwise required to be deposited in the Debt Service Fund from Bond Payments.

(b) **Construction Fund.** The BCRUA hereby creates and establishes and shall maintain on the books and records of the BCRUA a separate fund or account to be entitled the "Brushy Creek Regional Utility Authority, Inc. City of Cedar Park, Texas Contract Revenue Bonds (Brushy Creek Regional Water Treatment and Distribution Project), Construction Fund" for use by the BCRUA for payment of Cedar Park's share of the BCRUA Project. The BCRUA shall deposit the net proceeds from the sale of the

Bonds released from escrow as provided in Section 10(c) below into the Construction Fund as provided in this Resolution. Funds in the Construction Fund shall be used for payment of Cedar Park's share of BCRUA Project Costs. Upon payment of all such costs, any moneys remaining on deposit in the Construction Fund shall be transferred to the Debt Service Fund.

(c) **Escrow Fund.** The Escrow Agreement between the BCRUA and the escrow agent named therein (the "Escrow Agent") substantially in the form and content presented at this meeting and shown on Exhibit "E" attached hereto, specifying the duties and responsibilities of the BCRUA and the Escrow Agent, is hereby approved and the BCRUA Representative is hereby authorized and directed to execute the Escrow Agreement on behalf of the BCRUA. The Escrow Agent named in the Escrow Agreement is hereby appointed as the Escrow Agent pursuant to such Escrow Agreement.

On the closing date, the BCRUA shall cause the proceeds from the sale of the Bonds to be deposited into the Escrow Fund or, if agreed to by the Purchaser, all or a portion of the proceeds of the Bonds may be deposited into the Construction Fund.

Moneys disbursed from the Escrow Fund established pursuant to the Escrow Agreement shall be applied only for the costs of issuance of the Bonds or the BCRUA Project Costs.

The security for, and the investment of, funds on deposit in the Escrow Fund shall be governed by the provisions of the Escrow Agreement.

Section 11. DEFICIENCIES - EXCESS BOND PAYMENTS. (a) **Deficiencies.** If on any occasion there shall not be sufficient Bond Payments to make the required deposits into the Debt Service Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Bond Payments 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) **Excess Bond Payments** Subject to making the required deposits to the Debt Service Fund when and as required by this Resolution or any resolution authorizing the issuance of Additional Bonds, any excess Bond Payments may be used by the BCRUA for any lawful purpose including, but not limited to, the redemption of any Bonds Similarly Secured.

Section 12. PAYMENT OF BONDS. While any of the Bonds Similarly Secured are Outstanding, the General Manager or other authorized BCRUA official, shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Debt Service Fund, if necessary, 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 at the close of the Business Day next preceding the date a debt service payment is due on the Bonds Similarly Secured.

Section 13. INVESTMENTS. Funds held in any fund or account created, established, or maintained pursuant to this Resolution shall be invested as permitted by the provisions of the BCRUA investment policy and the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code and secured (to the extent not insured by the Federal Deposit Insurance Corporation) to the fullest extent required by the Public Funds Collateral Act, as amended, Chapter 2257, Texas Government Code. All interest and income derived from deposits and investments in any fund shall immediately be credited to, and any losses debited from, the fund from which such funds were derived. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

Section 14. ISSUANCE OF ADDITIONAL BONDS. In addition to the right to issue bonds of inferior lien as authorized by the laws of this State, the BCRUA reserves the right hereafter to issue Additional Bonds. The Additional Bonds, when issued, shall be payable from and secured by a lien on and pledge of the Bond Payments in the same manner and to the same extent as the Bonds and the Bonds Similarly Secured, and shall in all respects be of equal dignity. The Additional Bonds may be issued in one or more series provided, however, that no Additional Bonds, shall be issued unless and until the following conditions have been met:

(i) Except for a refunding to cure a default, the BCRUA is not then in default as to any covenant, condition or obligation prescribed in the resolutions authorizing the issuance of the Bonds Similarly Secured or the Contract (including any amendment or supplement thereto) and the funds under the resolution authorizing the same contains the amounts then required to be therein;

(ii) A consulting engineer certifies to the BCRUA the need for an estimated amount of additional financing required for completion, expansion, enlargement or improvement of the BCRUA Project as now or hereafter defined in the Contract; provided, however this certification shall not be necessary for the issuance of any refunding bonds;

(iii) Cedar Park, shall have approved the resolution(s) authorizing the issuance of the Additional Bonds as to form and content and acknowledged that the payment of principal of and interest on such Additional Bonds is payable, in whole or in part, from the Bond Payments to be made to the BCRUA under and pursuant to the Contract;

(iv) The resolution authorizing the issuance of the Additional Bonds provides for deposits to be made to the Debt Service Fund in amounts sufficient to pay the principal of and interest on such Additional Bonds as the same become due; and

(v) Based upon an opinion of legal counsel to the BCRUA that there are legal, valid and bindings contracts then in effect pursuant to which Cedar Park and others, if any, which are parties to such contracts are obligated to make payments to the BCRUA during each fiscal year (including periods when services of the BCRUA Project may not be available to such contracting parties and others) in such amounts as shall be necessary to provide to the BCRUA sufficient funds to pay when due all principal and interest on all Bonds and Additional Bonds to be outstanding after the issuance of the proposed Additional Bonds.

The Bonds Similarly Secured may be refunded (pursuant to any law then available) upon such terms and conditions as the Board of the BCRUA may deem to be in the best interest of the BCRUA; provided, however, such refunding bonds do not have to comply with paragraph (ii) of this Section 14.

Section 15. SPECIAL PROJECT BONDS. The BCRUA further reserves the right to issue bonds in one or more installments for the purchase, construction, improvement, extension, replacement, enlargement or repair of utility facilities necessary under a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or entities including Cedar Park, such bonds to be payable from and secured by the proceeds of such contract or contracts (other than the Contract). The BCRUA further reserves the right to refund such bonds and secure the payment of the debt service requirements on the refunding bonds in the same manner or as otherwise permitted by the laws of the State.

Section 16. MAINTENANCE OF BCRUA PROJECT - INSURANCE. The BCRUA covenants, agrees, and affirms its covenants that while the Bonds Similarly Secured remain outstanding it will maintain and operate the BCRUA Project with all possible efficiency and maintain casualty and other insurance on the properties of the BCRUA Project and its operations of a kind and in such amounts customarily carried by municipal corporations in the State engaged in a similar type of business (which must be in an amount sufficient to protect the Texas Water Development Board's interest in the BCRUA Project); and that it will faithfully and punctually perform all duties with reference to the BCRUA Project required by the laws of the State. All money received from losses under such insurance policies, other than public liability policies, shall be retained for the benefit of the Registered Owners of the Bonds Similarly Secured 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 of the BCRUA Project. Nothing in this Resolution shall be construed as requiring the BCRUA to expend any funds which are derived from sources other than the operation of the BCRUA Project but nothing herein shall be construed as preventing the BCRUA from doing so.

Section 17. RECORDS AND ACCOUNTS - ANNUAL AUDIT. The BCRUA 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 BCRUA Project in which complete and correct entries shall be made of all transactions relating thereto as provided by applicable law. The Registered Owners of any Bonds or any duly authorized agent or agents of such Registered Owners shall have the right to inspect the BCRUA Project and all properties comprising the same. The BCRUA further agrees that following (and in no event later than six (6) months after) 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. The BCRUA will submit to the Texas Water Development Board the annual audit performed by an independent firm of Certified Public Accountants. Expenses incurred in making the annual audit of the operations of the BCRUA Project are to be regarded as Maintenance and Operating Expenses of the BCRUA Project.

Section 18. SALE OR ENCUMBRANCE OF BCRUA PROJECT. While any Bonds remain Outstanding, the BCRUA will not sell, dispose of or further encumber the BCRUA Project or any substantial part thereof; provided, however, that this provision shall not prevent the BCRUA from (i) pledging the Bond Payments to Additional Bonds or Special Project Bonds as set forth in Sections 14 and 15 of this Resolution or (ii) disposing of any part of the BCRUA Project which is being replaced or is deemed by the BCRUA to be obsolete, worn out, surplus or no longer needed for the proper operation of the BCRUA Project. Any agreement pursuant to which the BCRUA contracts with a person, corporation, municipal corporation or political subdivision to operate the BCRUA Project or to lease and/or operate all or part of the BCRUA Project shall not be considered as an encumbrance of the BCRUA Project; provided, however, no such agreement shall impair the pledge and lien on the Bond Payments.

Section 19. COMPETITION. To the extent it legally may, the BCRUA will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the BCRUA Project and will prohibit the operation of any such competing facilities.

Section 20. SPECIAL COVENANTS. The BCRUA further covenants and agrees that: (a) **Title.** The BCRUA lawfully owns or will own and is or will be lawfully possessed of the lands or easements upon which its BCRUA Project is and will be located, and has or will purchase good and indefeasible estate in such lands in fee simple, or has or will lawfully obtain any necessary easements to operate the BCRUA Project, and it warrants that it has or will obtain and will defend, the title to all the aforesaid lands and easements for the benefit of the Registered Owners of the Bonds against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Bond Payments to the payment of the Bonds Similarly Secured, in the manner prescribed herein, and that it has lawfully exercised such rights.

(b) **Liens.** The BCRUA will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or its BCRUA Project, and it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge upon its BCRUA Project, provided, however, that no such tax, assessment, or charge, and that no such claims which might be or other lien or charge, shall be required to be paid while the validity of the same shall be contested in good faith by the BCRUA.

(c) **Performance.** The BCRUA will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in the resolutions authorizing the issuance of Bonds Similarly Secured, and in each and every Bond Similarly Secured and pay from the Bond Payments the principal of and interest on every Bond Similarly Secured on the dates and in the places and manner prescribed in such resolutions and Bonds Similarly Secured; and that it will, at the times and in the manner prescribed, or cause to be deposited from the Bond Payments the amounts required to be deposited into the Debt Service Fund; and the Registered Owner of the Bonds Similarly Secured may require the BCRUA, its officials, agents, and employees to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Bonds Similarly Secured including, but

without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the BCRUA, its officials, agents, and employees.

(d) **Legal Authority.** The BCRUA is duly authorized under the laws of the State to issue the Bonds Similarly Secured; that all action on its part for the authorization and issuance of the Bonds Similarly Secured has been duly and effectively taken, and the Bonds Similarly Secured in the hands of the Registered Owners thereof are and will be valid and enforceable special obligations of the BCRUA in accordance with their terms payable solely from the Bond Payments.

(e) **Budget.** The BCRUA will prepare, adopt, and place into effect an annual budget (the "Annual Budget") for Maintenance and Operation Expenses of the BCRUA Project for each Fiscal Year, including in each Annual Budget such items as are customarily and reasonably contained in a utility system budget under generally accepted accounting procedures.

(f) **Permits.** The BCRUA will comply with all of the terms and conditions of any and all franchises, permits, and authorizations applicable to or necessary with respect to the BCRUA Project and which have been obtained from any governmental agency; and the BCRUA has or will obtain and keep in full force and effect all franchises, permits, authorizations, and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation, and maintenance of the BCRUA Project.

Section 21. LIMITED OBLIGATIONS OF THE BCRUA. The Bonds Similarly Secured are limited, special obligations of the BCRUA payable from and equally and ratably secured solely by a lien on and pledge of the Bond Payments, and the Registered Owners thereof shall never have the right to demand payment of the principal or interest on the Bonds Similarly Secured from any funds raised or to be raised through taxation by Cedar Park or the BCRUA.

Section 22. DEFAULT AND REMEDIES. (a) **Events of Default.** Each of the following occurrences or events for the purpose of this Resolution is hereby declared to be an Event of Default:

(i) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable; or

(ii) default in the performance or observance of any other covenant, agreement or obligation of the BCRUA, the failure to perform which materially, adversely affects the rights of the Registered Owners of the Bonds, including, but not limited to, their prospect or ability to be repaid in accordance with this Resolution, and, if such default is capable of cure, the continuation thereof for a period of sixty (60) days after notice of such default is given by any Registered Owner to the BCRUA; or

(iii) a default by Cedar Park under the Contract.

(b) **Remedies for Event of Default.**

(i) Upon the happening of any Event of Default, then and in every case, any Registered Owner or an authorized representative thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the BCRUA, or any official, officer or employee of the BCRUA in their official capacity, for the purpose of protecting and enforcing the rights of the Registered Owners under this Resolution, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Registered Owners hereunder or any combination of such remedies. The Registered Owners are third party beneficiaries to the Contract with the ability to enforce the provisions of the Contract for such period that a default exists under the Contract.

(ii) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Bonds then Outstanding.

(iii) As long as an Insurer is not in payment default on the related Insurance Policy for the Bonds, the Insurer of a Series shall be deemed to be the sole Registered Owner of such Bonds issued by it for purposes of enforcing remedies in the Event of Default under this Resolution.

(c) ***Remedies Not Exclusive.***

(i) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Resolution, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Resolution.

(ii) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

(iii) By accepting the delivery of a Bond authorized under this Resolution, such Registered Owner agrees that the certifications required to effectuate any covenants or representations contained in this Resolution do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the officers, employees or trustees of the BCRUA or the Board.

(iv) None of the members of the Board of Directors, nor any other official or officer, agent, or employee of the BCRUA, shall be charged personally by the Registered Owners with any liability, or be held personally liable to the Registered Owners under any term or provision of this Resolution, or because of any Event of Default or alleged Event of Default under this Resolution.

Section 23. AMENDMENT OF RESOLUTION. (a) ***Amendments Without Consent.*** This Resolution and the rights and obligations of the Board and of the Registered Owners of the Bonds may be

modified or amended at any time without notice to or the consent of any Registered Owner of the Bonds or any Bond similarly secured, solely for any one or more of the following purposes:

(i) To add to the covenants and agreements of the Board contained in this Resolution, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Board in this Resolution;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this Resolution, upon receipt by the Board of an opinion of counsel, that the same is needed for such purpose, and will more clearly express the intent of this Resolution;

(iii) To supplement the security for the Bonds, replace or provide additional Credit Agreement, or change the form of the Bonds or make such other changes in the provisions hereof as the Board may deem necessary or desirable and which shall not, in the judgment of the Board, materially adversely affect the interests of the owners of the Outstanding Bonds;

(iv) To make any changes or amendments requested by any bond rating agency then rating or requested to rate the Bonds, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Board, materially adversely affect the interests of the owners of the Outstanding Bonds;

(v) To make such changes, modifications or amendments as are permitted by Section 30(c) of this Resolution;

(vi) To make such other changes in the provisions hereof as the Board may deem necessary or desirable and which shall not, in the judgment of the Board, materially adversely affect the interests of the owners of the Outstanding Bonds; or

(vii) To assign the Contract to a trustee.

(b) ***Amendments With Consent.*** Subject to the other provisions of this Resolution, the Registered Owners of Outstanding Bonds aggregating 51% in Outstanding principal amount shall have the right from time to time to approve any amendment, other than amendments described in Subsection (a) of this Section, to this Resolution which may be deemed necessary or desirable by the Board; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the Outstanding Bonds, the amendment of the terms and conditions in this Resolution or in the Bonds so as to:

- (1) Make any change in the maturity of the Outstanding Bonds;
- (2) Reduce the rate of interest borne by the Outstanding Bonds;
- (3) Reduce the amount of the principal payable on the Outstanding Bonds;

- (4) Modify the terms of payment of principal of or interest on the Outstanding Bonds, or impose any conditions with respect to such payment;
- (5) Affect the rights of the owners of less than all Bonds then Outstanding; or
- (6) Change the minimum percentage of the Outstanding principal amount of Bonds necessary for consent to such amendment.

(c) **Notice.** (i) If at any time the Board shall desire to amend this Resolution other than pursuant to (a) above, the Board shall cause notice of the proposed amendment to be published in a financial newspaper or journal of general circulation in The City of New York, New York or the State including in the Texas Bond Reporter once during each calendar week for at least two (2) successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Paying Agent/Registrar for inspection by all owners of Bonds. Such publication is not required, however, if the Board gives or causes to be given such notice in writing to each Registered Owner of Bonds.

(ii) In the event Standard & Poor's Ratings Services and/or Moody's Investor Service, Inc. maintains a rating on the Bonds, copies of any modification or amendment to this Resolution shall be sent to Standard & Poor's Ratings Services and/or Moody's Investors Service, Inc., as applicable, at least ten (10) days prior to the effective date thereof.

(d) **Receipt of Consents.** Whenever at any time not less than thirty (30) days, and within one (1) year, from the date of the first publication of said notice or other service of written notice of the proposed amendment the Board shall receive an instrument or instruments executed by all of the owners or the owners of at least 51% in Outstanding principal amount of Bonds, as appropriate, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the Board may adopt the amendatory resolution in substantially the same form.

(e) **Effect of Amendments.** Upon the adoption by the Board of any resolution to amend this Resolution pursuant to the provisions of this Section, this Resolution shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the Board and all the owners of then Outstanding Bonds and all future Bonds shall thereafter be determined, exercised, and enforced under the resolution and this Resolution, as amended.

(f) **Consent Irrevocable.** Any consent given by any owner of Bonds pursuant to the provisions of this Section shall be irrevocable for a period of six (6) months from the date of the first publication or other service of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the same Bonds during such period. Such consent may be revoked at any time after six (6) months from the date of the first publication of such notice by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Registrar and the Board, but such revocation shall not be effective if the owners of 51% in Outstanding principal amount of Bonds, prior to the attempted revocation, consented to and approved the amendment.

(g) **Ownership.** For the purpose of this Section, the ownership and other matters relating to all Bonds registered as to ownership shall be determined from the Registration Books kept by the Paying Agent/Registrar therefor. The Paying Agent/Registrar may conclusively assume that such ownership continues until written notice to the contrary is served upon the Paying Agent/Registrar.

(h) **Insurer Consent.** Notwithstanding the foregoing provisions of this Section, so long as any Insurer is not in payment default under its policy, no amendment or supplement to this Resolution may become effective except upon obtaining the prior written consent of any such Insurer.

Section 24. COVENANTS REGARDING TAX-EXEMPTION OF INTEREST ON THE BONDS.

(a) **Covenants.** The Board covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "IRS Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Board covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed or refinanced therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the IRS Code or, if more than 10 percent of the proceeds of the Bonds or the projects financed or refinanced therewith are so used, such amounts, whether or not received by the Board, with respect to such private business use, do not, under the terms of this Resolution or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the IRS Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Bonds or the projects financed or refinanced therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the IRS Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the IRS Code;

(4) to refrain from taking any action which would otherwise result in the Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the IRS Code;

(5) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the IRS Code;

(6) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the IRS Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with:

(A) proceeds of the Bonds invested for a reasonable temporary period of three (3) years or less or, in the case of a refunding bond, for a period of thirty (30) days or less until such proceeds are needed for the purpose for which the Bonds are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed ten (10) percent of the proceeds of the Bonds;

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the IRS Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the IRS Code (relating to advance refundings); and

(8) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the IRS Code and to pay to the United States of America, not later than sixty (60) days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the IRS Code; and

(9) to assure that the proceeds of the Bonds will be used solely for new money projects.

(b) **Rebate Fund.** In order to facilitate compliance with the above covenant (8), a "Rebate Fund" is hereby established by the Board for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the IRS Code.

(c) **Proceeds.** The Board understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the Board that the covenants contained herein are intended to assure compliance with the IRS Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the IRS Code, as applicable to the Bonds, the BCRUA will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the IRS Code. In the event that regulations or rulings are hereafter

promulgated which impose additional requirements which are applicable to the Bonds, the BCRUA agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the IRS Code. In furtherance of such intention, the BCRUA hereby authorizes and directs the BCRUA Representative to execute any documents, certificates or reports required by the IRS Code and to make such elections, on behalf of the BCRUA, which may be permitted by the IRS Code as are consistent with the purpose for the issuance of the Bonds.

(d) ***Allocation Of, and Limitation On, Expenditures for the Project.*** The BCRUA covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 2 of this Resolution (the "Project") on its books and records in accordance with the requirements of the IRS Code. The Board recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the Board recognizes that in order for proceeds to be expended under the IRS Code, the sale proceeds or investment earnings must be expended no more than sixty (60) days after the earlier of (1) the fifth (5th) anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. The Board agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes of this subsection, the Board shall not be obligated to comply with this covenant if it obtains an opinion of nationally-recognized bond counsel to the effect that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) ***Disposition of Project.*** The BCRUA covenants that the property constituting the BCRUA Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Board of cash or other compensation, unless the Board obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of this subsection, the portion of the property comprising personal property and disposed of in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes of this subsection, the Board shall not be obligated to comply with this covenant if it obtains an opinion of nationally-recognized bond counsel to the effect that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 25. RESOLUTION TO CONSTITUTE A CONTRACT; EQUAL SECURITY. In consideration of the acceptance of the Bonds, the issuance of which is authorized hereunder, by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Board and the Registered Owners from time to time of the Bonds and the pledge made in this Resolution by the Board and the covenants and agreements set forth in this Resolution to be performed by the Board shall be for the equal and proportionate benefit, security, and protection of all Registered Owners, without preference, priority, or distinction as to security or otherwise of any of the Bonds authorized hereunder over any of the others by reason of time of issuance, sale, or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Resolution.

Section 26. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements, or provisions herein contained shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements, or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements, or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Bonds issued hereunder.

Section 27. PAYMENT AND PERFORMANCE ON BUSINESS DAYS. Except as provided to the contrary in the FORM OF BOND, whenever under the terms of this Resolution or the Bonds, the performance date of any provision hereof or thereof, including the payment of principal of or interest on the Bonds, shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the Bonds, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the date of performance or payment.

Section 28. LIMITATION OF BENEFITS WITH RESPECT TO THE RESOLUTION. With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied from the provisions of this Resolution or the Bonds is intended or should be construed to confer upon or give to any person other than the Board, the Registered Owners, and the Paying Agent/Registrar, any legal or equitable right, remedy, or claim under or by reason of or in respect to this Resolution or any covenant, condition, stipulation, promise, agreement, or provision herein contained. This Resolution and all of the covenants, conditions, stipulations, promises, agreements, and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the Board, the Registered Owners, and the Paying Agent/Registrar as herein and therein provided.

Section 29. CUSTODY, APPROVAL, BOND COUNSEL'S OPINION, CUSIP NUMBERS, PREAMBLE AND INSURANCE. The BCRUA Representative is hereby authorized to have control of the Bonds issued hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and approval by the Attorney General of the State. The BCRUA Representative is hereby authorized, to the extent deemed necessary or advisable thereby, in the discretion thereof, to request that the Attorney General approve the Bonds as permitted by Chapter 1202, Texas Government Code, in which case the BCRUA Representative also is authorized to request the Comptroller of Public Accounts register the Bonds, and to cause an appropriate legend reflecting such approval and registration to appear on the Bonds and the substitute Bonds. The approving legal opinion of the Board's Bond Counsel and the assigned CUSIP numbers may, at the option of the Board, be printed on the Bonds and on any Bonds issued and delivered in exchange or replacement of any Bond, but neither shall have any legal effect, and shall be solely for the convenience and information of the Registered Owners of the Bonds. The preamble to this Resolution is hereby adopted and made a part of this Resolution for all purposes. If insurance is obtained on any of the Bonds, the Bonds shall bear, as appropriate and applicable, a legend concerning insurance as provided by the municipal bond insurance company issuing any such insurance.

Section 30. COMPLIANCE WITH RULE 15c2-12. (a) *Annual Reports.* (i) The Board shall provide annually to the MSRB, in an electronic format as prescribed by the MSRB, within six months after

the end of each Fiscal Year ending in or after 2009, financial information and operating data with respect to the Board including financial statements of the BCRUA, and general financial and operating information of the general type included in the application to the Texas Water Development Board for financial assistance. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in Exhibit "F" hereto, or such other accounting principles as the Board may be required to employ from time to time pursuant to state law or regulation. The Board shall commission an annual audit of such statements and if the audit is completed within the period during which they must be provided, a copy of such audit also shall be provided in accordance with the Rule. If such audit of such financial statements is not complete within such period, then the Board shall provide unaudited financial statements within the required time period and audited financial statements for the applicable fiscal year to the MSRB, when the audit report on such statements become available.

(ii) If the Board changes its Fiscal Year, it will notify the MSRB of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Board otherwise would be required to provide financial information and operating data pursuant to this Section. The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document that is available to the public on the MSRB's internet web site or filed with the SEC. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(b) **Material Event Notices.** The Board shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) Modifications to rights of holders of the Bonds;
- (viii) Bond calls;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds; and

(xi) Rating changes.

The Board shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, of any failure by the Board to provide financial information or operating data in accordance with subsection (a) of this Section by the time required by such subsection. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(c) **Limitations, Disclaimers, and Amendments.** (i) The Board shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Board remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the Board in any event will give notice of any deposit made in accordance with this Resolution or applicable law that causes the Bonds no longer to be Outstanding.

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

(iii) Any filing required by this Section may be made solely with a central post office approved for such purposes by the SEC, such as the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org>, for submission to the NRMSIRs and SID (without also separately submitting such filings to the NRMSIRs and SID by some other means) so long as such filing is acceptable to the SEC.

(iv) UNDER NO CIRCUMSTANCES SHALL THE BOARD BE LIABLE TO THE REGISTERED OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE BOARD, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. NOTHING IN THIS RESOLUTION SHALL BE CONSTRUED AS A WAIVER OF THE CONSTITUTIONAL, STATUTORY OR COMMON LAW IMMUNITIES OR DEFENSES OF THE BOARD, WHICH IMMUNITIES AND DEFENSES ARE HEREBY AND HERETO AFFIRMED.

(v) No default by the Board in observing or performing its obligations under this Section shall comprise a breach of or default under this Resolution for purposes of any other provision of this Resolution. Should the Rule be amended to obligate the Board to make filings with or provide notices to entities other than the MSRB, the Board hereby agrees to undertake such obligation with respect to the

Bonds in accordance with the Rule as amended. Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Board under federal and state securities laws.

(vi) The provisions of this Section may be amended by the Board from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Board, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Registered Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the Bonds then outstanding consent to such amendment or (b) a person that is unaffiliated with the Board (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. If the Board so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection (a) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Board may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Section 31. APPLICATION OF BOND PROCEEDS. Proceeds from the sale of the Bonds shall, promptly upon receipt thereof, be applied by the BCRUA Representative as follows: an amount sufficient to accomplish the purposes of Section 2 shall be deposited in the Escrow Fund or Construction Fund as authorized by the Texas Water Development Board.

Any sale proceeds of the Bonds remaining after making all deposits and payments provided for above shall be applied to the payment of interest on the Bonds.

Section 32. DEFEASANCE PROVISIONS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of this Resolution, except to the extent provided in subsections (c) and (e) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption or the establishment of irrevocable provisions for the giving of such notice) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the BCRUA with the Paying Agent/Registrar or an eligible trust company or commercial bank for the payment of its services until all

Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Bond Payments as provided in this Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) The deposit under clause (ii) of subsection (a) shall be deemed a payment of a Bond as aforesaid when proper notice of redemption of such Bonds shall have been given or upon the establishment of irrevocable provisions for the giving of such notice, in accordance with this Resolution. Any money so deposited with the Paying Agent/Registrar or an eligible trust company or commercial bank as provided in this Section may at the discretion of the BCRUA also be invested in Defeasance Securities, maturing in the amounts and at the times as hereinbefore set forth, and all income from all Defeasance Securities in possession of the Paying Agent/Registrar or an eligible trust company or commercial bank pursuant to this Section which is not required for the payment of such Bond and premium, if any, and interest thereon with respect to which such money has been so deposited, shall be remitted to the BCRUA.

(c) Notwithstanding any provision of any other Section of this Resolution which may be contrary to the provisions of this Section, all money or Defeasance Securities set aside and held in trust pursuant to the provisions of this Section for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the BCRUA shall make proper arrangements to provide and pay for such services as required by this Resolution.

(d) Notwithstanding anything elsewhere in this Resolution, if money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or an eligible trust company or commercial bank pursuant to this Section for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the provisions of this Section shall be made without the consent of the registered owner of each Bond affected thereby.

(e) Notwithstanding the provisions of subsection (a) immediately above, to the extent that, upon the defeasance of any Defeased Bond to be paid at its maturity, the BCRUA retains the right under State law to later call that Defeased Bond for redemption in accordance with the provisions of this Resolution, the BCRUA may call such Defeased Bond for redemption upon complying with the provisions of State law and upon the satisfaction of the provisions of subsection (a) immediately above with respect to such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

Section 33. TEXAS WATER DEVELOPMENT BOARD MATTERS. The provisions of this Section shall apply so long as the Bonds, or any of them, are owned by the Texas Water Development Board.

(a) Annual Audit Reporting. The BCRUA shall provide to the Development Fund Manager of the Texas Water Development Board, without the necessity of a written request therefor, a copy of the BCRUA's annual audit report, to be submitted without charge, within 120 days of the close of each BCRUA fiscal year.

(b) As-Built Plans. The BCRUA shall provide to the Texas Water Development Board a full and complete set of "as-built" plans relating to the BCRUA Project, promptly upon completion of such project.

(c) Final Accounting. Upon completion of the BCRUA Project, the BCRUA shall render a final accounting of the cost of such project to the Texas Water Development Board. If the total cost of such project, as finally completed, is less than originally estimated, so that the proper share of the participation by the Texas Water Development Board in such project is reduced, the BCRUA shall return to the Texas Water Development Board the amount of such excess to the nearest multiple of the denomination of the Bonds, whereupon the Texas Water Development Board shall cancel and return to the BCRUA a like amount of said Bonds held by the Texas Water Development Board. The Bonds to be canceled and returned shall be chosen in inverse order of maturity. The remainder of any such excess, an amount less than \$5,000, shall be deposited into the Debt Service Fund.

(d) Covenant to Abide with Rules. The BCRUA will abide with all applicable laws of the State of Texas and Rules of the Texas Water Development Board relating to the loan of funds evidenced by the Bonds and the project for which the Bonds are issued, sold and delivered.

(e) Records and Accounts. The BCRUA agrees and covenants that it will maintain current, accurate and complete records and accounts regarding the BCRUA Project in accordance with 31 TAC 375.71(a)(2)(G).

(f) Environmental Determinations. The BCRUA agrees and covenants that it will comply with any special conditions of the Executive Administrator's environmental determination in accordance with 31 TAC 375.71(a)(8).

(g) Environmental Expenditures. The BCRUA covenants and agrees that none of the proceeds of the Bonds will be expended on costs incurred or to be incurred relating to the sampling, testing, removing or disposing of potentially contaminated soils and/or media at the project site.

(h) Indemnification. The BCRUA further agrees, to the extent permitted by law and solely from funds provided by Cedar Park under the Contract, to indemnify, hold harmless and protect the Texas Water Development Board from any and all claims or causes of action arising from the sampling, analysis, transport, removal and off-site disposition of any contaminated media that may be generated by the BCRUA, its contractors, consultants, agents, officials and employees as a result of activities related to the BCRUA.

(i) Water Conservation Plan. Cedar Park has agreed to implement the Texas Water Development Board approved water conservation plan.

Section 34. FURTHER PROCEDURES. The President of the Board, the BCRUA Representative, and all other officers, employees, and agents of the Board, and each of them, shall be and they are hereby expressly 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 Board 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 Resolution, the Bonds, the sale and delivery of the Bonds and fixing all details in connection therewith. The BCRUA Representative is authorized to sign this Resolution.

Section 35. DTC LETTER OF REPRESENTATION. The Board approves execution by the BCRUA Representative and delivery to DTC of a "Blanket Letter of Representations" with respect to the utilization by the Board of DTC's book-entry-only system and the Board intends to utilize such book-entry-only system in connection with the Bonds.

Section 36. BOND INSURANCE. (a) In connection with the sale of the Bonds, the Board may obtain municipal bond insurance policies from one or more municipal bond insurers (the "Insurer") to guarantee the full and complete payment required to be made by or on behalf of the Board on some or all of the Bonds as determined by the BCRUA Representative. The BCRUA Representative is hereby authorized to sign a commitment letter with the Insurer and to pay the premium for the bond insurance policies at the time of the delivery of the Bonds out of the proceeds of sale of the Bonds or from other available funds and to execute such other documents and certificates as necessary in connection with the bond insurance policies as he or she may deem appropriate. Printing on Bonds covered by the bond insurance policies a statement describing such insurance, in form and substance satisfactory to the Insurer and the BCRUA Representative, is hereby approved and authorized. The Award Certificate may contain provisions related to the bond insurance policies, including payment provisions thereunder, and the rights of the Insurer or Insurers, and any such provisions shall be read and interpreted as an integral part of this Resolution.

(b) As long as an Insurer is not in default on the related Insurance Policy for the Bonds, the Insurer of a Series shall be deemed to be the sole Registered Owner of such Bonds insured by it for all purposes of this Resolution.

Section 37. REPEAL OF CONFLICTING RESOLUTIONS. All resolutions and all parts of any resolutions which are in conflict or inconsistent with this Resolution are hereby repealed and shall be of no further force or effect to the extent of such conflict or inconsistency.

Section 38. PUBLIC NOTICE. It is hereby found and determined that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting at which this Resolution was adopted; that this Resolution would be introduced and considered for adoption at said meeting; and that said meeting was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

Section 39. NO PERSONAL LIABILITY. No covenant or agreement contained in the Bonds, this Resolution or any corollary instrument shall be deemed to be the covenant or agreement of any member of the Board or any officer, agent, employee or representative of the Board in his individual capacity, and neither the directors, officers, agents, employees or representatives of the Board nor any person executing the Bonds shall be personally liable thereon or be subject to any personal liability for damages or otherwise or accountability by reason of the issuance thereof, or any actions taken or duties performed, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being expressly released and waived as a condition of and in consideration for the issuance of the Bonds.

Section 40. CREDIT AGREEMENTS. To the extent permitted by law, the BCRUA reserves the right to enter into Credit Agreements in connection with the Bonds, upon the written opinion of the BCRUA Representative that such Credit Agreements are in the best interest of the BCRUA given the market conditions at the time. The Credit Agreements will constitute a Credit Agreement as defined in this Resolution. Credit Agreements and the obligations thereunder may, pursuant to their terms, constitute (i) debt secured by a pledge of the Bond Payments on parity with the Bonds Similarly Secured (ii) debt secured by an inferior lien secured by a pledge of the Bond Payments subordinate to the Bonds Similarly Secured or (iii) partially parity and partially inferior lien.

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PASSED AND ADOPTED on the 3rd day of June, 2009.

**BRUSHY CREEK REGIONAL
UTILITY AUTHORITY, INC.**

BCRUA Representative

- EXHIBIT A - Definitions
- EXHIBIT B - Award Certificate
- EXHIBIT C - Form of Bond
- EXHIBIT D - Paying Agent/Registrar Agreement
- EXHIBIT E - Escrow Agreement
- EXHIBIT F - Continuing Disclosure
- EXHIBIT G - Contract

EXHIBIT A

DEFINITIONS

As used in this Resolution, the following terms and expressions shall have the meanings set forth below, unless the text in this Resolution specifically indicates otherwise.

The term *Additional Bonds* shall mean the obligations issued in accordance with the terms and conditions prescribed in Section 17 hereof.

The term *Annual Payments* shall have the meaning given in the Contract.

The term *Authorized Denominations* shall mean with respect to the Bonds the denomination of \$5,000 or any integral multiple thereof.

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 all outstanding Bonds Similarly Secured when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Debt Service Requirement by the number of Fiscal Years then remaining before Stated Maturity of such Bonds Similarly Secured. 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 Bond proceeds shall be excluded in making the aforementioned computation.

The Term *Award Certificate* shall mean the Certificate executed by the BCRUA Representative in connection with the Bonds that establishes the terms of the Bonds issued pursuant to Section 3 of this Resolution.

The term *BCRUA* shall mean Brushy Creek Regional Utility Authority, Inc. and any other public agency succeeding to the powers, rights, privileges and functions of the BCRUA and, when appropriate, the Board of Directors of the BCRUA.

The term *BCRUA Project* shall mean, collectively, the Land Interests and the improvements described in the recitals to the Contract and further described in the Preliminary Design Report, and as shown on Exhibit "G" to the Contract. Without limitation the BCRUA Project includes the facilities, lines, intake structures, storage tanks, booster pumps and other appurtenances in the BCRUA Project as described in the Preliminary Design Report and owned by the BCRUA sufficient to treat the raw water and deliver the treated water to which the Cities, respectively, are entitled under the Contract.

The term *BCRUA Project Costs* means and includes, without limitation, the following costs incurred for the BCRUA Project by or on behalf of the BCRUA or the Cities: (i) the cost of acquisition of the Land Interests, including appraisals, closing costs and title insurance policies; (ii) the cost of acquisition, construction, repair, replacement, improvement or decommissioning of the Facilities, and any structure, item of equipment, or other item, used for, or in connection with, the BCRUA Project; (iii) the cost of site preparation of the Land Interests, including demolition or removal of structures and

improvements as necessary or incident to accomplishing the BCRUA Project; (iv) the cost of engineering, legal, architectural or other related services; (v) the preparation cost of plans, specifications, studies, surveys, cost estimates, and other expenses necessary or incident to planning, providing, or financing the BCRUA Project; (vi) the cost of machinery, equipment, furnishings, and facilities necessary or incident to placing the BCRUA Project in operation; (vii) finance charges and interest before, during, and after construction as permitted by the laws of the State; (viii) costs incurred in connection with financing the BCRUA Project, including, without limitation: (1) financing, legal, accounting, financial advisory, rating agency, and auditing fees, expenses and disbursements; (2) the cost of printing, engraving, and reproduction services; and (3) the cost of a trustee's or paying agent's initial or acceptance fee and subsequent fees; (ix) all costs, fees and expenses of litigation of all kinds; (x) the cost of property casualty and public liability insurance; (xi) the fees and costs of the Purchaser as the anticipated purchasers of the Bonds; (xii) reimbursement of the costs previously incurred by the Cities with respect to the BCRUA Project; and (xiii) other costs generally recognized as part of BCRUA Project construction costs.

The term *BCRUA Representative* shall mean the President of the Board of the BCRUA or in his absence the General Manager of the BCRUA or such other person authorized by the Board to act as a BCRUA Representative.

The term *Bond Payments* shall mean the payments defined as "Bond Payments" within the Contract that the BCRUA expects to receive from the City of Cedar Park, Texas pursuant to the terms of the Contract.

The term *Bonds* shall mean and include collectively the Bonds issued and delivered pursuant to this Resolution and the Award Certificate for the Bonds and all substitute Bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term *Bond* shall mean any of the Bonds.

The term *Bonds Similarly Secured* shall mean the Bonds issued pursuant to this Resolution and any Additional Bonds hereafter issued by the BCRUA 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 lien on and pledge of the Bond Payments.

The term *Business Day* shall mean any day which is not a Saturday, Sunday, legal holiday, or a day on which banking institutions in The City of New York, New York or in the city where the Designated Trust Office of the Paying Agent/Registrar is located are authorized by law or executive order to close.

The term *Cedar Park* or *City* means the City of Cedar Park, Texas, a home-rule municipality.

The term *Cedar Park System* shall mean the combined water and wastewater system of Cedar Park together with all future extensions, improvements, enlargements, and additions thereto, including, to the extent permitted by law, storm sewer and drainage and/or reclaimed water systems which are integrated with the waterworks or wastewater disposal system, and all replacements thereof, provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term Cedar Park System shall not include any waterworks or wastewater facilities which are declared by Cedar

Park not to be a part of the Cedar Park System and which are hereafter acquired or constructed by Cedar Park with the proceeds from the issuance of "Special Facilities Bonds," which are not secured by or payable from the net revenues of the Cedar Park System, but which are secured by and are payable solely from special contract revenues, or payments received from Cedar Park or any other legal entity, or any combination thereof, in connection with such facilities; and such revenues or payments shall not be considered as or constitute gross revenues of the Cedar Park System, unless and to the extent otherwise provided in the ordinance or ordinances authorizing the issuance of such "Special Facilities Bonds."

The term *Cedar Park Utility Bonds* shall mean the bonds, notes or other obligations issued by Cedar Park secured by a lien on and pledge of the net revenues of the Cedar Park System or any part thereof regardless of lien priority including such bonds, notes or other obligations now or hereafter outstanding.

The term *Certified Public Accountant* shall mean an independent certified public accountant or firm of independent certified public accountants.

The term *Closing Date* shall mean the date of physical delivery of the Initial Bond issued pursuant to this Resolution for the payment in full by the Purchaser.

The term *Contract* shall mean the Master Contract for the Financing, Construction and Operation of the BCRUA Regional Water Treatment and Distribution Project, dated as of September 2, 2008, as amended by the First Amendment to the Master Contract for the Financing, Construction and Operation of the BCRUA Regional Water Treatment and Distribution Project dated as of February 12, 2009 together with any additional amendments and supplements thereto (which by the term of such instrument is designated as a supplement or amendment to such Contract), a copy of such Contract being attached hereto as Exhibit "G".

The term *Credit Agreement* shall mean an Insurance Policy, a surety bond (including any supporting Insurance Agreement), a letter or line of credit or other type of enhancement issued in support of any Bonds or Additional Bonds by a Credit Agreement Provider at the request of the BCRUA.

The term *Credit Agreement Provider* shall mean (i) with respect to any Credit Agreement consisting of a policy of municipal bond insurance or a surety bond, an issuer of policies of insurance insuring the timely payment of scheduled debt service on governmental obligations such as the Bonds or Additional Bonds, provided that a Rating Agency having an outstanding rating on the Bonds or Additional Bonds would rate the Bonds or Additional Bonds upon delivery of the Bonds or Additional Bonds fully insured by a standard policy issued by the issuer in its highest generic rating category for such obligations; and (ii) with respect to any Credit Agreement consisting of a letter or line of credit, any financial institution, provided that a Rating Agency having an outstanding rating on the Bonds or Additional Bonds would rate the Bonds or Additional Bonds in one of its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Bonds or Additional Bonds and the interest thereon.

The term *Debt Service Fund* shall mean the special fund or account created and established by the provisions of Section 10(a) of this Resolution.

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 BCRUA 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 (a) either (i) an interest rate equal to the average rate borne by such Bonds (or by comparable debt in the event that such Bonds have not been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, (ii) if the Bonds bear interest at tax-exempt rates, an interest rate equal to the 24 month average of the Index (as most recently published in The Bond Buyer), unless such index is no longer published in The Bond Buyer, in which case the index to be used in its place shall be that index which the BCRUA Representative determines most closely replicates such index as set forth in a certificate of a BCRUA Representative, (iii) if the Bonds bear interest at taxable rates, an interest rate equal to the rate of the 30 day London Interbank Offered Rate, (iv) that interest rate which, in the judgment of the BCRUA Representative, based, to the extent possible, upon an accepted market index which corresponds with the provisions of the subject Bonds, is the average rate anticipated to be in effect with respect to such Bonds or (v) that interest rate which, in the judgment of the BCRUA Representative, based upon the interest rate methodology in the applicable Credit Agreement if calculating payments under a Credit Agreement, is the average rate anticipated to be in effect; and (b) that the debt service 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.

The term *Defeasance Securities* shall mean (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (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 Board adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent.

The term *Depository* shall mean an official depository bank of the BCRUA.

The term *Designated Trust Office* shall have the meaning ascribed to said term in Section 5(b) of this Resolution.

The term *DTC* shall mean The Depository Trust Company, New York, New York, or any successor securities depository.

The term *DTC Participant* shall mean securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

The term *Federal Securities* shall mean direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (including Interest Strips of the Resolution Funding Corporation).

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

The term *Fitch* shall mean Fitch Investors Service, L.P., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Fitch shall be deemed to refer to any other nationally recognized securities rating agency designated by the BCRUA.

The term *Funds* shall mean the Debt Service Fund and Construction Fund created and held pursuant to this Resolution.

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; or (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Bonds, while any of the Bonds remain Outstanding as established in the Award Certificate.

The term *IRS Code* shall mean the Internal Revenue Code of 1986, as amended.

The term *Land Interests* shall mean the fee simple interests and/or the easements, right-of-way and other interests in real property necessary for the acquisition, construction and operation of the BCRUA Project.

The term *Maintenance and Operation Expenses* shall mean the expenses necessary to provide for the administration, efficient operation and adequate maintenance of the BCRUA's System, including the

cost of purchasing water, paying necessary wages, salaries, and benefits, the acquisition of property and materials necessary to maintain the System in good condition and to operate it efficiently, together with such other costs and expenses as may now or hereafter be defined by law as proper maintenance and operation expenses of the System, including Operation and Maintenance Expenses (as defined in the Contract).

The term *Maturity* shall mean the date on which the principal of a Bond becomes due and payable as therein and herein provided, whether at Stated Maturity, by redemption or otherwise.

The term *Moody's* shall mean Moody's Investors Service, Inc., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Moody's shall be deemed to refer to any other nationally recognized securities rating agency designated by the BCRUA.

The term *MSRB* shall mean the Municipal Securities Rulemaking Board.

The term *Outstanding* shall mean when used in this Resolution with respect to Bonds means, as of the date of determination, all Bonds of any series issued and delivered pursuant to this Resolution, except:

(1) those Bonds canceled 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 BCRUA in accordance with the provisions of Section 32 of this Resolution 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 Resolution 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 5(f) of this Resolution.

The terms *Paying Agent/Registrar*, *Paying Agent* or *Registrar* shall mean the agent appointed pursuant to Section 5 of this Resolution or any successor to such agent.

The term *Preliminary Design Report* shall mean, collectively, the following described documents:

(i) *Treatment Plant PDR*, "Brushy Creek Regional Water Treatment Plant; Preliminary Design Report" prepared by Camp Dresser & McKee, Inc., dated July, 2008;

(ii) *Raw Water PDR*, “Brushy Creek Regional Water Supply Project – Phase 1 Raw Water Facilities – Floating Intake and Raw Water Pipeline; Preliminary Design Report” prepared by Carter & Burgess, Inc., dated October 2007;

(iii) *Treated Transmission Main, Segment 1 PDR*, “Brushy Creek Regional Utility Authority 78 inch Water Transmission Main Preliminary Engineering Report” prepared by Lockwood, Andrews & Newman, Inc., dated May 24, 2007; and

(iv) *Treated Transmission Main, Segment 2C PDR*, “Preliminary Engineering Report – Treated Water Transmission Line Segment 2C” prepared by K. Friese & Associates, Inc., dated September 2007.

The term *Purchaser* shall mean the Texas Water Development Board.

The term *Rating Agencies* shall mean S&P, Moody's and/or Fitch according to which of such rating agencies then rates the Bonds or Additional Bonds of the applicable series; and provided that if neither of such rating agencies then rates any series of Bonds or Additional Bonds of such series, the term "Registered Owner" shall refer to any national rating agency (if any) which provides such rating.

The term *Record Date* shall mean, with respect to the Bonds, the Business Day of each month as set forth in the Award Certificate.

The term *Registration Books* shall mean the books or records relating to the registration, payment and transfer or exchange of the Bonds maintained by the Paying Agent/Registrar pursuant to Section 5 of this Resolution.

The term *Registered Owner* shall mean the entity or person in whose names any of the Bonds are registered in the Registration Books.

The term *Resolution* shall mean this resolution adopted by the Board on June 3, 2009.

The term *Rule* shall mean SEC Rule 15c2-12, as amended from time to time.

The term *S&P* shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, S&P shall be deemed to refer to any other nationally recognized securities rating agency designated by the BCRUA.

The term *SEC* shall mean the United States Securities and Exchange Commission.

The term *Special Project Bonds* shall mean obligations which the BCRUA expressly reserves the right to issue in Section 15 of this Resolution.

The term *State* shall mean the State of Texas.

The term *Stated Maturity* shall mean, when used with respect to the Bonds, the scheduled maturity or mandatory sinking fund redemption date of a series of the Bonds.

EXHIBIT B
AWARD CERTIFICATE

EXHIBIT C
FORM OF BOND

REGISTERED
NO. _____

REGISTERED
PRINCIPAL AMOUNT
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
CITY OF CEDAR PARK, TEXAS CONTRACT REVENUE BONDS
SERIES _____
(BRUSHY CREEK REGIONAL WATER TREATMENT AND DISTRIBUTION PROJECT)

BOND DATE: **STATED MATURITY:** **INTEREST RATE:** **CUSIP No.:**

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____ **DOLLARS**

The Brushy Creek Regional Utility Authority, Inc. (the "BCRUA"), a non-profit corporation of the State of Texas, with its principal office in _____, 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 from the Bond Date, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, 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 _____ and _____* of each year commencing _____*.

Principal and premium, if any, of the Bond shall be payable to the Registered Owner hereof (the "Holder") upon presentation and surrender, at a corporate trust office of the Paying Agent/Registrar executing the registration certificate appearing hereon or a successor thereof. Interest shall be payable to

* As provided in the Award Certificate. To the extent that the Award Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Award Certificate shall be used in the executed Bonds.

the Holder of this Bond (or one or more Predecessor Bonds, as defined in the Resolution 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. In addition, interest may be paid by such other method, acceptable to the Texas Water Development Board, or such other Registered Owner, requested by, and at the risk and expense, of the Registered Owner; provided, however, that if this Bond is owned by the Texas Water Development Board, interest will be paid by wire transfer or other method acceptable to the Texas Water Development Board, and there will be no charge.

This Bond is one of the series specified in its title issued in the aggregate principal amount of \$ _____* (the "Bonds") pursuant to a resolution adopted by the governing body of the BCRUA (the "Resolution"), to pay: (i) CEDAR PARK'S SHARE OF THE COSTS OF CONSTRUCTING, ACQUIRING, IMPROVING AND/OR EXPANDING THE BCRUA PROJECT INCLUDING BUT NOT LIMITED TO LAND INTERESTS, TEMPORARY INTAKE STRUCTURE, STORAGE TANKS, LINES, BOOSTER PUMPS, TREATMENT FACILITIES AND OTHER APPURTENANCES NECESSARY FOR THE DELIVERY, TREATMENT AND TRANSMISSION OF RAW WATER AND ACQUIRING EASEMENTS, RIGHTS-OF-WAY AND OTHER INTERESTS IN LAND OR OTHER FACILITIES NECESSARY FOR THE WITHDRAWAL, DIVERSION DELIVERY, TRANSMISSION AND TREATMENT OF RAW WATER ALL AS DESCRIBED IN THE PRELIMINARY DESIGN REPORT AND (ii) THE COSTS OF ISSUANCE OF THE BONDS.

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

If this Bond (or any portion of the principal sum hereof) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date this Bond (or the portion of the

* As provided in the Award Certificate. To the extent that the Award Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Award Certificate shall be used in the executed Bonds.

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 BCRUA 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 BCRUA payable from and equally and ratably secured solely by a lien on and pledge of the Bond Payments received by the BCRUA from the City of Cedar Park, Texas pursuant to the provisions of the Contract. In the Resolution, the BCRUA reserves and retains the right to issue Additional Bonds, without limitation as to principal amount but subject to any terms, conditions, or restrictions set forth in the Resolution 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 BCRUA or BCRUA Project, except with respect to the Bond Payments.

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 Resolution, copies of which are on file in the corporate trust office of the Paying Agent/Registrar, and to all of the provisions of which the Holder by his acceptance hereof hereby assents, for definitions of terms; the description and nature of the Special Payments pledged for the payment of the Bonds; the terms and conditions under which the BCRUA may issue Additional Bonds; the terms and conditions relating to the transfer or exchange of the Bonds; the conditions upon which the Resolution may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the BCRUA 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 Resolution. Capitalized terms used herein have the same meanings assigned in the Resolution.

This Bond, subject to certain limitations contained in the Resolution, may be transferred on the Registration Books upon presentation and surrender at a 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 BCRUA 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 BCRUA 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 BCRUA. 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 BCRUA have been performed, exist, and have been done, in regular and due time, form, and manner, as required by law, and that issuance of the Bonds does not exceed any constitutional or statutory limitation; and that due provision has been made for the payment of the principal of and interest on the Bonds by a lien on and pledge of the Bond Payments and as otherwise provided in this Resolution. 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 Resolution shall be construed in accordance with and shall be governed by the laws of the State of Texas.

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

BRUSHY CREEK REGIONAL UTILITY
AUTHORITY, INC.

President, Board of Directors

ATTESTED:

Secretary, Board of Directors

(SEAL)

C. Form of Registration Certificate of Comptroller of Public Accounts to Appear on Initial Bond Only.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER OF
PUBLIC ACCOUNTS

THE STATE OF TEXAS

§
§ REGISTER NO. _____
§

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

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

D. Form of Certificate of Paying Agent/Registrar to Appear on Definitive Bonds Only.

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

Registered this date: _____

as Paying Agent/Registrar

By: _____
Authorized Signature

E. Form of Assignment.

ASSIGNMENT

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

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

DATED: _____

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

Signature guaranteed:

F. The Initial Bond of each series 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 Brushy Creek Regional Utility Authority, Inc. (the "BCRUA"), a non-profit corporation of the State of Texas, with its principal office located in _____, 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 _____* day of _____* in each of the years and in principal amounts and bearing interest at per annum rates in accordance with the following schedule:

Years of	Principal	Interest

* As provided in the Award Certificate. To the extent that the Award Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Award Certificate shall be used in the executed Bonds.

Stated Maturity

Amounts (\$)

Rates (%)

(Information to be inserted from Award Certificate).

(or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid Principal Amount hereof from the _____*, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, to Stated Maturity or prior redemption, at the per annum rates of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on _____* and _____*, commencing _____* (the "Interest Payment Date").

Principal and premium, if any, of this Bond shall be payable to the Registered Owner hereof (the Holder), upon its presentation and surrender, at a corporate trust office of _____, Austin, Texas (the "Paying Agent/Registrar"). Interest shall be payable to the Holder of this Bond whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the 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 an Insurance Policy is obtained by the Purchasers or the BCRUA for any series of Bonds, the definitive Bonds and the Initial Bond shall bear an appropriate legend as provided by the Insurer.

EXHIBIT D

PAYING AGENT/REGISTRAR AGREEMENT

EXHIBIT E
ESCROW AGREEMENT

EXHIBIT F

CONTINUING DISCLOSURE OF INFORMATION

Accounting Principles

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

EXHIBIT G

**MASTER CONTRACT FOR THE FINANCING, CONSTRUCTION
AND OPERATION OF THE BCRUA REGIONAL WATER
TREATMENT AND DISTRIBUTION**

Part B-21 Leander Bond Resolution

MPH Draft 6/3/09

RESOLUTION NO. R-09-06-03-6B

A RESOLUTION BY THE BOARD OF DIRECTORS OF THE BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. AUTHORIZING THE ISSUANCE OF "BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. CITY OF LEANDER, TEXAS CONTRACT REVENUE BONDS, (BRUSHY CREEK REGIONAL WATER TREATMENT AND DISTRIBUTION PROJECT)"; ESTABLISHING THE PROCEDURES FOR SELLING AND DELIVERING THE BONDS AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH BONDS

ADOPTED JUNE 3, 2009

RESOLUTION NO. R-09-06-03-6B

A RESOLUTION BY THE BOARD OF DIRECTORS OF THE BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. AUTHORIZING THE ISSUANCE OF "BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. CITY OF LEANDER, TEXAS CONTRACT REVENUE BONDS, (BRUSHY CREEK REGIONAL WATER TREATMENT AND DISTRIBUTION PROJECT)"; ESTABLISHING THE PROCEDURES FOR SELLING AND DELIVERING THE BONDS AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH BONDS

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RESOLUTION NO. R-09-06-03-6B

A RESOLUTION BY THE BOARD OF DIRECTORS OF THE BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. AUTHORIZING THE ISSUANCE OF "BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. CITY OF LEANDER, TEXAS CONTRACT REVENUE BONDS, (BRUSHY CREEK REGIONAL WATER TREATMENT AND DISTRIBUTION PROJECT)"; ESTABLISHING THE PROCEDURES FOR SELLING AND DELIVERING THE BONDS AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH BONDS

WHEREAS, the Brushy Creek Regional Utility Authority, Inc. (the "BCRUA") is a non-profit corporation of the State of Texas (the "State"), created by the Cities of Cedar Park, Leander and Round Rock, Texas (collectively, the "Cities" or singularly, a "City") and existing under the laws of the State, including Subchapter D of Chapter 431, as amended, Texas Transportation Code (the "Authority Act"); and

WHEREAS, pursuant to the Authority Act, the BCRUA, is empowered to acquire and construct water facilities including water conservation, storage, transportation, treatment and distribution facilities and to deliver this water to the Cities; and

WHEREAS, the Authority Act also authorizes the BCRUA acting through its Board of Directors (the "Board") to issue revenue bonds to finance such water projects, payable solely from the revenues derived from payments to be made to the BCRUA by each respective City for which a series of bonds are issued for the purpose of defraying such City's share of the cost of financing, acquiring, and constructing the BCRUA Project (as hereinafter defined); and

WHEREAS, the BCRUA initially expects to issue separate series of such revenue bonds for the City of Cedar Park, Texas ("Cedar Park"), the City of Round Rock, Texas ("Round Rock") and the City of Leander, Texas ("Leander") to finance their share of the BCRUA Project, with each such series payable from and secured solely by payments made by each respective City under the Contract (as hereinafter defined); and

WHEREAS, pursuant to the Authority Act, the BCRUA and the Cities have entered into a "Master Contract for the Financing, Construction and Operation of the BCRUA Regional Water Treatment and Distribution Project," dated as of September 2, 2008 as amended by the "First Amendment to the Master Contract for the Financing, Construction and Operation of the BCRUA Regional Water Treatment and Distribution Project" dated as of February 12, 2009 (collectively, the "Contract") pursuant to which the BCRUA has agreed to design, finance, construct, own, acquire, maintain and operate the BCRUA Project in a manner that will allow the BCRUA to deliver potable water to the Cities on a regional basis and under which each of the Cities agree to pay their share of the BCRUA Project Costs and to make payments to or on behalf of the BCRUA in amounts sufficient to meet all of the BCRUA's obligations under the Contract including relating to a City's respective

series of bonds issued to finance and refinance a City's share of the BCRUA Project Costs and to own, operate and maintain the BCRUA Project; and

WHEREAS, Leander has requested that the BCRUA issue a separate series of revenue bonds in an aggregate principal amount not to exceed \$91,180,000 pursuant to the Contract to finance Leander's share of the BCRUA Project Costs (the "Bonds"); and

WHEREAS, Cedar Park and Round Rock have also requested the BCRUA issue separate series of contract revenue bonds pursuant to the Contract to finance their respective share of the BCRUA Project Costs and the three separate series of contract revenue bonds for the Cities are expected to be issued and delivered simultaneously; and

WHEREAS, the Cities and the BCRUA have approved the Contract; and

WHEREAS, this Resolution constitutes a Bond Resolution as that term is defined in the Contract; and

WHEREAS, Leander has agreed pursuant to Article X of the Contract to provide continuing disclosure of certain financial and operating data so long as the Bonds are Outstanding; and

WHEREAS, the principal of the Bonds and the interest thereon are and shall be solely payable from and secured by a lien on and pledge of the portion of the Annual Payments designated as "Bond Payments" to be made by pursuant to the Contract in amounts sufficient to pay and redeem, and provide for the payment of the principal of, premium, if any, and interest on the Bonds, when due, and the fees and expenses of the Paying Agent/Registrar for the Bonds, all as required by this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. THAT:

Section 1. DEFINITIONS. In addition to the definitions set forth in the preamble of this Resolution, the terms used in this Resolution (except as may be otherwise indicated in the FORM OF BOND) and not otherwise defined shall have the meanings given in Exhibit "A" to this Resolution attached hereto and made a part hereof.

Section 2. AMOUNT, PURPOSE AND DESIGNATION OF THE BONDS. (a) *Amount and Designation.* The BCRUA's bonds issued pursuant to this Resolution shall each be entitled "BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. CITY OF LEANDER, TEXAS CONTRACT REVENUE BONDS (BRUSHY CREEK REGIONAL WATER TREATMENT AND DISTRIBUTION PROJECT)," are hereby authorized to be issued and delivered in an aggregate maximum principal amount not to exceed \$91,180,000. The title of the Bonds shall be designated by the year in which such Bonds are awarded pursuant to Section 3 below. The authority of the

BCRUA Representative to execute and deliver an Award Certificate for the Bonds shall expire 5:00 p.m., C.D.T. on June 3, 2010.

(b) **Purpose.** The Bonds are to be issued for the following purposes to pay: (i) LEANDER'S SHARE OF THE COSTS OF CONSTRUCTING, ACQUIRING, IMPROVING AND/OR EXPANDING THE BCRUA PROJECT INCLUDING BUT NOT LIMITED TO LAND INTERESTS, TEMPORARY INTAKE STRUCTURE, STORAGE TANKS, LINES, BOOSTER PUMPS, TREATMENT FACILITIES AND OTHER APPURTENANCES NECESSARY FOR THE DELIVERY, TREATMENT AND TRANSMISSION OF RAW WATER AND ACQUIRING EASEMENTS, RIGHTS-OF-WAY AND OTHER INTERESTS IN LAND OR OTHER FACILITIES NECESSARY FOR THE WITHDRAWAL, DIVERSION DELIVERY, TRANSMISSION AND TREATMENT OF RAW WATER ALL AS DESCRIBED IN THE PRELIMINARY DESIGN REPORT INCLUDING ANY NECESSARY CAPITALIZED INTEREST AND RESERVE FUND AS SET FORTH IN THE AWARD CERTIFICATE AND (ii) THE COSTS OF ISSUANCE OF THE BONDS.

Section 3. DATE, DENOMINATIONS, NUMBERS, MATURITIES AND TERMS OF BONDS. (a) **Terms of the Bonds.** The Bonds shall initially be issued, sold, and delivered hereunder as fully registered bonds, without interest coupons, numbered consecutively from R-1 upward (except the initial Bond delivered to the Attorney General of the State which shall be numbered T-1), payable to the respective initial Registered Owners thereof in an Authorized Denomination, maturing not later than August 1, 2039, serially or otherwise on the dates, in the years and in the principal amounts, respectively, dated, all as set forth in the Award Certificate executed by the BCRUA Representative in substantially the form attached hereto as Exhibit "B".

(b) **Award Certificate.** As authorized by the Authority Act, the BCRUA Representative is hereby authorized, appointed, and designated to act on behalf of the Board in selling and delivering the Bonds and carrying out the other procedures specified in this Resolution, including determining and fixing the date of the Bonds, any additional or different designation or title by which the Bonds shall be known, the price at which the Bonds will be sold, the years in which the Bonds will mature, the principal amount to mature in each of such years, the aggregate principal amount of the Bonds, the rate or rates of interest to be borne by each maturity, the interest payment periods, the dates, price, and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the Board, as well as any mandatory sinking fund redemption provisions, the amount of capitalized interest, if any, for the Bonds and all other matters relating to the issuance, sale, and delivery of the Bonds, all of which shall be specified in a certificate of the BCRUA Representative (the "Award Certificate"); provided that (i) the price to be paid for the Bonds shall not be less than 98% of the aggregate original principal amount thereof plus accrued interest, if any, thereon from its date to its delivery and (ii) the Bonds shall not bear interest at a net effective interest rate in excess of 5.75% per annum.

It is further provided, however, that, notwithstanding the foregoing provisions, the Bonds shall not be delivered unless prior to delivery of the Bonds the Award Certificate has been executed and delivered as required by this Resolution.

The Award Certificate is hereby incorporated in and made a part of this Resolution and shall be filed in the minutes of the Board as a part of this Resolution.

(c) ***Sale of the Bonds.*** To achieve advantageous borrowing costs for the BCRUA, the Bonds shall be sold to the Texas Water Development Board (the "Purchaser") at the price as set forth in the Award Certificate.

(d) ***In General.*** The Bonds (i) may and shall be redeemed prior to the respective scheduled maturity dates, (ii) may be assigned and transferred, (iii) may be exchanged for other Bonds, (iv) shall have the characteristics, (v) shall be signed and sealed, and the principal of and interest on the Bonds shall be payable, all as provided, and in the manner required or indicated, in the FORM OF BOND set forth in Exhibit "C" to this Resolution and as determined by the BCRUA Representative as provided herein, with such changes and additions as are required to be consistent with the terms and provisions shown in the Award Certificate.

Section 4. INTEREST. The Bonds shall bear interest, calculated on the basis of a 360-day year composed of twelve 30-day months, from their date of delivery as set forth in the Award Certificate, until maturity or redemption, at the rate or rates set forth in the Award Certificate. Interest shall be payable to the Registered Owner of any such Bond in the manner provided and on the dates stated in the FORM OF BOND set forth in Exhibit "C" to this Resolution and the Award Certificate.

Section 5. REGISTRATION, TRANSFER, AND EXCHANGE; AUTHENTICATION; BOOK-ENTRY-ONLY SYSTEM. (a) ***Paying Agent/Registrar.*** The Bank of New York Mellon Trust Company, National Association is hereby appointed the Paying Agent/Registrar for the Bonds. The BCRUA Representative is authorized to enter into and carry out a Paying Agent/Registrar Agreement with the Paying Agent/Registrar with respect to the Bonds in substantially the form and substance presented to the Board set forth in Exhibit "D" in connection with the approval of this Resolution with such changes as are acceptable to the BCRUA Representative.

(b) ***Registration Books.*** The Board shall keep or cause to be kept at the designated corporate trust office of the Paying Agent/Registrar in Austin, Texas (the "Designated Trust Office") the Registration Books and the Board hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, exchanges, and replacements under such reasonable regulations as the Board and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, exchanges, and replacements as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the Registered Owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each Registered Owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Board shall have the right to inspect the Registration Books at the Designated Trust Office of the Paying Agent/Registrar during regular business hours, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. A copy of the Registration Books shall be maintained in the State.

(c) **Ownership of Bonds.** The entity or person in whose name any Bond shall be registered in the Registration Books at any time shall be deemed and treated as the absolute owner thereof for all purposes of this Resolution, whether or not such Bond shall be overdue, and, to the extent permitted by law, the Board and the Paying Agent/Registrar shall not be affected by any notice to the contrary; and payment of, or on account of, the principal of, premium, if any, and interest on any such Bond shall be made only to such Registered Owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(d) **Payment of Bonds and Interest.** The Paying Agent/Registrar shall further act as the paying agent for paying the principal of, premium, if any, and interest on the Bonds, all as provided in this Resolution. The Paying Agent/ Registrar shall keep proper records of all payments made by the Board and the Paying Agent/Registrar with respect to the Bonds.

(e) **Authentication.** The Bonds initially issued and delivered pursuant to this Resolution shall be authenticated by the Paying Agent/Registrar by execution of the Paying Agent/Registrar's Authentication Certificate unless they have been approved by the Attorney General of the State and registered by the Comptroller of Public Accounts of the State, and on each substitute Bond issued in exchange for any Bond or Bonds issued under this Resolution the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE (the "Authentication Certificate"). The Authentication Certificate shall be in the form set forth in the FORM OF BOND in Exhibit "C" attached hereto.

(f) **Transfer, Exchange or Replacement.** Each Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid or unredeemed principal amount thereof, may, upon surrender of such Bond at the Designated Trust Office of the Paying Agent/Registrar, together with a written request therefor duly executed by the Registered Owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the Registered Owner or such assignee or assignees, as appropriate, be exchanged for fully registered Bonds, without interest coupons, in the appropriate form prescribed in the FORM OF BOND set forth in Exhibit "C" to this Resolution, in any Authorized Denomination (subject to the requirement hereinafter stated that each substitute Bond shall be of the same Series and have a single stated maturity date), as requested in writing by such Registered Owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid or unredeemed principal amount of any Bond or Bonds so surrendered, and payable to the appropriate Registered Owner, assignee, or assignees, as the case may be. If a portion of any Bond shall be redeemed prior to its scheduled maturity as provided herein, a substitute Bond or Bonds having the same series designation and maturity date, bearing interest at the same rate, and payable in the same manner, in Authorized Denominations at the request of the Registered Owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon surrender thereof for cancellation. If any Bond or portion thereof is assigned and transferred, each Bond issued in exchange therefor shall have the same series designation and maturity date and bear interest at the same rate and payable in the same manner as the Bond for which it is being exchanged. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. The Paying Agent/Registrar shall exchange or replace Bonds as provided herein, and each fully registered Bond delivered in exchange for or replacement of any Bond or portion thereof as permitted or required

by any provision of this Resolution shall constitute one of the Bonds for all purposes of this Resolution, and may again be exchanged or replaced. On each substitute Bond issued in exchange for or replacement of any Bond or Bonds issued under this Resolution there shall be printed an Authentication Certificate, in the form set forth in Exhibit "C" to this Resolution. An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the Authentication Certificate, and, except as provided in (e) above, no such Bond shall be deemed to be issued or outstanding unless the Authentication Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all Bonds surrendered for transfer, exchange, or replacement. No additional orders or resolutions need be passed or adopted by the Board or any other body or person so as to accomplish the foregoing transfer, exchange, or replacement of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be in typed or printed form as determined by the BCRUA Representative. Pursuant to Subtitle D, Texas Government Code and particularly Section 1201.063, thereof, the duty of transfer, exchange, or replacement of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the Authentication Certificate, the exchanged or replaced Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds which were originally issued pursuant to this Resolution. The Board shall pay the Paying Agent/Registrar's standard or customary fees and charges, if any, for transferring, and exchanging any Bond or any portion thereof, but the one requesting any such transfer and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer, exchange, or replacement of Bonds or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following interest payment date, or (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. To the extent possible, any new Bond issued in an exchange, replacement, or transfer of a Bond will be delivered to the Registered Owner or assignee of the Registered Owner not more than three business days after the receipt of the Bonds to be canceled and the written request as described above.

(g) ***Substitute Paying Agent/Registrar.*** The Board covenants with the Registered Owners of the Bonds that at all times while the Bonds are outstanding the Board will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under this Resolution, and that the Paying Agent/Registrar will be one entity. The Board reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than ninety (90) days written notice to the Paying Agent/Registrar, to be effective not later than sixty (60) days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Board covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Board. Upon any change in the Paying Agent/Registrar, the Board promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each Registered Owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall

give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

(h) ***Book-Entry-Only System.*** The Bonds issued in exchange for the Bonds initially issued and delivered to the Purchaser shall be issued in the form of a separate single fully registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of DTC, and except as provided in subsection (i) hereof, all of the Outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC. With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Board and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest on the Bonds. Without limiting the immediately preceding sentence, the Board 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 DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner, as shown on the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Registered Owner, as shown in the Registration Books of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Resolution to the contrary but to the extent permitted by law, the Board and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest, with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Registered Owners, as shown in the Registration Books as provided in this Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Board's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Registered Owner, as shown in the Registration Books, shall receive a Bond certificate evidencing the obligation of the Board to make payments of principal, premium, if any, and interest pursuant to this Resolution. 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 Resolution with respect to interest checks being mailed to the Registered Owner at the close of business on the Record Date, the word "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

(i) ***Successor Securities Depository; Transfers Outside Book-Entry-Only System.*** In the event that the Board or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the Board to DTC (as described in Section 35 of this Resolution) or DTC determines to discontinue providing its services with respect to the Bonds, the Board shall (i) appoint a successor securities depository, qualified to act as such under Section 17A of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC

of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Registered Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

(j) **Payments to Cede & Co.** Notwithstanding any other provision of this Resolution 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 of the BCRUA to DTC.

(k) **Notice of Redemption.** In addition to the method of providing a notice of redemption set forth in the FORM OF BOND, the Paying Agent/Registrar shall give notice of redemption of Bonds by mail, first-class postage prepaid at least thirty (30) days prior to a redemption date to each registered securities depository and to any national information service that disseminates redemption notices. In addition, in the event of a redemption caused by an advance refunding of the Bonds, the Paying Agent/Registrar shall send a second notice of redemption to the persons specified in the immediately preceding sentence at least thirty (30) days but not more than ninety (90) days prior to the actual redemption date. Any notice sent to the registered securities depositories or such national information services shall be sent so that they are received at least two (2) days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar shall also send a notice of prepayment or redemption to the Registered Owner of any Bond who has not sent the Bonds in for redemption sixty (60) days after the redemption date. Each notice of redemption, whether required in the FORM OF BOND or in this Section, shall contain a description of the Bonds to be redeemed including the complete name of the Bonds, the Series, the date of issue, the interest rate or rates, the maturity date, the CUSIP number, a reference to the certificate numbers and the amounts called of each certificate, the publication and mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar and the address at which the Bonds may be redeemed, including a contact person and telephone number. All redemption payments made by the Paying Agent/Registrar to the registered owners of the Bonds shall include a CUSIP number relating to each amount paid to such Registered Owner.

(l) **Conditional Notice of Redemption.** With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Resolution have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the BCRUA, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the BCRUA shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

Section 6. FORM OF BOND. The form of the Bond, including the form of the Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State, with respect to the Bonds initially issued and delivered pursuant to this Resolution, shall be, respectively, substantially as set forth in Exhibit "C", with such appropriate variations, omissions, or insertions as are permitted or required by this Resolution and any Award Certificate including specifically information relating to payment dates, the Bond date and redemption provisions.

Section 7. PLEDGE OF BOND PAYMENTS. (a) *Pledge.* The BCRUA hereby covenants and agrees that the Bond Payments 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 on the books and records of the BCRUA for the payment and security thereof, all as hereinafter provided; and it is hereby resolved that the Bonds Similarly Secured, and the interest thereon, shall constitute a lien on and pledge of the Bond Payments and be valid and binding without any physical delivery thereof or further act by the BCRUA, and the lien created hereby on the Bond Payments for the payment and security of the Bonds Similarly Secured shall be prior in right and claim as to any other indebtedness, liability, or obligation of the BCRUA or the System payable pursuant to the terms of the Contract. The BCRUA shall deposit the Bond Payments, as collected and received, into a separate fund and account on the books and records of the BCRUA known as the "Leander Debt Service Fund," which is hereby created, to be utilized pursuant to the Contract and Sections 9 and 12 hereof to pay the Bonds; provided, however, that the Board of the BCRUA may utilize any revenues, including those generated by the Contract, in excess of the Debt Service Requirements on the Bonds Similarly Secured, provided the Reserve Fund contains the Required Reserve Amount, for any lawful purpose in accordance with this Resolution and the Contract.

(b) *Perfection of Pledge.* Chapter 1208, as amended, Texas Government Code, applies to the issuance of the Bonds Similarly Secured and the lien on and pledge of Bond Payments granted by the BCRUA under subsection (a) of this Section, and such pledge is therefore valid, effective, and perfected. If State law is amended at any time while the Bonds Similarly Secured are outstanding and unpaid such that the pledge of the Bond Payments granted by the BCRUA 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 Similarly Secured the perfection of the security interest in this pledge, the Board agrees to take such measures as it determines are reasonable and necessary under State 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 8. RATES AND CHARGES. For the benefit of the Registered Owners of the Bonds Similarly Secured and in addition to all provisions and covenants in the laws of the State and in this Resolution, the Contract between the BCRUA and Leander expressly stipulates and agrees, while any of the Bonds Similarly Secured are Outstanding, Leander will fix and collect such rates and charges for services to be supplied by the Leander System as will produce gross revenues at all times during the term of the Contract in an amount equal to pay all of the expenses of operation and maintenance of the Leander System including Annual Payments and Bond Payments under the Contract and all other amounts required by the laws and the provisions of the ordinances or resolutions authorizing the Leander Utility Bonds or other obligations now or hereafter outstanding payable, in whole or in part, from the net revenues of the

Leander System, including the amounts required to pay all principal of and interest on such Leander Utility Bonds and other obligations. The BCRUA hereby expressly stipulates that it will maintain rates and charges through the Bond Payments to meet the debt service requirements on the Bond Similarly Secured and agrees that it will take all appropriate action to enforce such terms of the Contract while any of the Bonds Similarly Secured are Outstanding.

The Registered Owner shall never have the right to demand payment for the Bonds out of any funds raised or to be raised from taxation by Leander or the BCRUA.

Section 9. DISTRIBUTION OF BOND PAYMENTS. After the Bond Payments have been received by the BCRUA and deposited into the Leander Revenue Fund established and maintained on the books and records of the BCRUA, the appropriate amount from the Leander Revenue Fund shall be further deposited into the Debt Service Fund and the Reserve Fund when and as required by this Resolution.

Section 10. RESERVE FUND; DEBT SERVICE FUND; CONSTRUCTION FUND; ESCROW FUND. (a) *Reserve Fund.* There is hereby created and there shall be established and maintained on the books and records of the BCRUA, and accounted for separate and apart from all other funds of the BCRUA, a special fund to be entitled the "Brushy Creek Regional Utility Authority, Inc. City of Leander, Texas Contract Revenue Bonds (Brushy Creek Regional Water Treatment and Distribution Project), Reserve Fund" (hereinafter called the "Reserve Fund"). The Reserve Fund shall be used solely for the purpose of finally retiring the last of any Bonds or Additional Bonds Outstanding, or for paying when due the principal of and interest on any Bonds or Additional Bonds when and to the extent the amounts in the Debt Service Fund are insufficient for such purpose.

(b) *Required Reserve Amount.* Initially, the Required Reserve Amount shall be funded from Bond Payments in equal monthly installments over the initial sixty (60) months following the issuance of the Bonds. Thereafter, no further deposits shall be made into the Reserve Fund as long as the money and investments, together with any Reserve Fund Obligations, in the Reserve Fund are at least equal in market value to the Required Reserve Amount; but if and whenever the market value of money and investments, together with any Reserve Fund Obligations, in the Reserve Fund is reduced below said Required Reserve Amount because of a decrease in market value of investments, then the BCRUA shall require Leander to increase payments under the Contract as soon as practicable, and in all events by the end of the next Fiscal Year, in an amount sufficient to restore the Reserve Fund to the Required Reserve Amount; and in the event the Reserve Fund is used to pay the principal of or interest on the Bonds or Additional Bonds because of insufficient amounts being available in the Debt Service Fund, then the BCRUA shall require Leander to increase payments under the Contract in an amount sufficient to restore the Reserve Fund to the Required Reserve Amount in market value, and from such increased payments the BCRUA shall deposit in the Reserve Fund, in approximately equal periodic installments, not less than annual, such amounts as are required to restore the Reserve Fund to the Required Reserve Amount in market value as soon as practicable, but in any case, within thirty-six (36) months from any date of the use of the Reserve Fund to pay such principal or interest. For purposes of calculating the amount on hand in the Reserve Fund, an amount equal to the maximum available amount which may be drawn under any Reserve Fund Obligation, as described in (f) below, will be deemed on deposit in the Reserve Fund. During any period in which the money and investments credited to the Reserve Fund, taking into account any Reserve Fund

Obligation, are equal to or exceed the Required Reserve Amount in market value then during such period all investment earnings and income from the Reserve Fund shall be deposited upon receipt to the credit of the Debt Service Fund.

(c) **Principal and Interest.** The Reserve Fund shall be used only for the purpose of paying principal of or interest on the Bonds or Additional Bonds when there is not sufficient money available in the Debt Service Fund for such payments, and shall be used finally to pay, redeem or retire the last of the Outstanding Bonds or Additional Bonds.

(d) **Additional Deposit.** The Reserve Fund shall secure and be used to pay all Bonds or Additional Bonds, in the manner and to the extent provided herein. However, each resolution pursuant to which any Bonds or Additional Bonds are issued shall provide and require that (i) the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to the Required Reserve Amount required after the issuance of such additional Bonds or Additional Bonds; and (ii) the required additional amount, if any, shall be so accumulated by the deposit in the Reserve Fund of all of said required additional amount in cash or a Reserve Fund Obligation immediately after the delivery of the then proposed Bonds or Additional Bonds.

(e) **Substitution.** Notwithstanding any other provisions of this Resolution, an equivalent Reserve Fund Obligation may be substituted by the BCRUA at any time and from time to time for all or any part of the money and/or investments held for the credit of the Reserve Fund, and such money and/or investments may be withdrawn and used for any lawful purpose, provided, however, that to the extent such funds were derived from the proceeds of Bonds or Additional Bonds, such funds may only be withdrawn and either (i) deposited into the Debt Service Fund or (ii) applied for a purpose for which such Bonds or Additional Bonds were originally issued. If a Reserve Fund Obligation is used as provided above, any reimbursements required thereunder to be paid to a Credit Agreement Provider as a result of a draw or demand thereunder and any interest thereon and expenses payable thereunder shall be made, as provided in the Reserve Fund Obligation, from moneys deposited into the Reserve Fund until fully paid. If it becomes necessary to pay interest on or principal of any Bonds from the Reserve Fund, money and investments held for the credit of the Reserve Fund shall be utilized first for such purpose, before any demand or draw is made on a Reserve Fund Obligation.

(f) **Credit Agreement.** A Reserve Fund Obligation permitted under (b), above, must be a Credit Agreement in the form of a surety bond, insurance policy, letter of credit or other type of enhancement meeting the requirements described below.

(1) A surety bond or insurance policy issued to the BCRUA or other party, as agent of the Registered Owners, by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on any Bonds (a "municipal bond insurer") if the claims paying ability of the issuer thereof shall be rated by at least one of the following rating agencies in the indicated rating categories, to-wit, "AAA" by S&P or Fitch or "Aaa" by Moody's.

(2) A surety bond or insurance policy issued to the BCRUA or other party, as agent of the Registered Owners, by an entity other than a municipal bond insurer, if the form and substance

of such instrument and the issuer thereof shall be approved in writing by the Purchaser or each Insurer of record if insurance is obtained on the Bonds.

(3) An unconditional irrevocable letter of credit issued to the BCRUA or other party, as agent of the Registered Owners, by a bank if the issuer thereof is rated by at least two of the following rating agencies in the indicated rating categories, to-wit, at least "AA" by S&P or Fitch or "Aa" by Moody's. The letter of credit shall be payable in one or more draws upon presentation by the BCRUA or other party of a sight draft accompanied by its certificate (which must be satisfactory in form and substance to the BCRUA or other party and the issuer of the letter of credit) that the BCRUA then holds insufficient funds to make a required payment of principal or interest on any Bonds or Additional Bonds. The draws shall be payable within two (2) days of presentation of the sight draft. The letter of credit shall be for a term of not less than three (3) years and shall be subject to an "evergreening" feature so as to provide the BCRUA with at least thirty (30) months notice of termination. The issuer of the letter of credit shall be required to notify the BCRUA not later than thirty (30) months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date. If such notice indicates that the expiration date shall not be extended, the BCRUA shall deposit in the Reserve Fund, in accordance with this section, an amount sufficient to cause the money or investments on deposit in the Reserve Fund, together with any other qualifying Reserve Fund Obligations, to accumulate to the Required Reserve Amount, unless the expired Reserve Fund Obligation is replaced by a Reserve Fund Obligation meeting the requirements in any of 1 through 3, above. The letter of credit shall permit a draw in full prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The BCRUA or other party shall draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Reserve Fund is fully funded to the Required Reserve Amount.

(4) The obligation to reimburse the issuer of a Reserve Fund Obligation for any expenses, claims, or draws upon such Reserve Fund Obligation, including interest thereon, shall be made from the deposits made to the Reserve Fund as provided in this section and in accordance with the provisions of the Reserve Fund Obligation. The Reserve Fund Obligation shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Reserve Fund Obligation to reimbursement will be subordinated to the cash replenishment of the Reserve Fund to an amount equal to the difference between the full original amount available under the Reserve Fund Obligation and the amount then available for further draws or claims. In the event (a) the issuer of a Reserve Fund Obligation becomes insolvent, or (b) the issuer of a Reserve Fund Obligation defaults in its payment obligations thereunder, or (c) the claims paying ability of the issuer of the insurance policy or surety bond falls below "AAA" by S&P or Fitch or "Aaa" by Moody's, or (d) the rating of the issuer of the letter of credit falls below "AAA" by S&P or Fitch or "Aaa" by Moody's, the obligation to reimburse the issuer of the Reserve Fund Obligation shall be subordinate to the cash replenishment of the Reserve Fund.

(5) In the event (a) the revolving reinstatement feature described in the preceding paragraph is suspended or terminated, or (b) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below "AAA" by S&P or Fitch or "Aaa" by Moody's, or (c) the rating of the issuer of the letter of credit falls below "AAA" by S&P or Fitch or "Aaa" by Moody's, the BCRUA shall, from funds made available by Leander, either (i) deposit into the Reserve Fund, in accordance with this section, an amount sufficient to cause the money or investments on deposit in the Reserve Fund to accumulate to the Required Reserve Amount within thirty-six (36) months, or (ii) replace such instrument with a surety bond, insurance policy, or letter of credit meeting the requirements in any of 1 through 3, above, within nine months of such occurrence. In the event (a) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below "AAA" by S&P, Moody's or Fitch, or (b) the rating of the issuer of the letter of credit falls below "AAA" by S&P, Moody's or Fitch, or (c) the issuer of the Reserve Fund Obligation defaults in its payment obligations hereunder, or (d) the issuer of the Reserve Fund Obligation becomes insolvent, the BCRUA shall, from funds made available by Leander, but solely from either (i) deposit into the Reserve Fund, in accordance with this section, amounts sufficient to cause the money or investments on deposit in the Reserve Fund to accumulate to the Required Reserve Amount, or (ii) replace such instrument with a surety bond, insurance policy, or letter of credit meeting the requirements in any of 1 through 3 above within nine (9) months of such occurrence.

(6) Where applicable, the amount available for draws or claims under a Reserve Fund Obligation may be reduced by the amount of money or investments deposited in the Reserve Fund pursuant to clause (i) of the preceding subparagraph 5.

(7) The BCRUA shall ascertain the necessity for a claim or draw upon any Reserve Fund Obligation and provide notice to the issuer of the Reserve Fund Obligation in accordance with its terms not later than three (3) days (or such appropriate time period as will, when combined with the timing of required payment under the Reserve Fund Obligation, ensure payment under the Reserve Fund Obligation on or before the interest payment date) prior to each interest payment date.

(8) Cash on deposit in the Reserve Fund shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Reserve Fund Obligation. If and to the extent that more than one (1) Reserve Fund Obligation is deposited in the Reserve Fund, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

(g) **Excess Funds.** Any excess in the Reserve Fund over the Required Reserve Amount in effect at any time shall be deposited to the credit of the Debt Service Fund.

(h) **Debt Service Fund.** 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 BCRUA agrees to maintain, at the Depository, a separate and special fund or account on its books and records to be created and known as the "Brushy Creek Regional Utility Authority, Inc. City of Leander, Texas Contract Revenue Bonds

(Brushy Creek Regional Water Treatment and Distribution Project), Debt Service Fund" (the "Debt Service Fund"). The BCRUA covenants that there shall be deposited into the Debt Service Fund prior to each principal and interest payment date solely from the available Bond Payments made by Leander pursuant to Section 9 of this Resolution an amount equal to one hundred per cent (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 first day of each month, beginning September 1, 2011. If the Bond Payments in any month are insufficient to make the required payments into the Debt Service Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Debt Service Fund in the next month.

The required monthly deposits to the Debt Service 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 Debt Service Fund is equal to the amount required to fully pay and discharge all Outstanding Bonds Similarly Secured (principal and interest) or, (ii) the Bonds Similarly Secured are no longer Outstanding.

Any capitalized interest received from the Purchaser shall be deposited into the subaccount of the Debt Service Fund. In addition, any surplus proceeds from the sale of the Bonds, including investment income therefrom, not expended for authorized purposes shall be deposited into the Reserve Fund or the Debt Service Fund, and such amounts (i.e., capitalized and investment interest) so deposited into the Debt Service Fund shall reduce the sum otherwise required to be deposited in the Debt Service Fund from Bond Payments.

(i) **Construction Fund.** The BCRUA hereby creates and establishes and shall maintain on the books and records of the BCRUA a separate fund or account to be entitled the "Brushy Creek Regional Utility Authority, Inc. City of Leander, Texas Contract Revenue Bonds (Brushy Creek Regional Water Treatment and Distribution Project), Construction Fund" for use by the BCRUA for payment of Leander's share of the BCRUA Project Costs. The BCRUA shall deposit the net proceeds from the sale of the Bonds released from escrow as provided in Section 10(j) below into the Construction Fund as provided in this Resolution. Funds in the Construction Fund shall be used for payment of Leander's share of BCRUA Project Costs. Upon payment of all such costs, any moneys remaining on deposit in the Construction Fund shall be transferred to the Debt Service Fund.

(j) **Escrow Fund.** The Escrow Agreement between the BCRUA and the escrow agent named therein (the "Escrow Agent") substantially in the form and content presented at this meeting and shown on Exhibit "E" attached hereto, specifying the duties and responsibilities of the BCRUA and the Escrow Agent, is hereby approved and the BCRUA Representative is hereby authorized and directed to execute the Escrow Agreement on behalf of the BCRUA. The Escrow Agent named in the Escrow Agreement is hereby appointed as the Escrow Agent pursuant to such Escrow Agreement.

On the closing date, the BCRUA shall cause the proceeds from the sale of the Bonds to be deposited into the Escrow Fund or, if agreed to by the Purchaser, all or a portion of the proceeds of the Bonds may be deposited into the Construction Fund.

Moneys disbursed from the Escrow Fund established pursuant to the Escrow Agreement shall be applied only for the costs of issuance of the Bonds or the BCRUA Project Costs.

The security for, and the investment of, funds on deposit in the Escrow Fund shall be governed by the provisions of the Escrow Agreement.

Section 11. DEFICIENCIES - EXCESS BOND PAYMENTS. (a) *Deficiencies.* If on any occasion there shall not be sufficient Bond Payments to make the required deposits into the Debt Service Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Bond Payments 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) *Excess Bond Payments* Subject to making the required deposits to the Debt Service Fund and the Reserve Fund when and as required by this Resolution or any resolution authorizing the issuance of Additional Bonds, any excess Bond Payments may be used by the BCRUA for any lawful purpose including, but not limited to, the redemption of any Bonds Similarly Secured.

Section 12. PAYMENT OF BONDS. While any of the Bonds Similarly Secured are Outstanding, the General Manager or other authorized BCRUA official, shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Debt Service Fund or the Reserve Fund, if necessary, 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 at the close of the Business Day next preceding the date a debt service payment is due on the Bonds Similarly Secured.

Section 13. INVESTMENTS. Funds held in any fund or account created, established, or maintained pursuant to this Resolution shall be invested as permitted by the provisions of the BCRUA investment policy and the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code and secured (to the extent not insured by the Federal Deposit Insurance Corporation) to the fullest extent required by the Public Funds Collateral Act, as amended, Chapter 2257, Texas Government Code. All interest and income derived from deposits and investments in any fund shall immediately be credited to, and any losses debited from, the fund from which such funds were derived. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

Section 14. ISSUANCE OF ADDITIONAL BONDS. In addition to the right to issue bonds of inferior lien as authorized by the laws of this State, the BCRUA reserves the right hereafter to issue Additional Bonds. The Additional Bonds, when issued, shall be payable from and secured by a lien on and pledge of the Bond Payments in the same manner and to the same extent as the Bonds and the Bonds Similarly Secured, and shall in all respects be of equal dignity. The Additional Bonds may be issued in one or more series provided, however, that no Additional Bonds, shall be issued unless and until the following conditions have been met:

(i) Except for a refunding to cure a default, the BCRUA is not then in default as to any covenant, condition or obligation prescribed in the resolutions authorizing the issuance of the Bonds Similarly Secured or the Contract (including any amendment or supplement thereto) and the funds under the resolution authorizing the same contains the amounts then required to be therein;

(ii) A consulting engineer certifies to the BCRUA the need for an estimated amount of additional financing required for completion, expansion, enlargement or improvement of the BCRUA Project as now or hereafter defined in the Contract; provided, however this certification shall not be necessary for the issuance of any refunding bonds;

(iii) Leander, shall have approved the resolution(s) authorizing the issuance of the Additional Bonds as to form and content and acknowledged that the payment of principal of and interest on such Additional Bonds is payable, in whole or in part, from the Bond Payments to be made to the BCRUA under and pursuant to the Contract;

(iv) The resolution authorizing the issuance of the Additional Bonds provides for deposits to be made to the Debt Service Fund in amounts sufficient to pay the principal of and interest on such Additional Bonds as the same become due and that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to an amount not less than the Required Reserve Amount of all Bonds and Additional Bonds which will be outstanding after the issuance and delivery of the then proposed Additional Bonds; and that the required additional amount shall be so accumulated by the deposit in the Reserve Fund of all or any part of said required additional amount as a Reserve Fund Obligation or in cash immediately after the delivery of the then proposed Additional Bonds; and

(v) Based upon an opinion of legal counsel to the BCRUA that there are legal, valid and binding contracts then in effect pursuant to which Leander and others, if any, which are parties to such contracts are obligated to make payments to the BCRUA during each fiscal year (including periods when services of the BCRUA Project may not be available to such contracting parties and others) in such amounts as shall be necessary to provide to the BCRUA sufficient funds to pay when due all principal and interest on all Bonds and Additional Bonds to be outstanding after the issuance of the proposed Additional Bonds and to make deposits into the Reserve Fund as required by this Resolution.

The Bonds Similarly Secured may be refunded (pursuant to any law then available) upon such terms and conditions as the Board of the BCRUA may deem to be in the best interest of the BCRUA; provided, however, such refunding bonds do not have to comply with paragraph (ii) of this Section 14.

Section 15. SPECIAL PROJECT BONDS. The BCRUA further reserves the right to issue bonds in one or more installments for the purchase, construction, improvement, extension, replacement, enlargement or repair of utility facilities necessary under a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or entities including Leander, such bonds to be payable from and secured by the proceeds of such contract or contracts (other than the Contract). The BCRUA further reserves the right to refund such bonds and secure the payment of the debt service requirements on the refunding bonds in the same manner or as otherwise permitted by the laws of the State.

Section 16. MAINTENANCE OF BCRUA PROJECT - INSURANCE. The BCRUA covenants, agrees, and affirms its covenants that while the Bonds Similarly Secured remain outstanding it will maintain and operate the BCRUA Project with all possible efficiency and maintain casualty and other insurance on the properties of the BCRUA Project and its operations of a kind and in such amounts customarily carried by municipal corporations in the State engaged in a similar type of business (which must be in an amount sufficient to protect the Texas Water Development Board's interest in the BCRUA Project); and that it will faithfully and punctually perform all duties with reference to the BCRUA Project required by the laws of the State. All money received from losses under such insurance policies, other than public liability policies, shall be retained for the benefit of the Registered Owners of the Bonds Similarly Secured 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 of the BCRUA Project. Nothing in this Resolution shall be construed as requiring the BCRUA to expend any funds which are derived from sources other than the operation of the BCRUA Project but nothing herein shall be construed as preventing the BCRUA from doing so.

Section 17. RECORDS AND ACCOUNTS - ANNUAL AUDIT. The BCRUA 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 BCRUA Project in which complete and correct entries shall be made of all transactions relating thereto as provided by applicable law. The Registered Owners of any Bonds or any duly authorized agent or agents of such Registered Owners shall have the right to inspect the BCRUA Project and all properties comprising the same. The BCRUA further agrees that following (and in no event later than six (6) months after) 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. The BCRUA will submit to the Texas Water Development Board the annual audit performed by an independent firm of Certified Public Accountants. Expenses incurred in making the annual audit of the operations of the BCRUA Project are to be regarded as Maintenance and Operating Expenses of the BCRUA Project.

Section 18. SALE OR ENCUMBRANCE OF BCRUA PROJECT. While any Bonds remain Outstanding, the BCRUA will not sell, dispose of or further encumber the BCRUA Project or any substantial part thereof; provided, however, that this provision shall not prevent the BCRUA from (i) pledging the Bond Payments to Additional Bonds or Special Project Bonds as set forth in Sections 14 and 15 of this Resolution or (ii) disposing of any part of the BCRUA Project which is being replaced or is deemed by the BCRUA to be obsolete, worn out, surplus or no longer needed for the proper operation of the BCRUA Project. Any agreement pursuant to which the BCRUA contracts with a person, corporation, municipal corporation or political subdivision to operate the BCRUA Project or to lease and/or operate all or part of the BCRUA Project shall not be considered as an encumbrance of the BCRUA Project; provided, however, no such agreement shall impair the pledge and lien on the Bond Payments.

Section 19. COMPETITION. To the extent it legally may, the BCRUA will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the BCRUA Project and will prohibit the operation of any such competing facilities.

Section 20. SPECIAL COVENANTS. The BCRUA further covenants and agrees that: (a) **Title.** The BCRUA lawfully owns or will own and is or will be lawfully possessed of the lands or easements upon which its BCRUA Project is and will be located, and has or will purchase good and indefeasible estate in such lands in fee simple, or has or will lawfully obtain any necessary easements to operate the BCRUA Project, and it warrants that it has or will obtain and will defend, the title to all the aforesaid lands and easements for the benefit of the Registered Owners of the Bonds against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Bond Payments to the payment of the Bonds Similarly Secured, in the manner prescribed herein, and that it has lawfully exercised such rights.

(b) **Liens.** The BCRUA will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or its BCRUA Project, and it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge upon its BCRUA Project, provided, however, that no such tax, assessment, or charge, and that no such claims which might be or other lien or charge, shall be required to be paid while the validity of the same shall be contested in good faith by the BCRUA.

(c) **Performance.** The BCRUA will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in the resolutions authorizing the issuance of Bonds Similarly Secured, and in each and every Bond Similarly Secured and pay from the Bond Payments the principal of and interest on every Bond Similarly Secured on the dates and in the places and manner prescribed in such resolutions and Bonds Similarly Secured; and that it will, at the times and in the manner prescribed or cause to be deposited from the Bond Payments the amounts required to be deposited into the Debt Service Fund and the Reserve Fund; and the Registered Owner of the Bonds Similarly Secured may require the BCRUA, its officials, agents, and employees to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Bonds Similarly Secured including, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the BCRUA, its officials, agents, and employees.

(d) **Legal Authority.** The BCRUA is duly authorized under the laws of the State to issue the Bonds Similarly Secured; that all action on its part for the authorization and issuance of the Bonds Similarly Secured has been duly and effectively taken, and the Bonds Similarly Secured in the hands of the Registered Owners thereof are and will be valid and enforceable special obligations of the BCRUA in accordance with their terms payable solely from the Bond Payments.

(e) **Budget.** The BCRUA will prepare, adopt, and place into effect an annual budget (the "Annual Budget") for Maintenance and Operation Expenses of the BCRUA Project for each Fiscal Year, including

in each Annual Budget such items as are customarily and reasonably contained in a utility system budget under generally accepted accounting procedures.

(f) **Permits.** The BCRUA will comply with all of the terms and conditions of any and all franchises, permits, and authorizations applicable to or necessary with respect to the BCRUA Project and which have been obtained from any governmental agency; and the BCRUA has or will obtain and keep in full force and effect all franchises, permits, authorizations, and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation, and maintenance of the BCRUA Project.

Section 21. LIMITED OBLIGATIONS OF THE BCRUA. The Bonds Similarly Secured are limited, special obligations of the BCRUA payable from and equally and ratably secured solely by a lien on and pledge of the Bond Payments, and the Registered Owners thereof shall never have the right to demand payment of the principal or interest on the Bonds Similarly Secured from any funds raised or to be raised through taxation by Leander or the BCRUA.

Section 22. DEFAULT AND REMEDIES. (a) **Events of Default.** Each of the following occurrences or events for the purpose of this Resolution is hereby declared to be an Event of Default:

(i) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable; or

(ii) default in the performance or observance of any other covenant, agreement or obligation of the BCRUA, the failure to perform which materially, adversely affects the rights of the Registered Owners of the Bonds, including, but not limited to, their prospect or ability to be repaid in accordance with this Resolution, and, if such default is capable of cure, the continuation thereof for a period of sixty (60) days after notice of such default is given by any Registered Owner to the BCRUA; or

(iii) a default by Leander under the Contract.

(b) **Remedies for Event of Default.**

(i) Upon the happening of any Event of Default, then and in every case, any Registered Owner or an authorized representative thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the BCRUA, or any official, officer or employee of the BCRUA in their official capacity, for the purpose of protecting and enforcing the rights of the Registered Owners under this Resolution, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Registered Owners hereunder or any combination of such remedies. The Registered Owners are third party beneficiaries to the Contract with the ability to enforce the provisions of the Contract for such period that a default exists under the Contract.

(ii) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Bonds then Outstanding.

(iii) As long as an Insurer is not in payment default on the related Insurance Policy for the Bonds, the Insurer of a Series shall be deemed to be the sole Registered Owner of such Bonds issued by it for purposes of enforcing remedies in the Event of Default under this Resolution.

(c) ***Remedies Not Exclusive.***

(i) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Resolution, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Resolution.

(ii) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

(iii) By accepting the delivery of a Bond authorized under this Resolution, such Registered Owner agrees that the certifications required to effectuate any covenants or representations contained in this Resolution do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the officers, employees or trustees of the BCRUA or the Board.

(iv) None of the members of the Board of Directors, nor any other official or officer, agent, or employee of the BCRUA, shall be charged personally by the Registered Owners with any liability, or be held personally liable to the Registered Owners under any term or provision of this Resolution, or because of any Event of Default or alleged Event of Default under this Resolution.

Section 23. AMENDMENT OF RESOLUTION. (a) ***Amendments Without Consent.*** This Resolution and the rights and obligations of the Board and of the Registered Owners of the Bonds may be modified or amended at any time without notice to or the consent of any Registered Owner of the Bonds or any Bond similarly secured, solely for any one or more of the following purposes:

(i) To add to the covenants and agreements of the Board contained in this Resolution, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Board in this Resolution;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this Resolution, upon receipt by the Board of an opinion of counsel, that the same is needed for such purpose, and will more clearly express the intent of this Resolution;

(iii) To supplement the security for the Bonds, replace or provide additional Credit Agreement, or change the form of the Bonds or make such other changes in the provisions hereof

as the Board may deem necessary or desirable and which shall not, in the judgment of the Board, materially adversely affect the interests of the owners of the Outstanding Bonds;

(iv) To make any changes or amendments requested by any bond rating agency then rating or requested to rate the Bonds, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Board, materially adversely affect the interests of the owners of the Outstanding Bonds;

(v) To make such changes, modifications or amendments as are permitted by Section 30(c) of this Resolution;

(vi) To make such other changes in the provisions hereof as the Board may deem necessary or desirable and which shall not, in the judgment of the Board, materially adversely affect the interests of the owners of the Outstanding Bonds; or

(vii) To assign the Contract to a trustee.

(b) **Amendments With Consent.** Subject to the other provisions of this Resolution, the Registered Owners of Outstanding Bonds aggregating 51% in Outstanding principal amount shall have the right from time to time to approve any amendment, other than amendments described in Subsection (a) of this Section, to this Resolution which may be deemed necessary or desirable by the Board; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the Outstanding Bonds, the amendment of the terms and conditions in this Resolution or in the Bonds so as to:

- (1) Make any change in the maturity of the Outstanding Bonds;
- (2) Reduce the rate of interest borne by the Outstanding Bonds;
- (3) Reduce the amount of the principal payable on the Outstanding Bonds;
- (4) Modify the terms of payment of principal of or interest on the Outstanding Bonds, or impose any conditions with respect to such payment;
- (5) Affect the rights of the owners of less than all Bonds then Outstanding; or
- (6) Change the minimum percentage of the Outstanding principal amount of Bonds necessary for consent to such amendment.

(c) **Notice.** (i) If at any time the Board shall desire to amend this Resolution other than pursuant to (a) above, the Board shall cause notice of the proposed amendment to be published in a financial newspaper or journal of general circulation in The City of New York, New York or the State including in the Texas Bond Reporter once during each calendar week for at least two (2) successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof

is on file at the principal office of the Paying Agent/Registrar for inspection by all owners of Bonds. Such publication is not required, however, if the Board gives or causes to be given such notice in writing to each Registered Owner of Bonds.

(ii) In the event Standard & Poor's Ratings Services and/or Moody's Investor Service, Inc. maintains a rating on the Bonds, copies of any modification or amendment to this Resolution shall be sent to Standard & Poor's Ratings Services and/or Moody's Investors Service, Inc., as applicable, at least ten (10) days prior to the effective date thereof.

(d) ***Receipt of Consents.*** Whenever at any time not less than thirty (30) days, and within one (1) year, from the date of the first publication of said notice or other service of written notice of the proposed amendment the Board shall receive an instrument or instruments executed by all of the owners or the owners of at least 51% in Outstanding principal amount of Bonds, as appropriate, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the Board may adopt the amendatory resolution in substantially the same form.

(e) ***Effect of Amendments.*** Upon the adoption by the Board of any resolution to amend this Resolution pursuant to the provisions of this Section, this Resolution shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the Board and all the owners of then Outstanding Bonds and all future Bonds shall thereafter be determined, exercised, and enforced under the resolution and this Resolution, as amended.

(f) ***Consent Irrevocable.*** Any consent given by any owner of Bonds pursuant to the provisions of this Section shall be irrevocable for a period of six (6) months from the date of the first publication or other service of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the same Bonds during such period. Such consent may be revoked at any time after six (6) months from the date of the first publication of such notice by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Registrar and the Board, but such revocation shall not be effective if the owners of 51% in Outstanding principal amount of Bonds, prior to the attempted revocation, consented to and approved the amendment.

(g) ***Ownership.*** For the purpose of this Section, the ownership and other matters relating to all Bonds registered as to ownership shall be determined from the Registration Books kept by the Paying Agent/Registrar therefor. The Paying Agent/Registrar may conclusively assume that such ownership continues until written notice to the contrary is served upon the Paying Agent/Registrar.

(h) ***Insurer Consent.*** Notwithstanding the foregoing provisions of this Section, so long as any Insurer is not in payment default under its policy, no amendment or supplement to this Resolution may become effective except upon obtaining the prior written consent of any such Insurer.

Section 24. COVENANTS REGARDING TAX-EXEMPTION OF INTEREST ON THE BONDS. (a) ***Covenants.*** The Board covenants to take any action necessary to assure, or refrain from any

action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "IRS Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Board covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed or refinanced therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the IRS Code or, if more than 10 percent of the proceeds of the Bonds or the projects financed or refinanced therewith are so used, such amounts, whether or not received by the Board, with respect to such private business use, do not, under the terms of this Resolution or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the IRS Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Bonds or the projects financed or refinanced therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the IRS Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the IRS Code;

(4) to refrain from taking any action which would otherwise result in the Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the IRS Code;

(5) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the IRS Code;

(6) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the IRS Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with:

(A) proceeds of the Bonds invested for a reasonable temporary period of three (3) years or less or, in the case of a refunding bond, for a period of thirty (30) days or less until such proceeds are needed for the purpose for which the Bonds are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed ten (10) percent of the proceeds of the Bonds;

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Tax-Exempt Bonds do not otherwise contravene the requirements of section 148 of the IRS Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the IRS Code (relating to advance refundings); and

(8) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the IRS Code and to pay to the United States of America, not later than sixty (60) days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the IRS Code; and

(9) to assure that the proceeds of the Bonds will be used solely for new money projects.

(b) **Rebate Fund.** In order to facilitate compliance with the above covenant (8), a "Rebate Fund" is hereby established by the Board for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the IRS Code.

(c) **Proceeds.** The Board understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the Board that the covenants contained herein are intended to assure compliance with the IRS Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the IRS Code, as applicable to the Bonds, the BCRUA will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the IRS Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the BCRUA agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the IRS Code. In furtherance of such intention, the BCRUA hereby authorizes and directs the BCRUA Representative to execute any documents, certificates or reports required by the IRS Code and to make such elections, on behalf of the BCRUA, which may be permitted by the IRS Code as are consistent with the purpose for the issuance of the Bonds.

(d) **Allocation Of, and Limitation On, Expenditures for the Project.** The BCRUA covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 2 of this Resolution (the "Project") on its books and records in accordance with the requirements of the IRS Code. The Board recognizes that in order for the proceeds to be considered used

for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the Board recognizes that in order for proceeds to be expended under the IRS Code, the sale proceeds or investment earnings must be expended no more than sixty (60) days after the earlier of (1) the fifth (5th) anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. The Board agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes of this subsection, the Board shall not be obligated to comply with this covenant if it obtains an opinion of nationally-recognized bond counsel to the effect that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) **Disposition of Project.** The BCRUA covenants that the property constituting the BCRUA Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Board of cash or other compensation, unless the Board obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of this subsection, the portion of the property comprising personal property and disposed of in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes of this subsection, the Board shall not be obligated to comply with this covenant if it obtains an opinion of nationally-recognized bond counsel to the effect that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 25. RESOLUTION TO CONSTITUTE A CONTRACT; EQUAL SECURITY. In consideration of the acceptance of the Bonds, the issuance of which is authorized hereunder, by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Board and the Registered Owners from time to time of the Bonds and the pledge made in this Resolution by the Board and the covenants and agreements set forth in this Resolution to be performed by the Board shall be for the equal and proportionate benefit, security, and protection of all Registered Owners, without preference, priority, or distinction as to security or otherwise of any of the Bonds authorized hereunder over any of the others by reason of time of issuance, sale, or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Resolution.

Section 26. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements, or provisions herein contained shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements, or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements, or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Bonds issued hereunder.

Section 27. PAYMENT AND PERFORMANCE ON BUSINESS DAYS. Except as provided to the contrary in the FORM OF BOND, whenever under the terms of this Resolution or the Bonds, the performance date of any provision hereof or thereof, including the payment of principal of or interest on the Bonds, shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the Bonds, need not be made on such day but may be performed

or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the date of performance or payment.

Section 28. LIMITATION OF BENEFITS WITH RESPECT TO THE RESOLUTION.

With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied from the provisions of this Resolution or the Bonds is intended or should be construed to confer upon or give to any person other than the Board, the Registered Owners, and the Paying Agent/Registrar, any legal or equitable right, remedy, or claim under or by reason of or in respect to this Resolution or any covenant, condition, stipulation, promise, agreement, or provision herein contained. This Resolution and all of the covenants, conditions, stipulations, promises, agreements, and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the Board, the Registered Owners, and the Paying Agent/Registrar as herein and therein provided.

Section 29. CUSTODY, APPROVAL, BOND COUNSEL'S OPINION, CUSIP NUMBERS, PREAMBLE AND INSURANCE.

The BCRUA Representative is hereby authorized to have control of the Bonds issued hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and approval by the Attorney General of the State. The BCRUA Representative is hereby authorized, to the extent deemed necessary or advisable thereby, in the discretion thereof, to request that the Attorney General approve the Bonds as permitted by Chapter 1202, Texas Government Code, in which case the BCRUA Representative also is authorized to request the Comptroller of Public Accounts register the Bonds, and to cause an appropriate legend reflecting such approval and registration to appear on the Bonds and the substitute Bonds. The approving legal opinion of the Board's Bond Counsel and the assigned CUSIP numbers may, at the option of the Board, be printed on the Bonds and on any Bonds issued and delivered in exchange or replacement of any Bond, but neither shall have any legal effect, and shall be solely for the convenience and information of the Registered Owners of the Bonds. The preamble to this Resolution is hereby adopted and made a part of this Resolution for all purposes. If insurance is obtained on any of the Bonds, the Bonds shall bear, as appropriate and applicable, a legend concerning insurance as provided by the municipal bond insurance company issuing any such insurance.

Section 30. COMPLIANCE WITH RULE 15c2-12. (a) *Annual Reports.* (i) The Board shall provide annually to the MSRB, in an electronic format as prescribed by the MSRB, within six months after the end of each Fiscal Year ending in or after 2009, financial information and operating data with respect to the Board including financial statements of the BCRUA, and general financial and operating information of the general type included in the application to the Texas Water Development Board for financial assistance. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in Exhibit "F" hereto, or such other accounting principles as the Board may be required to employ from time to time pursuant to state law or regulation. The Board shall commission an annual audit of such statements and if the audit is completed within the period during which they must be provided, a copy of such audit also shall be provided in accordance with the Rule. If such audit of such financial statements is not complete within such period, then the Board shall provide unaudited financial statements within the required time period and audited financial statements for the applicable fiscal year to the MSRB, when the audit report on such statements become available.

(ii) If the Board changes its Fiscal Year, it will notify the MSRB of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Board otherwise would be required to provide financial information and operating data pursuant to this Section. The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document that is available to the public on the MSRB's internet web site or filed with the SEC. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(b) **Material Event Notices.** The Board shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) Modifications to rights of holders of the Bonds;
- (viii) Bond calls;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds; and
- (xi) Rating changes.

The Board shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, of any failure by the Board to provide financial information or operating data in accordance with subsection (a) of this Section by the time required by such subsection. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(c) **Limitations, Disclaimers, and Amendments.** (i) The Board shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Board remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the Board in any event will give notice of any deposit made in accordance with this Resolution or applicable law that causes the Bonds no longer to be Outstanding.

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

(iii) Any filing required by this Section may be made solely with a central post office approved for such purposes by the SEC, such as the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org>, for submission to the NRMSIRs and SID (without also separately submitting such filings to the NRMSIRs and SID by some other means) so long as such filing is acceptable to the SEC.

(iv) UNDER NO CIRCUMSTANCES SHALL THE BOARD BE LIABLE TO THE REGISTERED OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE BOARD, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. NOTHING IN THIS RESOLUTION SHALL BE CONSTRUED AS A WAIVER OF THE CONSTITUTIONAL, STATUTORY OR COMMON LAW IMMUNITIES OR DEFENSES OF THE BOARD, WHICH IMMUNITIES AND DEFENSES ARE HEREBY AND HERETO AFFIRMED.

(v) No default by the Board in observing or performing its obligations under this Section shall comprise a breach of or default under this Resolution for purposes of any other provision of this Resolution. Should the Rule be amended to obligate the Board to make filings with or provide notices to entities other than the MSRB, the Board hereby agrees to undertake such obligation with respect to the Bonds in accordance with the Rule as amended. Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Board under federal and state securities laws.

(vi) The provisions of this Section may be amended by the Board from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Board, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Registered Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the Bonds then outstanding consent to such amendment or (b) a person that is unaffiliated with the Board (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered owners and beneficial owners

of the Bonds. If the Board so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection (a) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Board may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Section 31. APPLICATION OF BOND PROCEEDS. (a) Proceeds from the sale of the Bonds shall, promptly upon receipt thereof, be applied by the BCRUA Representative as follows:

- (i) capitalized interest, if any, for the Bonds shall be deposited as provided in Section 10(h) and
- (ii) an amount sufficient to accomplish the purposes of Section 2 shall be deposited in the Escrow Fund or the Construction Fund as authorized by the Texas Water Development Board.

Any sale proceeds of the Bonds remaining after making all deposits and payments provided for above shall be applied to the payment of interest on the Bonds or as a deposit to the Reserve Fund.

Section 32. DEFEASANCE PROVISIONS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of this Resolution, except to the extent provided in subsections (c) and (e) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption or the establishment of irrevocable provisions for the giving of such notice) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the BCRUA with the Paying Agent/Registrar or an eligible trust company or commercial bank for the payment of its services until all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Bond Payments as provided in this Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) The deposit under clause (ii) of subsection (a) shall be deemed a payment of a Bond as aforesaid when proper notice of redemption of such Bonds shall have been given or upon the establishment of irrevocable provisions for the giving of such notice, in accordance with this Resolution. Any money so

deposited with the Paying Agent/Registrar or an eligible trust company or commercial bank as provided in this Section may at the discretion of the BCRUA also be invested in Defeasance Securities, maturing in the amounts and at the times as hereinbefore set forth, and all income from all Defeasance Securities in possession of the Paying Agent/Registrar or an eligible trust company or commercial bank pursuant to this Section which is not required for the payment of such Bond and premium, if any, and interest thereon with respect to which such money has been so deposited, shall be remitted to the BCRUA.

(c) Notwithstanding any provision of any other Section of this Resolution which may be contrary to the provisions of this Section, all money or Defeasance Securities set aside and held in trust pursuant to the provisions of this Section for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the BCRUA shall make proper arrangements to provide and pay for such services as required by this Resolution.

(d) Notwithstanding anything elsewhere in this Resolution, if money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or an eligible trust company or commercial bank pursuant to this Section for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the provisions of this Section shall be made without the consent of the registered owner of each Bond affected thereby.

(e) Notwithstanding the provisions of subsection (a) immediately above, to the extent that, upon the defeasance of any Defeased Bond to be paid at its maturity, the BCRUA retains the right under State law to later call that Defeased Bond for redemption in accordance with the provisions of this Resolution, the BCRUA may call such Defeased Bond for redemption upon complying with the provisions of State law and upon the satisfaction of the provisions of subsection (a) immediately above with respect to such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

Section 33. TEXAS WATER DEVELOPMENT BOARD MATTERS. The provisions of this Section shall apply so long as the Bonds, or any of them, are owned by the Texas Water Development Board.

(a) Annual Audit Reporting. The BCRUA shall provide to the Development Fund Manager of the Texas Water Development Board, without the necessity of a written request therefor, a copy of the BCRUA's annual audit report, to be submitted without charge, within 120 days of the close of each BCRUA fiscal year.

(b) As-Built Plans. The BCRUA shall provide to the Texas Water Development Board a full and complete set of "as-built" plans relating to the BCRUA Project, promptly upon completion of such project.

(c) Final Accounting. Upon completion of the BCRUA Project, the BCRUA shall render a final accounting of the cost of such project to the Texas Water Development Board. If the total cost of such project, as finally completed, is less than originally estimated, so that the proper share of the participation by the Texas Water Development Board in such project is reduced, the BCRUA shall return to the Texas Water Development Board the amount of such excess to the nearest multiple of the denomination of the Bonds, whereupon the Texas Water Development Board shall cancel and return to the BCRUA a like amount of said Bonds held by the Texas Water Development Board. The Bonds to be canceled and returned shall be chosen in inverse order of maturity. The remainder of any such excess, an amount less than \$5,000, shall be deposited into the Debt Service Fund.

(d) Covenant to Abide with Rules. The BCRUA will abide with all applicable laws of the State of Texas and Rules of the Texas Water Development Board relating to the loan of funds evidenced by the Bonds and the project for which the Bonds are issued, sold and delivered.

(e) Records and Accounts. The BCRUA agrees and covenants that it will maintain current, accurate and complete records and accounts regarding the BCRUA Project in accordance with 31 TAC 375.71(a)(2)(G).

(f) Environmental Determinations. The BCRUA agrees and covenants that it will comply with any special conditions of the Executive Administrator's environmental determination in accordance with 31 TAC 375.71(a)(8).

(g) Environmental Expenditures. The BCRUA covenants and agrees that none of the proceeds of the Bonds will be expended on costs incurred or to be incurred relating to the sampling, testing, removing or disposing of potentially contaminated soils and/or media at the project site.

(h) Indemnification. The BCRUA further agrees, to the extent permitted by law and solely from funds provided by Leader under the Contract, to indemnify, hold harmless and protect the Texas Water Development Board from any and all claims or causes of action arising from the sampling, analysis, transport, removal and off-site disposition of any contaminated media that may be generated by the BCRUA, its contractors, consultants, agents, officials and employees as a result of activities related to the BCRUA.

(i) Water Conservation Plan. Leander has agreed to implement the Texas Water Development Board approved water conservation plan.

Section 34. FURTHER PROCEDURES. The President of the Board, the BCRUA Representative, and all other officers, employees, and agents of the Board, and each of them, shall be and they are hereby expressly 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 Board 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 Resolution, the Bonds, the sale and delivery of the Bonds and fixing all details in connection therewith. The BCRUA Representative is authorized to sign this Resolution.

Section 35. DTC LETTER OF REPRESENTATION. The Board approves execution by the BCRUA Representative and delivery to DTC of a "Blanket Letter of Representations" with respect to the utilization by the Board of DTC's book-entry-only system and the Board intends to utilize such book-entry-only system in connection with the Bonds.

Section 36. BOND INSURANCE. (a) In connection with the sale of the Bonds, the Board may obtain municipal bond insurance policies from one or more municipal bond insurers (the "Insurer") to guarantee the full and complete payment required to be made by or on behalf of the Board on some or all of the Bonds as determined by the BCRUA Representative. The BCRUA Representative is hereby authorized to sign a commitment letter with the Insurer and to pay the premium for the bond insurance policies at the time of the delivery of each Series of the Bonds out of the proceeds of sale of each Series of the Bonds or from other available funds and to execute such other documents and certificates as necessary in connection with the bond insurance policies as he or she may deem appropriate. Printing on Bonds covered by the bond insurance policies a statement describing such insurance, in form and substance satisfactory to the Insurer and the BCRUA Representative, is hereby approved and authorized. The Award Certificate may contain provisions related to the bond insurance policies, including payment provisions thereunder, and the rights of the Insurer or Insurers, and any such provisions shall be read and interpreted as an integral part of this Resolution.

(b) As long as an Insurer is not in default on the related Insurance Policy for the Bonds, the Insurer of a Series shall be deemed to be the sole Registered Owner of such Bonds insured by it for all purposes of this Resolution.

Section 37. REPEAL OF CONFLICTING RESOLUTIONS. All resolutions and all parts of any resolutions which are in conflict or inconsistent with this Resolution are hereby repealed and shall be of no further force or effect to the extent of such conflict or inconsistency.

Section 38. PUBLIC NOTICE. It is hereby found and determined that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting at which this Resolution was adopted; that this Resolution would be introduced and considered for adoption at said meeting; and that said meeting was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

Section 39. NO PERSONAL LIABILITY. No covenant or agreement contained in the Bonds, this Resolution or any corollary instrument shall be deemed to be the covenant or agreement of any member of the Board or any officer, agent, employee or representative of the Board in his individual capacity, and neither the directors, officers, agents, employees or representatives of the Board nor any person executing the Bonds shall be personally liable thereon or be subject to any personal liability for damages or otherwise or accountability by reason of the issuance thereof, or any actions taken or duties performed, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any

assessment or penalty, or otherwise, all such liability being expressly released and waived as a condition of and in consideration for the issuance of the Bonds.

Section 40. CREDIT AGREEMENTS. To the extent permitted by law, the BCRUA reserves the right to enter into Credit Agreements in connection with the Bonds, upon the written opinion of the BCRUA Representative that such Credit Agreements are in the best interest of the BCRUA given the market conditions at the time. The Credit Agreements will constitute a Credit Agreement as defined in this Resolution. Credit Agreements and the obligations thereunder may, pursuant to their terms, constitute (i) debt secured by a pledge of the Bond Payments on parity with the Bonds Similarly Secured (ii) debt secured by an inferior lien secured by a pledge of the Bond Payments subordinate to the Bonds Similarly Secured or (iii) partially parity and partially inferior lien.

PASSED AND ADOPTED on the 3rd day of June, 2009.

**BRUSHY CREEK REGIONAL
UTILITY AUTHORITY, INC.**

BCRUA Representative

- EXHIBIT A - Definitions
- EXHIBIT B - Award Certificate
- EXHIBIT C - Form of Bond
- EXHIBIT D - Paying Agent/Registrar Agreement
- EXHIBIT E - Escrow Agreement
- EXHIBIT F - Continuing Disclosure
- EXHIBIT G - Contract

EXHIBIT A

DEFINITIONS

As used in this Resolution, the following terms and expressions shall have the meanings set forth below, unless the text in this Resolution specifically indicates otherwise.

The term *Additional Bonds* shall mean the obligations issued in accordance with the terms and conditions prescribed in Section 17 hereof.

The term *Annual Payments* shall have the meaning given in the Contract.

The term *Authorized Denominations* shall mean with respect to the Bonds the denomination of \$5,000 or any integral multiple thereof.

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 all outstanding Bonds Similarly Secured when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Debt Service Requirement by the number of Fiscal Years then remaining before Stated Maturity of such Bonds Similarly Secured. 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 Bond proceeds shall be excluded in making the aforementioned computation.

The Term *Award Certificate* shall mean the Certificate executed by the BCRUA Representative in connection with the Bonds that establishes the terms of the Bonds issued pursuant to Section 3 of this Resolution.

The term *BCRUA* shall mean Brushy Creek Regional Utility Authority, Inc. and any other public agency succeeding to the powers, rights, privileges and functions of the BCRUA and, when appropriate, the Board of Directors of the BCRUA.

The term *BCRUA Project* shall mean, collectively, the Land Interests and the improvements described in the recitals to the Contract and further described in the Preliminary Design Report, and as shown on Exhibit "D" to the Contract. Without limitation the BCRUA Project includes the facilities, lines, intake structures, storage tanks, booster pumps and other appurtenances in the BCRUA Project as described in the Preliminary Design Report and owned by the BCRUA sufficient to treat the raw water and deliver the treated water to which the Cities, respectively, are entitled under the Contract.

The term *BCRUA Project Costs* means and includes, without limitation, the following costs incurred for the BCRUA Project by or on behalf of the BCRUA or the Cities: (i) the cost of acquisition of the Land Interests, including appraisals, closing costs and title insurance policies; (ii) the cost of acquisition, construction, repair, replacement, improvement or decommissioning of the Facilities, and any structure, item of equipment, or other item, used for, or in connection with, the BCRUA Project; (iii) the cost of site preparation of the Land Interests, including demolition or removal of structures and

improvements as necessary or incident to accomplishing the BCRUA Project; (iv) the cost of engineering, legal, architectural or other related services; (v) the preparation cost of plans, specifications, studies, surveys, cost estimates, and other expenses necessary or incident to planning, providing, or financing the BCRUA Project; (vi) the cost of machinery, equipment, furnishings, and facilities necessary or incident to placing the System in operation; (vii) finance charges and interest before, during, and after construction as permitted by the laws of the State; (viii) costs incurred in connection with financing the BCRUA Project, including, without limitation: (1) financing, legal, accounting, financial advisory, rating agency, and auditing fees, expenses and disbursements; (2) the cost of printing, engraving, and reproduction services; and (3) the cost of a trustee's or paying agent's initial or acceptance fee and subsequent fees; (ix) all costs, fees and expenses of litigation of all kinds; (x) the cost of property casualty and public liability insurance; (xi) the fees and costs of the underwriters as the anticipated purchasers of the Bonds; (xii) reimbursement of the costs previously incurred by the Cities with respect to the BCRUA Project; and (xiii) other costs generally recognized as part of BCRUA Project construction costs.

The term *BCRUA Representative* shall mean the Secretary of the Board of the BCRUA or in his absence the General Manager of the BCRUA or such other person authorized by the Board to act as a BCRUA Representative.

The term *Bonds* shall mean and include collectively the Bonds issued and delivered pursuant to this Resolution and the Award Certificate for the Bonds and all substitute Bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term *Bond* shall mean any of the Bonds.

The term *Bond Payments* shall mean the payments defined as "Bond Payments" within the Contract that the BCRUA expects to receive from the City of Leander, Texas pursuant to the terms of the Contract.

The term *Bonds Similarly Secured* shall mean the Bonds issued pursuant to this Resolution and any Additional Bonds hereafter issued by the BCRUA 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 lien on and pledge of the Bond Payments.

The term *Business Day* shall mean any day which is not a Saturday, Sunday, legal holiday, or a day on which banking institutions in The City of New York, New York or in the city where the Designated Trust Office of the Paying Agent/Registrar is located are authorized by law or executive order to close.

The term *Certified Public Accountant* shall mean an independent certified public accountant or firm of independent certified public accountants.

The term *Closing Date* shall mean the date of physical delivery of the Initial Bond issued pursuant to this Resolution for the payment in full by the Purchaser.

The term *Contract* shall mean the Master Contract for the Financing, Construction and Operation of the BCRUA Regional Water Treatment and Distribution Project, dated as of September 2, 2008 as amended by the First Amendment to the Master Contract for the Financing, Construction and Operation

of the BCRUA Regional Water Treatment and Distribution Project dated as of February 12, 2009 together with any additional amendments and supplements thereto (which by the term of such instrument is designated as a supplement or amendment to such Contract), a copy of such Contract being attached hereto as Exhibit "G".

The term *Credit Agreement* shall mean an Insurance Policy, a surety bond (including any supporting Insurance Agreement), a letter or line of credit or other type of enhancement issued in support of any Bonds or Additional Bonds by a Credit Agreement Provider at the request of the BCRUA.

The term *Credit Agreement Provider* shall mean (i) with respect to any Credit Agreement consisting of a policy of municipal bond insurance or a surety bond, an issuer of policies of insurance insuring the timely payment of scheduled debt service on governmental obligations such as the Bonds or Additional Bonds, provided that a Rating Agency having an outstanding rating on the Bonds or Additional Bonds would rate the Bonds or Additional Bonds upon delivery of the Bonds or Additional Bonds fully insured by a standard policy issued by the issuer in its highest generic rating category for such obligations; and (ii) with respect to any Credit Agreement consisting of a letter or line of credit, any financial institution, provided that a Rating Agency having an outstanding rating on the Bonds or Additional Bonds would rate the Bonds or Additional Bonds in one of its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Bonds or Additional Bonds and the interest thereon.

The term *Debt Service Fund* shall mean the special fund or account created and established by the provisions of Section 10(h) of this Resolution.

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 BCRUA 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 (a) either (i) an interest rate equal to the average rate borne by such Bonds (or by comparable debt in the event that such Bonds have not been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, (ii) if the Bonds bear interest at tax-exempt rates, an interest rate equal to the 24 month average of the Securities Industry and Financial Markets Bond Index (as most recently published in The Bond Buyer), unless such index is no longer published in The Bond Buyer, in which case the index to be used in its place shall be that index which the BCRUA Representative determines most closely replicates such index as set forth in a certificate of a BCRUA Representative, (iii) if the Bonds bear interest at taxable rates, an interest rate equal to the rate of the 30 day London Interbank Offered Rate, (iv) that interest rate which, in the judgment of the BCRUA Representative, based, to the extent possible, upon an accepted market index which corresponds with the provisions of the subject Bonds, is the average rate anticipated to be in effect with respect to such Bonds or (v) that interest rate which, in the judgment of the BCRUA Representative, based upon the interest rate methodology in the applicable Credit Agreement if calculating payments under a Credit Agreement, is the average rate anticipated to be in effect; and (b) that the debt service 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.

The term *Defeasance Securities* shall mean (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (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 Board adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent.

The term *Depository* shall mean an official depository bank of the BCRUA.

The term *Designated Trust Office* shall have the meaning ascribed to said term in Section 5(b) of this Resolution.

The term *DTC* shall mean The Depository Trust Company, New York, New York, or any successor securities depository.

The term *DTC Participant* shall mean securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

The term *Federal Securities* shall mean direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (including Interest Strips of the Resolution Funding Corporation).

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

The term *Fitch* shall mean Fitch Investors Service, L.P., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Fitch shall be deemed to refer to any other nationally recognized securities rating agency designated by the BCRUA.

The term *Funds* shall mean the Revenue Fund, Debt Service Fund, Reserve Fund, Construction Fund and Escrow Fund created and held pursuant to this Resolution.

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; or (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

The term *Insurance Agreement* shall mean an agreement between the BCRUA and an insurer respecting a municipal bond debt service reserve insurance policy constituting a Reserve Fund Obligation.

The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Bonds, while any of the Bonds remain Outstanding as established in the Award Certificate.

The term *IRS Code* shall mean the Internal Revenue Code of 1986, as amended.

The term *Land Interests* shall mean the fee simple interests and/or the easements, right-of-way and other interests in real property necessary for the acquisition, construction and operation of the BCRUA Project.

The term *Leander* or *City* means the City of Leander, Texas, a home-rule municipality.

The term *Leander System* shall mean the combined water and wastewater system of Leander together with all future extensions, improvements, enlargements, and additions thereto, including, to the extent permitted by law, storm sewer and drainage and/or reclaimed water systems which are integrated with the waterworks or wastewater disposal system, and all replacements thereof, provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term Leander System shall not include any waterworks or wastewater facilities which are declared by Leander not to be a part of the Leander System and which are hereafter acquired or constructed by Leander with the proceeds from the issuance of "Special Facilities Bonds," which are not secured by or payable from the net revenues of the Leander System, but which are secured by and are payable solely from special contract revenues, or payments received from Leander or any other legal entity, or any combination thereof, in connection with such facilities; and such revenues or payments shall not be considered as or constitute gross revenues of the Leander System, unless and to the extent otherwise provided in the ordinance or ordinances authorizing the issuance of such "Special Facilities Bonds."

The term *Leander Utility Bonds* shall mean the bonds, notes or other obligations issued by Leander secured by a lien on and pledge of the net revenues of the Leander System or any part thereof regardless of lien priority including such bonds, notes or other obligations now or hereafter outstanding.

The term *Maintenance and Operation Expenses* shall mean the expenses necessary to provide for the administration, efficient operation and adequate maintenance of the BCRUA's System, including the cost of purchasing water, paying necessary wages, salaries, and benefits, the acquisition of property and materials necessary to maintain the System in good condition and to operate it efficiently, together with such other costs and expenses as may now or hereafter be defined by law as proper maintenance and operation expenses of the System, including Operation and Maintenance Expenses (as defined in the Contract).

The term *Maturity* shall mean the date on which the principal of a Bond becomes due and payable as therein and herein provided, whether at Stated Maturity, by redemption or otherwise.

The term *Moody's* shall mean Moody's Investors Service, Inc., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Moody's shall be deemed to refer to any other nationally recognized securities rating agency designated by the BCRUA.

The term *MSRB* shall mean the Municipal Securities Rulemaking Board.

The term *Outstanding* shall mean when used in this Resolution with respect to Bonds means, as of the date of determination, all Bonds of any series issued and delivered pursuant to this Resolution, except:

(1) those Bonds canceled 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 BCRUA in accordance with the provisions of Section 32 of this Resolution 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 Resolution 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 5(f) of this Resolution.

The terms *Paying Agent/Registrar*, *Paying Agent* or *Registrar* shall mean the agent appointed pursuant to Section 5 of this Resolution or any successor to such agent.

The term *Preliminary Design Report* shall mean, collectively, the following described documents:

(i) *Treatment Plant PDR*, "Brushy Creek Regional Water Treatment Plant; Preliminary Design Report" prepared by Camp Dresser & McKee, Inc., dated July, 2008;

(ii) *Raw Water PDR*, “Brushy Creek Regional Water Supply Project – Phase 1 Raw Water Facilities – Floating Intake and Raw Water Pipeline; Preliminary Design Report” prepared by Carter & Burgess, Inc., dated October 2007;

(iii) *Treated Transmission Main, Segment 1 PDR*, “Brushy Creek Regional Utility Authority 78 inch Water Transmission Main Preliminary Engineering Report” prepared by Lockwood, Andrews & Newman, Inc., dated May 24, 2007; and

(iv) *Treated Transmission Main, Segment 2C PDR*, “Preliminary Engineering Report – Treated Water Transmission Line Segment 2C” prepared by K. Friese & Associates, Inc., dated September 2007.

The term *Purchaser* shall mean the Texas Water Development Board.

The term *Rating Agencies* shall mean S&P, Moody's and/or Fitch according to which of such rating agencies then rates the Bonds or Additional Bonds of the applicable series; and provided that if neither of such rating agencies then rates any series of Bonds or Additional Bonds of such series, the term "Registered Owner" shall refer to any national rating agency (if any) which provides such rating.

The term *Record Date* shall mean, with respect to each Series of the Bonds, the Business Day of each month as set forth in the Award Certificate.

The term *Registration Books* shall mean the books or records relating to the registration, payment and transfer or exchange of the Bonds maintained by the Paying Agent/Registrar pursuant to Section 5 of this Resolution.

The term *Registered Owner* shall mean the entity or person in whose names any of the Bonds are registered in the Registration Books.

The term *Reserve Fund* shall mean the special fund or account created and established by the provisions of Section 10(a) of this Resolution.

The term *Reserve Fund Obligation* shall mean a Credit Agreement satisfying the requirements of Section 10(f) of this Resolution which is deposited in the Reserve Fund to meet all or part of the Required Reserve Amount as provided in such Section 10(b).

The term *Required Reserve Amount* shall mean an amount equal to the Average Annual Debt Service Requirements.

The term *Resolution* shall mean this resolution adopted by the Board on June 3, 2009.

The term *Rule* shall mean SEC Rule 15c2-12, as amended from time to time.

The term *S&P* shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, S&P shall be deemed to refer to any other nationally recognized securities rating agency designated by the BCRUA.

The term *SEC* shall mean the United States Securities and Exchange Commission.

The term *Special Project Bonds* shall mean obligations which the BCRUA expressly reserves the right to issue in Section 15 of this Resolution.

The term *State* shall mean the State of Texas.

The term *Stated Maturity* shall mean, when used with respect to the Bonds, the scheduled maturity or mandatory sinking fund redemption date of a series of the Bonds.

EXHIBIT B
AWARD CERTIFICATE

EXHIBIT C
FORM OF BOND

**REGISTERED
NO.** _____

**REGISTERED
PRINCIPAL AMOUNT**
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
CITY OF LEANDER, TEXAS CONTRACT REVENUE BONDS
SERIES _____
(BRUSHY CREEK REGIONAL WATER TREATMENT AND DISTRIBUTION PROJECT)

BOND DATE: STATED MATURITY: INTEREST RATE: **CUSIP No.:**

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____ **DOLLARS**

The Brushy Creek Regional Utility Authority, Inc. (the "BCRUA"), a non-profit corporation of the State of Texas, with its principal office in _____, 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 from the Bond Date, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, 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 _____ and _____* of each year commencing _____*.

Principal and premium, if any, of the Bond shall be payable to the Registered Owner hereof (the "Holder") upon presentation and surrender, at a corporate trust office of the Paying Agent/Registrar

* As provided in the Award Certificate. To the extent that the Award Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Award Certificate shall be used in the executed Bonds.

executing the registration certificate appearing hereon or a successor thereof. Interest shall be payable to the Holder of this Bond (or one or more Predecessor Bonds, as defined in the Resolution 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. In addition, interest may be paid by such other method, acceptable to the Texas Water Development Board, or such other Registered Owner, requested by, and at the risk and expense, of the Registered Owner; provided, however, that if this Bond is owned by the Texas Water Development Board, interest will be paid by wire transfer or other method acceptable to the Texas Water Development Board, and there will be no charge.

This Bond is one of the series specified in its title issued in the aggregate principal amount of \$ _____* (the "Bonds") pursuant to a resolution adopted by the governing body of the BCRUA (the "Resolution"), to pay: (i) LEANDER'S SHARE OF THE COSTS OF CONSTRUCTING, ACQUIRING, IMPROVING AND/OR EXPANDING THE BCRUA PROJECT INCLUDING BUT NOT LIMITED TO LAND INTERESTS, TEMPORARY INTAKE STRUCTURE, STORAGE TANKS, LINES, BOOSTER PUMPS, TREATMENT FACILITIES AND OTHER APPURTENANCES NECESSARY FOR THE DELIVERY, TREATMENT AND TRANSMISSION OF RAW WATER AND ACQUIRING EASEMENTS, RIGHTS-OF-WAY AND OTHER INTERESTS IN LAND OR OTHER FACILITIES NECESSARY FOR THE WITHDRAWAL, DIVERSION DELIVERY, TRANSMISSION AND TREATMENT OF RAW WATER ALL AS DESCRIBED IN THE PRELIMINARY DESIGN REPORT INCLUDING ANY NECESSARY CAPITALIZED INTEREST AND RESERVE FUND AS SET FORTH IN THE AWARD CERTIFICATE AND (ii) THE COSTS OF ISSUANCE OF THE BONDS.

The Bonds stated to mature on and after _____* may be redeemed prior to their Stated Maturities, at the option of the BCRUA, on _____*, or on any date thereafter, in whole or in part, and, if in part, the BCRUA shall in inverse order of maturity select and designate the maturity or maturities in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity selected at random and by lot by the Paying Agent/Registrar) at the redemption price of par, together with accrued interest to the date of redemption, and upon thirty (30) days prior written notice being given by United States mail, first-class postage prepaid, to Holders of the Bonds to be redeemed, and subject to the terms and provisions relating thereto contained in the Resolution. If this Bond is subject to redemption prior to Stated Maturity and is in a denomination in excess of \$5,000, portions of the principal sum hereof in installments of \$5,000 or any integral multiple thereof may be redeemed, and, if less than all of the principal sum hereof is to be redeemed, there shall be issued, without charge therefor, to the Holder hereof, upon the surrender of this Bond to the Paying Agent/Registrar at its corporate trust office, a new Bond or Bonds

* As provided in the Award Certificate. To the extent that the Award Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Award Certificate shall be used in the executed Bonds.

of like Stated Maturity and interest rate in any authorized denominations provided in the Resolution for the then unredeemed balance of the principal sum hereof.

If this Bond (or any portion of the principal sum hereof) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date this Bond (or the portion of the principal sum hereof to be redeemed) shall become due and payable, and, if money for the payment of the redemption price and the interest accrued on the principal amount to be redeemed to the date of redemption is held for the purpose of such payment by the Paying Agent/Registrar, interest shall cease to accrue and be payable hereon from and after the redemption date on the principal amount hereof to be redeemed. If this Bond is called for redemption, in whole or in part, the BCRUA 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 BCRUA payable from and equally and ratably secured solely by a lien on and pledge of the Bond Payments received by the BCRUA from the City of Leander, Texas pursuant to the provisions of the Contract. In the Resolution, the BCRUA reserves and retains the right to issue Additional Bonds, without limitation as to principal amount but subject to any terms, conditions, or restrictions set forth in the Resolution 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 BCRUA or System, except with respect to the Bond Payments.

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 Resolution, copies of which are on file in the corporate trust office of the Paying Agent/Registrar, and to all of the provisions of which the Holder by his acceptance hereof hereby assents, for definitions of terms; the description and nature of the Special Payments pledged for the payment of the Bonds; the terms and conditions under which the BCRUA may issue Additional Bonds; the terms and conditions relating to the transfer or exchange of the Bonds; the conditions upon which the Resolution may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the BCRUA 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 Resolution. Capitalized terms used herein have the same meanings assigned in the Resolution.

This Bond, subject to certain limitations contained in the Resolution, may be transferred on the Registration Books upon presentation and surrender at a 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 BCRUA 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 BCRUA 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 BCRUA. 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 BCRUA have been performed, exist, and have been done, in regular and due time, form, and manner, as required by law, and that issuance of the Bonds does not exceed any constitutional or statutory limitation; and that due provision has been made for the payment of the principal of and interest on the Bonds by a lien on and pledge of the Bond Payments and as otherwise provided in this Resolution. 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 Resolution shall be construed in accordance with and shall be governed by the laws of the State of Texas.

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

BRUSHY CREEK REGIONAL UTILITY
AUTHORITY, INC.

President, Board of Directors

ATTESTED:

Secretary, Board of Directors

(SEAL)

C. Form of Registration Certificate of Comptroller of Public Accounts to Appear on Initial Bond Only.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER OF
PUBLIC ACCOUNTS

THE STATE OF TEXAS

§
§ REGISTER NO. _____
§

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

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

D. Form of Certificate of Paying Agent/Registrar to Appear on Definitive Bonds Only.

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

Registered this date: _____

as Paying Agent/Registrar

By: _____
Authorized Signature

E. Form of Assignment.

ASSIGNMENT

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

(Social Security or other identifying number): _____

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

DATED: _____

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

Signature guaranteed:

F. The Initial Bond of each series 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 Brushy Creek Regional Utility Authority, Inc. (the "BCRUA"), a non-profit corporation of the State of Texas, with its principal office located in _____, 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 _____* day of _____* 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 Stated Maturity</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>
---------------------------------	-------------------------------	---------------------------

(Information to be inserted from Award Certificate).

(or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid Principal Amount hereof from the _____*, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, to Stated Maturity or prior redemption, at the per annum rates of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on _____* and _____*, commencing _____* (the "Interest Payment Date").

Principal and premium, if any, of this Bond shall be payable to the Registered Owner hereof (the Holder), upon its presentation and surrender, at a corporate trust office of Wells Fargo Bank, National Association, Austin, Texas (the "Paying Agent/Registrar"). Interest shall be payable to the Holder of this Bond whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the 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

* As provided in the Award Certificate. To the extent that the Award Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Award Certificate shall be used in the executed Bonds.

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 an Insurance Policy is obtained by the Purchasers or the BCRUA for any series of Bonds, the definitive Bonds and the Initial Bond shall bear an appropriate legend as provided by the Insurer.

EXHIBIT D
PAYING AGENT/REGISTRAR AGREEMENT

EXHIBIT E
ESCROW AGREEMENT

EXHIBIT F

CONTINUING DISCLOSURE OF INFORMATION

Accounting Principles

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

EXHIBIT G

**MASTER CONTRACT FOR THE FINANCING, CONSTRUCTION
AND OPERATION OF THE BCRUA REGIONAL WATER
TREATMENT AND DISTRIBUTION PROJECT**

Part B-21 Round Rock Bond Resolution

RESOLUTION NO. _____

A RESOLUTION BY THE BOARD OF DIRECTORS OF THE BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. AUTHORIZING THE ISSUANCE OF "BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. CITY OF ROUND ROCK, TEXAS CONTRACT REVENUE BONDS, (BRUSHY CREEK REGIONAL WATER TREATMENT AND DISTRIBUTION PROJECT)"; ESTABLISHING THE PROCEDURES FOR SELLING AND DELIVERING THE BONDS AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH BONDS

ADOPTED JUNE 3, 2009

RESOLUTION NO. _____

A RESOLUTION BY THE BOARD OF DIRECTORS OF THE BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. AUTHORIZING THE ISSUANCE OF "BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. CITY OF ROUND ROCK, TEXAS CONTRACT REVENUE BONDS, (BRUSHY CREEK REGIONAL WATER TREATMENT AND DISTRIBUTION PROJECT)"; ESTABLISHING THE PROCEDURES FOR SELLING AND DELIVERING THE BONDS AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH BONDS

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RESOLUTION NO. _____

A RESOLUTION BY THE BOARD OF DIRECTORS OF THE BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. AUTHORIZING THE ISSUANCE OF "BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. CITY OF ROUND ROCK, TEXAS CONTRACT REVENUE BONDS, (BRUSHY CREEK REGIONAL WATER TREATMENT AND DISTRIBUTION PROJECT)"; ESTABLISHING THE PROCEDURES FOR SELLING AND DELIVERING THE BONDS AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH BONDS

WHEREAS, the Brushy Creek Regional Utility Authority, Inc. (the "BCRUA") is a non-profit corporation of the State of Texas (the "State"), created by the Cities of Cedar Park, Leander and Round Rock, Texas (collectively, the "Cities" or singularly, a "City") and existing under the laws of the State, including Subchapter D of Chapter 431, as amended, Texas Transportation Code (the "Authority Act"); and

WHEREAS, pursuant to the Authority Act, the BCRUA, is empowered to acquire and construct water facilities including water conservation, storage, transportation, treatment and distribution facilities and to deliver this water to the Cities; and

WHEREAS, the Authority Act also authorizes the BCRUA acting through its Board of Directors (the "Board") to issue revenue bonds to finance such water projects, payable solely from the revenues derived from payments to be made to the BCRUA by each respective City for which a series of bonds are issued for the purpose of defraying such City's share of the cost of financing, acquiring, and constructing the BCRUA Project (as hereinafter defined); and

WHEREAS, the BCRUA initially expects to issue separate series of such revenue bonds for the City of Round Rock, Texas ("Round Rock"), the City of Leander, Texas ("Leander") and the City of Cedar Park, Texas ("Cedar Park") to finance their share of the BCRUA Project, with each such series payable from and secured solely by payments made by each respective City under the Contract (as hereinafter defined); and

WHEREAS, pursuant to the Authority Act, the BCRUA and the Cities have entered into a "Master Contract for the Financing, Construction and Operation of the BCRUA Regional Water Treatment and Distribution Project," dated as of September 2, 2008 as amended by the "First Amendment to the Master Contract for the Financing, construction and Operation of the BCRUA Regional Water Treatment and Distribution Project" dated as of February 12, 2009 (collectively, the "Contract") pursuant to which the BCRUA has agreed to design, finance, construct, own, acquire, maintain and operate the BCRUA Project in a manner that will allow the BCRUA to deliver potable water to the Cities on a regional basis and under which each of the Cities agree to pay their share of the BCRUA Project and to make payments to or on behalf of the BCRUA in amounts sufficient to meet all of the BCRUA's obligations under the Contract including relating to a City's respective series

of bonds issued to finance and refinance a City's share of the BCRUA Project and to own, operate and maintain the BCRUA Project; and

WHEREAS, Round Rock has requested that the BCRUA issue a separate series of revenue bonds in an aggregate principal amount not to exceed \$65,870,000 pursuant to the Contract to finance Round Rock's share of the BCRUA Project (the "Bonds"); and

WHEREAS, Cedar Park and Leander have also requested the BCRUA issue separate series of contract revenue bonds pursuant to the Contract to finance their respective share of the BCRUA Project Costs and the three separate series of contract revenue bonds for the Cities are expected to be issued and delivered simultaneously; and

WHEREAS, the Cities and the BCRUA have approved the Contract; and

WHEREAS, this Resolution constitutes a Bond Resolution as that term is defined in the Contract; and

WHEREAS, Round Rock has agreed pursuant to Article X of the Contract to provide continuing disclosure of certain financial and operating data so long as the Bonds are Outstanding; and

WHEREAS, the principal of the Bonds and the interest thereon are and shall be solely payable from and secured by a lien on and pledge of the portion of the Annual Payments designated as "Bond Payments" to be made by Round Rock pursuant to the Contract in amounts sufficient to pay and redeem, and provide for the payment of the principal of, premium, if any, and interest on the Bonds, when due, and the fees and expenses of the Paying Agent/Registrar for the Bonds, all as required by this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. THAT:

Section 1. DEFINITIONS. In addition to the definitions set forth in the preamble of this Resolution, the terms used in this Resolution (except as may be otherwise indicated in the FORM OF BOND) and not otherwise defined shall have the meanings given in Exhibit "A" to this Resolution attached hereto and made a part hereof.

Section 2. AMOUNT, PURPOSE AND DESIGNATION OF THE BONDS. (a) *Amount and Designation.* The BCRUA's bonds issued pursuant to this Resolution shall each be entitled "BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC. CITY OF ROUND ROCK, TEXAS CONTRACT REVENUE BONDS (BRUSHY CREEK REGIONAL WATER TREATMENT AND DISTRIBUTION PROJECT)" and are hereby authorized to be issued and delivered in an aggregate maximum principal amount not to exceed \$65,870,000. The title of the Bonds shall be designated by the year in which such Bonds are awarded pursuant to Section 3 below.

The authority of the BCRUA Representative to execute and deliver an Award Certificate for the Bonds shall expire at 5:00 p.m., C.D.T., on June 3, 2010.

(b) **Purpose.** The Bonds are to be issued for the following purposes to pay: (i) ROUND ROCK'S SHARE OF THE COSTS OF CONSTRUCTING, ACQUIRING, IMPROVING AND/OR EXPANDING THE BCRUA PROJECT INCLUDING BUT NOT LIMITED TO LAND INTERESTS, TEMPORARY INTAKE STRUCTURE, STORAGE TANKS, LINES, BOOSTER PUMPS, TREATMENT FACILITIES AND OTHER APPURTENANCES NECESSARY FOR THE DELIVERY, TREATMENT AND TRANSMISSION OF RAW WATER AND ACQUIRING EASEMENTS, RIGHTS-OF-WAY AND OTHER INTERESTS IN LAND OR OTHER FACILITIES NECESSARY FOR THE WITHDRAWAL, DIVERSION DELIVERY, TRANSMISSION AND TREATMENT OF RAW WATER ALL AS DESCRIBED IN THE PRELIMINARY DESIGN REPORT AND (ii) THE COSTS OF ISSUANCE OF THE BONDS.

Section 3. DATE, DENOMINATIONS, NUMBERS, MATURITIES AND TERMS OF BONDS. (a) **Terms of the Bonds.** The Bonds shall initially be issued, sold, and delivered hereunder as fully registered bonds, without interest coupons, numbered consecutively from R-1 upward (except the initial Bond delivered to the Attorney General of the State which shall be numbered T-1), payable to the respective initial Registered Owners thereof in an Authorized Denomination, maturing not later than August 1, 2039, serially or otherwise on the dates, in the years and in the principal amounts, respectively, dated, all as set forth in the Award Certificate executed by the BCRUA Representative in substantially the form attached hereto as Exhibit "B".

(b) **Award Certificate.** As authorized by the Authority Act, the BCRUA Representative is hereby authorized, appointed, and designated to act on behalf of the Board in selling and delivering the Bonds and carrying out the other procedures specified in this Resolution, including determining and fixing the date the Bonds, any additional or different designation or title by which the Bonds shall be known, the price at which the Bonds will be sold, the years in which the Bonds will mature, the principal amount to mature in each of such years, the aggregate principal amount of the Bonds, the rate or rates of interest to be borne by each maturity, the interest payment periods, the dates, price, and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the Board, as well as any mandatory sinking fund redemption provisions for the Bonds and all other matters relating to the issuance, sale, and delivery of the Bonds, all of which shall be specified in a certificate of the BCRUA Representative (the "Award Certificate"); provided that (i) the price to be paid for the Bonds shall not be less than 98% of the aggregate original principal amount thereof plus accrued interest, if any, thereon from its date to its delivery and (ii) the Bonds shall not bear interest at a net effective interest rate in excess of 5.75% per annum.

It is further provided, however, that, notwithstanding the foregoing provisions, the Bonds shall not be delivered unless prior to delivery of the Bonds the Award Certificate has been executed and delivered as required by this Resolution.

The Award Certificate is hereby incorporated in and made a part of this Resolution and shall be filed in the minutes of the Board as a part of this Resolution.

(c) ***Sale of the Bonds.*** To achieve advantageous borrowing costs for the BCRUA, the Bonds shall be sold to the Texas Water Development Board (the "Purchaser") at the price as set forth in the Award Certificate.

(d) ***In General.*** The Bonds (i) may and shall be redeemed prior to the respective scheduled maturity dates, (ii) may be assigned and transferred, (iii) may be exchanged for other Bonds, (iv) shall have the characteristics, (v) shall be signed and sealed, and the principal of and interest on the Bonds shall be payable, all as provided, and in the manner required or indicated, in the FORM OF BOND set forth in Exhibit "C" to this Resolution and as determined by the BCRUA Representative as provided herein, with such changes and additions as are required to be consistent with the terms and provisions shown in the Award Certificate.

Section 4. INTEREST. The Bonds shall bear interest, calculated on the basis of a 360-day year composed of twelve 30-day months, from their date of delivery as set forth in the Award Certificate, until maturity or redemption, at the rate or rates set forth in the Award Certificate. Interest shall be payable to the Registered Owner of any such Bond in the manner provided and on the dates stated in the FORM OF BOND set forth in Exhibit "C" to this Resolution and the Award Certificate.

Section 5. REGISTRATION, TRANSFER, AND EXCHANGE; AUTHENTICATION; BOOK-ENTRY-ONLY SYSTEM. (a) ***Paying Agent/Registrar.*** The Bank of New York Mellon Trust Company, National Association is hereby appointed the Paying Agent/Registrar for the Bonds. The BCRUA Representative is authorized to enter into and carry out a Paying Agent/Registrar Agreement with the Paying Agent/Registrar with respect to the Bonds in substantially the form and substance presented to the Board set forth in Exhibit "D" in connection with the approval of this Resolution with such changes as are acceptable to the BCRUA Representative.

(b) ***Registration Books.*** The Board shall keep or cause to be kept at the designated corporate trust office of the Paying Agent/Registrar in Austin, Texas (the "Designated Trust Office") the Registration Books and the Board hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, exchanges, and replacements under such reasonable regulations as the Board and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, exchanges, and replacements as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the Registered Owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each Registered Owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Board shall have the right to inspect the Registration Books at the Designated Trust Office of the Paying Agent/Registrar during regular business hours, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. A copy of the Registration Books shall be maintained in the State.

(c) ***Ownership of Bonds.*** The entity or person in whose name any Bond shall be registered in the Registration Books at any time shall be deemed and treated as the absolute owner thereof for all purposes

of this Resolution, whether or not such Bond shall be overdue, and, to the extent permitted by law, the Board and the Paying Agent/Registrar shall not be affected by any notice to the contrary; and payment of, or on account of, the principal of, premium, if any, and interest on any such Bond shall be made only to such Registered Owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(d) ***Payment of Bonds and Interest.*** The Paying Agent/Registrar shall further act as the paying agent for paying the principal of, premium, if any, and interest on the Bonds, all as provided in this Resolution. The Paying Agent/ Registrar shall keep proper records of all payments made by the Board and the Paying Agent/Registrar with respect to the Bonds.

(e) ***Authentication.*** The Bonds initially issued and delivered pursuant to this Resolution shall be authenticated by the Paying Agent/Registrar by execution of the Paying Agent/Registrar's Authentication Certificate unless they have been approved by the Attorney General of the State and registered by the Comptroller of Public Accounts of the State, and on each substitute Bond issued in exchange for any Bond or Bonds issued under this Resolution the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE (the "Authentication Certificate"). The Authentication Certificate shall be in the form set forth in the FORM OF BOND in Exhibit "C" attached hereto.

(f) ***Transfer, Exchange, or Replacement.*** Each Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid or unredeemed principal amount thereof, may, upon surrender of such Bond at the Designated Trust Office of the Paying Agent/Registrar, together with a written request therefor duly executed by the Registered Owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the Registered Owner or such assignee or assignees, as appropriate, be exchanged for fully registered Bonds, without interest coupons, in the appropriate form prescribed in the FORM OF BOND set forth in Exhibit "C" to this Resolution, in any Authorized Denomination (subject to the requirement hereinafter stated that each substitute Bond shall be of the same Series and have a single stated maturity date), as requested in writing by such Registered Owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid or unredeemed principal amount of any Bond or Bonds so surrendered, and payable to the appropriate Registered Owner, assignee, or assignees, as the case may be. If a portion of any Bond shall be redeemed prior to its scheduled maturity as provided herein, a substitute Bond or Bonds having the same series designation and maturity date, bearing interest at the same rate, and payable in the same manner, in Authorized Denominations at the request of the Registered Owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon surrender thereof for cancellation. If any Bond or portion thereof is assigned and transferred, each Bond issued in exchange therefor shall have the same series designation and maturity date and bear interest at the same rate and payable in the same manner as the Bond for which it is being exchanged. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. The Paying Agent/Registrar shall exchange or replace Bonds as provided herein, and each fully registered Bond delivered in exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Bonds for all purposes of this Resolution, and may again be exchanged or replaced. On each substitute Bond issued in exchange for or replacement

of any Bond or Bonds issued under this Resolution there shall be printed an Authentication Certificate, in the form set forth in Exhibit "C" to this Resolution. An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the Authentication Certificate, and, except as provided in (e) above, no such Bond shall be deemed to be issued or outstanding unless the Authentication Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all Bonds surrendered for transfer, exchange, or replacement. No additional orders or resolutions need be passed or adopted by the Board or any other body or person so as to accomplish the foregoing transfer, exchange, or replacement of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be in typed or printed form as determined by the BCRUA Representative. Pursuant to Subtitle D, Texas Government Code and particularly Section 1201.063, thereof, the duty of transfer, exchange, or replacement of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the Authentication Certificate, the exchanged or replaced Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds which were originally issued pursuant to this Resolution. The Board shall pay the Paying Agent/Registrar's standard or customary fees and charges, if any, for transferring, and exchanging any Bond or any portion thereof, but the one requesting any such transfer and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer, exchange, or replacement of Bonds or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following interest payment date, or (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. To the extent possible, any new Bond issued in an exchange, replacement, or transfer of a Bond will be delivered to the Registered Owner or assignee of the Registered Owner not more than three business days after the receipt of the Bonds to be canceled and the written request as described above.

(g) ***Substitute Paying Agent/Registrar.*** The Board covenants with the Registered Owners of the Bonds that at all times while the Bonds are outstanding the Board will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under this Resolution, and that the Paying Agent/Registrar will be one entity. The Board reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than ninety (90) days written notice to the Paying Agent/Registrar, to be effective not later than sixty (60) days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Board covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Board. Upon any change in the Paying Agent/Registrar, the Board promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each Registered Owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such,

each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

(h) ***Book-Entry-Only System.*** The Bonds issued in exchange for the Bonds initially issued and delivered to the Purchaser shall be issued in the form of a separate single fully registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of DTC, and except as provided in subsection (i) hereof, all of the Outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC. With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Board and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest on the Bonds. Without limiting the immediately preceding sentence, the Board 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 DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner, as shown on the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Registered Owner, as shown in the Registration Books of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Resolution to the contrary but to the extent permitted by law, the Board and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest, with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Registered Owners, as shown in the Registration Books as provided in this Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Board's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Registered Owner, as shown in the Registration Books, shall receive a Bond certificate evidencing the obligation of the Board to make payments of principal, premium, if any, and interest pursuant to this Resolution. 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 Resolution with respect to interest checks being mailed to the Registered Owner at the close of business on the Record Date, the word "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

(i) ***Successor Securities Depository; Transfers Outside Book-Entry-Only System.*** In the event that the Board or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the Board to DTC (as described in Section 35 of this Resolution) or DTC determines to discontinue providing its services with respect to the Bonds, the Board shall (i) appoint a successor securities depository, qualified to act as such under Section 17A of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their

DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Registered Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

(j) ***Payments to Cede & Co.*** Notwithstanding any other provision of this Resolution 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 of the BCRUA to DTC.

(k) ***Notice of Redemption.*** In addition to the method of providing a notice of redemption set forth in the FORM OF BOND, the Paying Agent/Registrar shall give notice of redemption of Bonds by mail, first-class postage prepaid at least thirty (30) days prior to a redemption date to each registered securities depository and to any national information service that disseminates redemption notices. In addition, in the event of a redemption caused by an advance refunding of the Bonds, the Paying Agent/Registrar shall send a second notice of redemption to the persons specified in the immediately preceding sentence at least thirty (30) days but not more than ninety (90) days prior to the actual redemption date. Any notice sent to the registered securities depositories or such national information services shall be sent so that they are received at least two (2) days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar shall also send a notice of prepayment or redemption to the Registered Owner of any Bond who has not sent the Bonds in for redemption sixty (60) days after the redemption date. Each notice of redemption, whether required in the FORM OF BOND or in this Section, shall contain a description of the Bonds to be redeemed including the complete name of the Bonds, the Series, the date of issue, the interest rate or rates, the maturity date, the CUSIP number, a reference to the certificate numbers and the amounts called of each certificate, the publication and mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar and the address at which the Bonds may be redeemed, including a contact person and telephone number. All redemption payments made by the Paying Agent/Registrar to the registered owners of the Bonds shall include a CUSIP number relating to each amount paid to such Registered Owner.

(l) ***Conditional Notice of Redemption.*** With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Resolution have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the BCRUA, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the BCRUA shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

Section 6. FORM OF BOND. The form of the Bond, including the form of the Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State, with respect to the Bonds initially issued and delivered pursuant to this Resolution, shall be, respectively, substantially as set forth in Exhibit "C", with such appropriate variations, omissions, or insertions as are permitted or required by this Resolution and any Award Certificate including specifically information relating to payment dates, the Bond date and redemption provisions.

Section 7. PLEDGE OF BOND PAYMENTS. (a) *Pledge.* The BCRUA hereby covenants and agrees that the Bond Payments 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 on the books and records of the BCRUA for the payment and security thereof, all as hereinafter provided; and it is hereby resolved that the Bonds Similarly Secured, and the interest thereon, shall constitute a lien on and pledge of the Bond Payments and be valid and binding without any physical delivery thereof or further act by the BCRUA, and the lien created hereby on the Bond Payments for the payment and security of the Bonds Similarly Secured shall be prior in right and claim as to any other indebtedness, liability, or obligation of the BCRUA or the BCRUA Project payable pursuant to the terms of the Contract. The BCRUA shall deposit the Bond Payments, as collected and received, into a separate fund and account on the books and records of the BCRUA known as the "Round Rock Debt Service Fund," which is hereby created, to be utilized pursuant to the Contract and Sections 9 and 12 hereof to pay the Bonds; provided, however, that the Board of the BCRUA may utilize any revenues, including those generated by the Contract, in excess of the Debt Service Requirements on the Bonds Similarly Secured for any lawful purpose in accordance with this Resolution and the Contract.

(b) *Perfection of Pledge.* Chapter 1208, as amended, Texas Government Code, applies to the issuance of the Bonds Similarly Secured and the lien on and pledge of Bond Payments granted by the BCRUA under subsection (a) of this Section, and such pledge is therefore valid, effective, and perfected. If State law is amended at any time while the Bonds Similarly Secured are outstanding and unpaid such that the pledge of the Bond Payments granted by the BCRUA 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 Similarly Secured the perfection of the security interest in this pledge, the Board agrees to take such measures as it determines are reasonable and necessary under State 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 8. RATES AND CHARGES. For the benefit of the Registered Owners of the Bonds Similarly Secured and in addition to all provisions and covenants in the laws of the State and in this Resolution, the Contract between the BCRUA and Round Rock expressly stipulates and agrees, while any of the Bonds Similarly Secured are Outstanding, Round Rock will fix and collect such rates and charges for services to be supplied by the Round Rock System as will produce gross revenues at all times during the term of the Contract in an amount equal to pay all of the expenses of operation and maintenance of the Round Rock System including Annual Payments and Bond Payments under the Contract and all other amounts required by the laws and the provisions of the ordinances or resolutions authorizing the Round Rock Utility Bonds or other obligations now or hereafter outstanding payable, in whole or in part, from the net revenues of the Round Rock System, including the amounts required to pay all principal of and

interest on such Round Rock Utility Bonds and other obligations. The BCRUA hereby expressly stipulates that it will maintain rates and charges through the Bond Payments to meet the debt service requirements on the Bond Similarly Secured and agrees that it will take all appropriate action to enforce such terms of the Contract while any of the Bonds Similarly Secured are Outstanding.

The Registered Owner shall never have the right to demand payment for the Bonds out of any funds raised or to be raised from taxation by Round Rock or the BCRUA.

Section 9. DISTRIBUTION OF BOND PAYMENTS. After the Bond Payments have been received by the BCRUA such shall be deposited into the Debt Service Fund as required by this Resolution.

Section 10. DEBT SERVICE FUND; CONSTRUCTION FUND; ESCROW FUND. (a) *Debt Service Fund.* 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 BCRUA agrees to maintain, at the Depository, a separate and special fund or account to be created and known as the "Brushy Creek Regional Utility Authority, Inc. City of Round Rock, Texas Contract Revenue Bonds (Brushy Creek Regional Water Treatment and Distribution Project), Debt Service Fund" (the "Debt Service Fund"). The BCRUA covenants that there shall be deposited into the Debt Service Fund prior to each principal and interest payment date solely from the available Bond Payments made by Round Rock pursuant to Section 9 of this Resolution an amount equal to one hundred per cent (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 first day of each month, beginning September 2009. If the Bond Payments in any month are insufficient to make the required payments into the Debt Service Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Debt Service Fund in the next month.

The required monthly deposits to the Debt Service 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 Debt Service Fund is equal to the amount required to fully pay and discharge all Outstanding Bonds Similarly Secured (principal and interest) or, (ii) the Bonds Similarly Secured are no longer Outstanding.

Any surplus proceeds from the sale of the Bonds, including investment income therefrom, not expended for authorized purposes shall be deposited into the Debt Service Fund, and such amounts (i.e., accrued and investment interest) so deposited into the Debt Service Fund shall reduce the sum otherwise required to be deposited in the Debt Service Fund from Bond Payments.

(b) *Construction Fund.* The BCRUA hereby creates and establishes and shall maintain on the books and records of the BCRUA a separate fund or account to be entitled the "Brushy Creek Regional Utility Authority, Inc. City of Round Rock, Texas Contract Revenue Bonds (Brushy Creek Regional Water Treatment and Distribution Project), Construction Fund" for use by the BCRUA for payment of Round Rock's share of the BCRUA Project. The BCRUA shall deposit the net proceeds from the sale of the Bonds released from escrow as provided in Section 10(c) below into the Construction Fund as

provided in this Resolution. Funds in the Construction Fund shall be used for payment of Round Rock's share of BCRUA Project Costs. Upon payment of all such costs, any moneys remaining on deposit in the Construction Fund shall be transferred to the Debt Service Fund.

(c) **Escrow Fund.** The Escrow Agreement between the BCRUA and the escrow agent named therein (the "Escrow Agent") substantially in the form and content presented at this meeting and shown on Exhibit "E" attached hereto, specifying the duties and responsibilities of the BCRUA and the Escrow Agent, is hereby approved and the BCRUA Representative is hereby authorized and directed to execute the Escrow Agreement on behalf of the BCRUA. The Escrow Agent named in the Escrow Agreement is hereby appointed as the Escrow Agent pursuant to such Escrow Agreement.

On the closing date, the BCRUA shall cause the proceeds from the sale of the Bonds to be deposited into the Escrow Fund or, if agreed to by the Purchaser, all or a portion of the proceeds of the Bonds may be deposited into the Construction Fund.

Moneys disbursed from the Escrow Fund established pursuant to the Escrow Agreement shall be applied only for the costs of issuance of the Bonds or the BCRUA Project Costs.

The security for, and the investment of, funds on deposit in the Escrow Fund shall be governed by the provisions of the Escrow Agreement.

Section 11. DEFICIENCIES - EXCESS BOND PAYMENTS. (a) **Deficiencies.** If on any occasion there shall not be sufficient Bond Payments to make the required deposits into the Debt Service Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Bond Payments 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) **Excess Bond Payments** Subject to making the required deposits to the Debt Service Fund when and as required by this Resolution or any resolution authorizing the issuance of Additional Bonds, any excess Bond Payments may be used by the BCRUA for any lawful purpose including, but not limited to, the redemption of any Bonds Similarly Secured.

Section 12. PAYMENT OF BONDS. While any of the Bonds Similarly Secured are Outstanding, the General Manager or other authorized BCRUA official, shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Debt Service Fund, if necessary, 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 at the close of the Business Day next preceding the date a debt service payment is due on the Bonds Similarly Secured.

Section 13. INVESTMENTS. Funds held in any fund or account created, established, or maintained pursuant to this Resolution shall be invested as permitted by the provisions of the BCRUA

investment policy and the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code and secured (to the extent not insured by the Federal Deposit Insurance Corporation) to the fullest extent required by the Public Funds Collateral Act, as amended, Chapter 2257, Texas Government Code. All interest and income derived from deposits and investments in any fund shall immediately be credited to, and any losses debited from, the fund from which such funds were derived. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

Section 14. ISSUANCE OF ADDITIONAL BONDS. In addition to the right to issue bonds of inferior lien as authorized by the laws of this State, the BCRUA reserves the right hereafter to issue Additional Bonds. The Additional Bonds, when issued, shall be payable from and secured by a lien on and pledge of the Bond Payments in the same manner and to the same extent as the Bonds and the Bonds Similarly Secured, and shall in all respects be of equal dignity. The Additional Bonds may be issued in one or more series provided, however, that no Additional Bonds, shall be issued unless and until the following conditions have been met:

(i) Except for a refunding to cure a default, the BCRUA is not then in default as to any covenant, condition or obligation prescribed in the resolutions authorizing the issuance of the Bonds Similarly Secured or the Contract (including any amendment or supplement thereto) and the funds under the resolution authorizing the same contains the amounts then required to be therein;

(ii) A consulting engineer certifies to the BCRUA the need for an estimated amount of additional financing required for completion, expansion, enlargement or improvement of the BCRUA Project as now or hereafter defined in the Contract; provided, however this certification shall not be necessary for the issuance of any refunding bonds;

(iii) Round Rock, shall have approved the resolution(s) authorizing the issuance of the Additional Bonds as to form and content and acknowledged that the payment of principal of and interest on such Additional Bonds is payable, in whole or in part, from the Bond Payments to be made to the BCRUA under and pursuant to the Contract;

(iv) The resolution authorizing the issuance of the Additional Bonds provides for deposits to be made to the Debt Service Fund in amounts sufficient to pay the principal of and interest on such Additional Bonds as the same become due; and

(v) Based upon an opinion of legal counsel to the BCRUA that there are legal, valid and bindings contracts then in effect pursuant to which Round Rock and others, if any, which are parties to such contracts are obligated to make payments to the BCRUA during each fiscal year (including periods when services of the BCRUA Project may not be available to such contracting parties and others) in such amounts as shall be necessary to provide to the BCRUA sufficient funds to pay when due all principal and interest on all Bonds and Additional Bonds to be outstanding after the issuance of the proposed Additional Bonds.

The Bonds Similarly Secured may be refunded (pursuant to any law then available) upon such terms and conditions as the Board of the BCRUA may deem to be in the best interest of the BCRUA; provided, however, such refunding bonds do not have to comply with paragraph (ii) of this Section 14.

Section 15. SPECIAL PROJECT BONDS. The BCRUA further reserves the right to issue bonds in one or more installments for the purchase, construction, improvement, extension, replacement, enlargement or repair of utility facilities necessary under a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or entities including Round Rock, such bonds to be payable from and secured by the proceeds of such contract or contracts (other than the Contract). The BCRUA further reserves the right to refund such bonds and secure the payment of the debt service requirements on the refunding bonds in the same manner or as otherwise permitted by the laws of the State.

Section 16. MAINTENANCE OF BCRUA PROJECT - INSURANCE. The BCRUA covenants, agrees, and affirms its covenants that while the Bonds Similarly Secured remain outstanding it will maintain and operate the BCRUA Project with all possible efficiency and maintain casualty and other insurance on the properties of the BCRUA Project and its operations of a kind and in such amounts customarily carried by municipal corporations in the State engaged in a similar type of business (which must be in an amount sufficient to protect the Texas Water Development Board's interest in the BCRUA Project); and that it will faithfully and punctually perform all duties with reference to the BCRUA Project required by the laws of the State. All money received from losses under such insurance policies, other than public liability policies, shall be retained for the benefit of the Registered Owners of the Bonds Similarly Secured 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 of the BCRUA Project. Nothing in this Resolution shall be construed as requiring the BCRUA to expend any funds which are derived from sources other than the operation of the BCRUA Project but nothing herein shall be construed as preventing the BCRUA from doing so.

Section 17. RECORDS AND ACCOUNTS - ANNUAL AUDIT. The BCRUA 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 BCRUA Project in which complete and correct entries shall be made of all transactions relating thereto as provided by applicable law. The Registered Owners of any Bonds or any duly authorized agent or agents of such Registered Owners shall have the right to inspect the BCRUA Project and all properties comprising the same. The BCRUA further agrees that following (and in no event later than six (6) months after) 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. The BCRUA will submit to the Texas Water Development Board the annual audit performed by an independent firm of Certified Public Accountants. Expenses incurred in making the annual audit of the operations of the BCRUA Project are to be regarded as Maintenance and Operating Expenses of the BCRUA Project.

Section 18. SALE OR ENCUMBRANCE OF BCRUA PROJECT. While any Bonds remain Outstanding, the BCRUA will not sell, dispose of or further encumber the BCRUA Project or any substantial part thereof; provided, however, that this provision shall not prevent the BCRUA from (i) pledging the Bond Payments to Additional Bonds or Special Project Bonds as set forth in Sections 14 and 15 of this Resolution or (ii) disposing of any part of the BCRUA Project which is being replaced or is deemed by the BCRUA to be obsolete, worn out, surplus or no longer needed for the proper operation of the BCRUA Project. Any agreement pursuant to which the BCRUA contracts with a person, corporation, municipal corporation or political subdivision to operate the BCRUA Project or to lease and/or operate all or part of the BCRUA Project shall not be considered as an encumbrance of the BCRUA Project; provided, however, no such agreement shall impair the pledge and lien on the Bond Payments.

Section 19. COMPETITION. To the extent it legally may, the BCRUA will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the BCRUA Project and will prohibit the operation of any such competing facilities.

Section 20. SPECIAL COVENANTS. The BCRUA further covenants and agrees that: (a) **Title.** The BCRUA lawfully owns or will own and is or will be lawfully possessed of the lands or easements upon which its BCRUA Project is and will be located, and has or will purchase good and indefeasible estate in such lands in fee simple, or has or will lawfully obtain any necessary easements to operate the BCRUA Project, and it warrants that it has or will obtain and will defend, the title to all the aforesaid lands and easements for the benefit of the Registered Owners of the Bonds against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Bond Payments to the payment of the Bonds Similarly Secured, in the manner prescribed herein, and that it has lawfully exercised such rights.

(b) **Liens.** The BCRUA will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or its BCRUA Project, and it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge upon its BCRUA Project, provided, however, that no such tax, assessment, or charge, and that no such claims which might be or other lien or charge, shall be required to be paid while the validity of the same shall be contested in good faith by the BCRUA.

(c) **Performance.** The BCRUA will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in the resolutions authorizing the issuance of Bonds Similarly Secured, and in each and every Bond Similarly Secured and pay from the Bond Payments the principal of and interest on every Bond Similarly Secured on the dates and in the places and manner prescribed in such resolutions and Bonds Similarly Secured; and that it will, at the times and in the manner prescribed, or cause to be deposited from the Bond Payments the amounts required to be deposited into the Debt Service Fund; and the Registered Owner of the Bonds Similarly Secured may require the BCRUA, its officials, agents, and employees to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Bonds Similarly Secured including, but

without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the BCRUA, its officials, agents, and employees.

(d) **Legal Authority.** The BCRUA is duly authorized under the laws of the State to issue the Bonds Similarly Secured; that all action on its part for the authorization and issuance of the Bonds Similarly Secured has been duly and effectively taken, and the Bonds Similarly Secured in the hands of the Registered Owners thereof are and will be valid and enforceable special obligations of the BCRUA in accordance with their terms payable solely from the Bond Payments.

(e) **Budget.** The BCRUA will prepare, adopt, and place into effect an annual budget (the "Annual Budget") for Maintenance and Operation Expenses of the BCRUA Project for each Fiscal Year, including in each Annual Budget such items as are customarily and reasonably contained in a utility system budget under generally accepted accounting procedures.

(f) **Permits.** The BCRUA will comply with all of the terms and conditions of any and all franchises, permits, and authorizations applicable to or necessary with respect to the BCRUA Project and which have been obtained from any governmental agency; and the BCRUA has or will obtain and keep in full force and effect all franchises, permits, authorizations, and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation, and maintenance of the BCRUA Project.

Section 21. LIMITED OBLIGATIONS OF THE BCRUA. The Bonds Similarly Secured are limited, special obligations of the BCRUA payable from and equally and ratably secured solely by a lien on and pledge of the Bond Payments, and the Registered Owners thereof shall never have the right to demand payment of the principal or interest on the Bonds Similarly Secured from any funds raised or to be raised through taxation by Round Rock or the BCRUA.

Section 22. DEFAULT AND REMEDIES. (a) **Events of Default.** Each of the following occurrences or events for the purpose of this Resolution is hereby declared to be an Event of Default:

(i) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable; or

(ii) default in the performance or observance of any other covenant, agreement or obligation of the BCRUA, the failure to perform which materially, adversely affects the rights of the Registered Owners of the Bonds, including, but not limited to, their prospect or ability to be repaid in accordance with this Resolution, and, if such default is capable of cure, the continuation thereof for a period of sixty (60) days after notice of such default is given by any Registered Owner to the BCRUA; or

(iii) a default by Round Rock under the Contract.

(b) **Remedies for Event of Default.**

(i) Upon the happening of any Event of Default, then and in every case, any Registered Owner or an authorized representative thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the BCRUA, or any official, officer or employee of the BCRUA in their official capacity, for the purpose of protecting and enforcing the rights of the Registered Owners under this Resolution, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Registered Owners hereunder or any combination of such remedies. The Registered Owners are third party beneficiaries to the Contract with the ability to enforce the provisions of the Contract for such period that a default exists under the Contract.

(ii) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Bonds then Outstanding.

(iii) As long as an Insurer is not in payment default on the related Insurance Policy for the Bonds, the Insurer of a Series shall be deemed to be the sole Registered Owner of such Bonds issued by it for purposes of enforcing remedies in the Event of Default under this Resolution.

(c) ***Remedies Not Exclusive.***

(i) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Resolution, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Resolution.

(ii) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

(iii) By accepting the delivery of a Bond authorized under this Resolution, such Registered Owner agrees that the certifications required to effectuate any covenants or representations contained in this Resolution do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the officers, employees or trustees of the BCRUA or the Board.

(iv) None of the members of the Board of Directors, nor any other official or officer, agent, or employee of the BCRUA, shall be charged personally by the Registered Owners with any liability, or be held personally liable to the Registered Owners under any term or provision of this Resolution, or because of any Event of Default or alleged Event of Default under this Resolution.

Section 23. AMENDMENT OF RESOLUTION. (a) ***Amendments Without Consent.*** This Resolution and the rights and obligations of the Board and of the Registered Owners of the Bonds may be

modified or amended at any time without notice to or the consent of any Registered Owner of the Bonds or any Bond similarly secured, solely for any one or more of the following purposes:

(i) To add to the covenants and agreements of the Board contained in this Resolution, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Board in this Resolution;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this Resolution, upon receipt by the Board of an opinion of counsel, that the same is needed for such purpose, and will more clearly express the intent of this Resolution;

(iii) To supplement the security for the Bonds, replace or provide additional Credit Agreement, or change the form of the Bonds or make such other changes in the provisions hereof as the Board may deem necessary or desirable and which shall not, in the judgment of the Board, materially adversely affect the interests of the owners of the Outstanding Bonds;

(iv) To make any changes or amendments requested by any bond rating agency then rating or requested to rate the Bonds, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Board, materially adversely affect the interests of the owners of the Outstanding Bonds;

(v) To make such changes, modifications or amendments as are permitted by Section 30(c) of this Resolution;

(vi) To make such other changes in the provisions hereof as the Board may deem necessary or desirable and which shall not, in the judgment of the Board, materially adversely affect the interests of the owners of the Outstanding Bonds; or

(vii) To assign the Contract to a trustee.

(b) ***Amendments With Consent.*** Subject to the other provisions of this Resolution, the Registered Owners of Outstanding Bonds aggregating 51% in Outstanding principal amount shall have the right from time to time to approve any amendment, other than amendments described in Subsection (a) of this Section, to this Resolution which may be deemed necessary or desirable by the Board; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the Outstanding Bonds, the amendment of the terms and conditions in this Resolution or in the Bonds so as to:

- (1) Make any change in the maturity of the Outstanding Bonds;
- (2) Reduce the rate of interest borne by the Outstanding Bonds;
- (3) Reduce the amount of the principal payable on the Outstanding Bonds;

- (4) Modify the terms of payment of principal of or interest on the Outstanding Bonds, or impose any conditions with respect to such payment;
- (5) Affect the rights of the owners of less than all Bonds then Outstanding; or
- (6) Change the minimum percentage of the Outstanding principal amount of Bonds necessary for consent to such amendment.

(c) **Notice.** (i) If at any time the Board shall desire to amend this Resolution other than pursuant to (a) above, the Board shall cause notice of the proposed amendment to be published in a financial newspaper or journal of general circulation in The City of New York, New York or the State including in the Texas Bond Reporter once during each calendar week for at least two (2) successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Paying Agent/Registrar for inspection by all owners of Bonds. Such publication is not required, however, if the Board gives or causes to be given such notice in writing to each Registered Owner of Bonds.

(ii) In the event Standard & Poor's Ratings Services and/or Moody's Investor Service, Inc. maintains a rating on the Bonds, copies of any modification or amendment to this Resolution shall be sent to Standard & Poor's Ratings Services and/or Moody's Investors Service, Inc., as applicable, at least ten (10) days prior to the effective date thereof.

(d) **Receipt of Consents.** Whenever at any time not less than thirty (30) days, and within one (1) year, from the date of the first publication of said notice or other service of written notice of the proposed amendment the Board shall receive an instrument or instruments executed by all of the owners or the owners of at least 51% in Outstanding principal amount of Bonds, as appropriate, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the Board may adopt the amendatory resolution in substantially the same form.

(e) **Effect of Amendments.** Upon the adoption by the Board of any resolution to amend this Resolution pursuant to the provisions of this Section, this Resolution shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the Board and all the owners of then Outstanding Bonds and all future Bonds shall thereafter be determined, exercised, and enforced under the resolution and this Resolution, as amended.

(f) **Consent Irrevocable.** Any consent given by any owner of Bonds pursuant to the provisions of this Section shall be irrevocable for a period of six (6) months from the date of the first publication or other service of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the same Bonds during such period. Such consent may be revoked at any time after six (6) months from the date of the first publication of such notice by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Registrar and the Board, but such revocation shall not be effective if the owners of 51% in Outstanding principal amount of Bonds, prior to the attempted revocation, consented to and approved the amendment.

(g) **Ownership.** For the purpose of this Section, the ownership and other matters relating to all Bonds registered as to ownership shall be determined from the Registration Books kept by the Paying Agent/Registrar therefor. The Paying Agent/Registrar may conclusively assume that such ownership continues until written notice to the contrary is served upon the Paying Agent/Registrar.

(h) **Insurer Consent.** Notwithstanding the foregoing provisions of this Section, so long as any Insurer is not in payment default under its policy, no amendment or supplement to this Resolution may become effective except upon obtaining the prior written consent of any such Insurer.

Section 24. COVENANTS REGARDING TAX-EXEMPTION OF INTEREST ON THE BONDS. (a) **Covenants.** The Board covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "IRS Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Board covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed or refinanced therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the IRS Code or, if more than 10 percent of the proceeds of the Bonds or the projects financed or refinanced therewith are so used, such amounts, whether or not received by the Board, with respect to such private business use, do not, under the terms of this Resolution or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the IRS Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Bonds or the projects financed or refinanced therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the IRS Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the IRS Code;

(4) to refrain from taking any action which would otherwise result in the Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the IRS Code;

(5) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the IRS Code;

(6) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the IRS Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with:

(A) proceeds of the Bonds invested for a reasonable temporary period of three (3) years or less or, in the case of a refunding bond, for a period of thirty (30) days or less until such proceeds are needed for the purpose for which the Bonds are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed ten (10) percent of the proceeds of the Bonds;

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Tax-Exempt Bonds do not otherwise contravene the requirements of section 148 of the IRS Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the IRS Code (relating to advance refundings); and

(8) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the IRS Code and to pay to the United States of America, not later than sixty (60) days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the IRS Code; and

(9) to assure that the proceeds of the Bonds will be used solely for new money projects.

(b) **Rebate Fund.** In order to facilitate compliance with the above covenant (8), a "Rebate Fund" is hereby established by the Board for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the IRS Code.

(c) **Proceeds.** The Board understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the Board that the covenants contained herein are intended to assure compliance with the IRS Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the IRS Code, as applicable to the Bonds, the BCRUA will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the IRS Code. In the event that regulations or rulings are hereafter

promulgated which impose additional requirements which are applicable to the Bonds, the BCRUA agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the IRS Code. In furtherance of such intention, the BCRUA hereby authorizes and directs the BCRUA Representative to execute any documents, certificates or reports required by the IRS Code and to make such elections, on behalf of the BCRUA, which may be permitted by the IRS Code as are consistent with the purpose for the issuance of the Bonds.

(d) ***Allocation Of, and Limitation On, Expenditures for the Project.*** The BCRUA covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 2 of this Resolution (the "Project") on its books and records in accordance with the requirements of the IRS Code. The Board recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the Board recognizes that in order for proceeds to be expended under the IRS Code, the sale proceeds or investment earnings must be expended no more than sixty (60) days after the earlier of (1) the fifth (5th) anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. The Board agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes of this subsection, the Board shall not be obligated to comply with this covenant if it obtains an opinion of nationally-recognized bond counsel to the effect that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) ***Disposition of Project.*** The BCRUA covenants that the property constituting the BCRUA Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Board of cash or other compensation, unless the Board obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of this subsection, the portion of the property comprising personal property and disposed of in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes of this subsection, the Board shall not be obligated to comply with this covenant if it obtains an opinion of nationally-recognized bond counsel to the effect that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 25. RESOLUTION TO CONSTITUTE A CONTRACT; EQUAL SECURITY. In consideration of the acceptance of the Bonds, the issuance of which is authorized hereunder, by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Board and the Registered Owners from time to time of the Bonds and the pledge made in this Resolution by the Board and the covenants and agreements set forth in this Resolution to be performed by the Board shall be for the equal and proportionate benefit, security, and protection of all Registered Owners, without preference, priority, or distinction as to security or otherwise of any of the Bonds authorized hereunder over any of the others by reason of time of issuance, sale, or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Resolution.

Section 26. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements, or provisions herein contained shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements, or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements, or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Bonds issued hereunder.

Section 27. PAYMENT AND PERFORMANCE ON BUSINESS DAYS. Except as provided to the contrary in the FORM OF BOND, whenever under the terms of this Resolution or the Bonds, the performance date of any provision hereof or thereof, including the payment of principal of or interest on the Bonds, shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the Bonds, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the date of performance or payment.

Section 28. LIMITATION OF BENEFITS WITH RESPECT TO THE RESOLUTION. With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied from the provisions of this Resolution or the Bonds is intended or should be construed to confer upon or give to any person other than the Board, the Registered Owners, and the Paying Agent/Registrar, any legal or equitable right, remedy, or claim under or by reason of or in respect to this Resolution or any covenant, condition, stipulation, promise, agreement, or provision herein contained. This Resolution and all of the covenants, conditions, stipulations, promises, agreements, and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the Board, the Registered Owners, and the Paying Agent/Registrar as herein and therein provided.

Section 29. CUSTODY, APPROVAL, BOND COUNSEL'S OPINION, CUSIP NUMBERS, PREAMBLE AND INSURANCE. The BCRUA Representative is hereby authorized to have control of the Bonds issued hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and approval by the Attorney General of the State. The BCRUA Representative is hereby authorized, to the extent deemed necessary or advisable thereby, in the discretion thereof, to request that the Attorney General approve the Bonds as permitted by Chapter 1202, Texas Government Code, in which case the BCRUA Representative also is authorized to request the Comptroller of Public Accounts register the Bonds, and to cause an appropriate legend reflecting such approval and registration to appear on the Bonds and the substitute Bonds. The approving legal opinion of the Board's Bond Counsel and the assigned CUSIP numbers may, at the option of the Board, be printed on the Bonds and on any Bonds issued and delivered in exchange or replacement of any Bond, but neither shall have any legal effect, and shall be solely for the convenience and information of the Registered Owners of the Bonds. The preamble to this Resolution is hereby adopted and made a part of this Resolution for all purposes. If insurance is obtained on any of the Bonds, the Bonds shall bear, as appropriate and applicable, a legend concerning insurance as provided by the municipal bond insurance company issuing any such insurance.

Section 30. COMPLIANCE WITH RULE 15c2-12. (a) *Annual Reports.* (i) The Board shall provide annually to the MSRB, in an electronic format as prescribed by the MSRB, within six months after

the end of each Fiscal Year ending in or after 2009, financial information and operating data with respect to the Board including financial statements of the BCRUA, and general financial and operating information of the general type included in the application to the Texas Water Development Board for financial assistance. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in Exhibit "F" hereto, or such other accounting principles as the Board may be required to employ from time to time pursuant to state law or regulation. The Board shall commission an annual audit of such statements and if the audit is completed within the period during which they must be provided, a copy of such audit also shall be provided in accordance with the Rule. If such audit of such financial statements is not complete within such period, then the Board shall provide unaudited financial statements within the required time period and audited financial statements for the applicable fiscal year to the MSRB, when the audit report on such statements become available.

(ii) If the Board changes its Fiscal Year, it will notify the MSRB of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Board otherwise would be required to provide financial information and operating data pursuant to this Section. The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document that is available to the public on the MSRB's internet web site or filed with the SEC. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(b) **Material Event Notices.** The Board shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) Modifications to rights of holders of the Bonds;
- (viii) Bond calls;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds; and

(xi) Rating changes.

The Board shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, of any failure by the Board to provide financial information or operating data in accordance with subsection (a) of this Section by the time required by such subsection. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(c) ***Limitations, Disclaimers, and Amendments.*** (i) The Board shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Board remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the Board in any event will give notice of any deposit made in accordance with this Resolution or applicable law that causes the Bonds no longer to be Outstanding.

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

(iii) Any filing required by this Section may be made solely with a central post office approved for such purposes by the SEC, such as the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org>, for submission to the NRMSIRs and SID (without also separately submitting such filings to the NRMSIRs and SID by some other means) so long as such filing is acceptable to the SEC.

(iv) UNDER NO CIRCUMSTANCES SHALL THE BOARD BE LIABLE TO THE REGISTERED OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE BOARD, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. NOTHING IN THIS RESOLUTION SHALL BE CONSTRUED AS A WAIVER OF THE CONSTITUTIONAL, STATUTORY OR COMMON LAW IMMUNITIES OR DEFENSES OF THE BOARD, WHICH IMMUNITIES AND DEFENSES ARE HEREBY AND HERETO AFFIRMED.

(v) No default by the Board in observing or performing its obligations under this Section shall comprise a breach of or default under this Resolution for purposes of any other provision of this Resolution. Should the Rule be amended to obligate the Board to make filings with or provide notices to entities other than the MSRB, the Board hereby agrees to undertake such obligation with respect to the

Bonds in accordance with the Rule as amended. Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Board under federal and state securities laws.

(vi) The provisions of this Section may be amended by the Board from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Board, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Registered Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the Bonds then outstanding consent to such amendment or (b) a person that is unaffiliated with the Board (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. If the Board so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection (a) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Board may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Section 31. APPLICATION OF BOND PROCEEDS. Proceeds from the sale of the Bonds shall, promptly upon receipt thereof, be applied by the BCRUA Representative as follows an amount sufficient to accomplish the purposes of Section 2 shall be deposited in the Escrow Fund or Construction Fund as authorized by the Texas Water Development Board.

Any sale proceeds of the Bonds remaining after making all deposits and payments provided for above shall be applied to the payment of interest on the Bonds.

Section 32. DEFEASANCE PROVISIONS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of this Resolution, except to the extent provided in subsections (c) and (e) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption or the establishment of irrevocable provisions for the giving of such notice) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the BCRUA with the Paying Agent/Registrar or an eligible trust company or commercial bank for the payment of its services until all

Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Bond Payments as provided in this Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) The deposit under clause (ii) of subsection (a) shall be deemed a payment of a Bond as aforesaid when proper notice of redemption of such Bonds shall have been given or upon the establishment of irrevocable provisions for the giving of such notice, in accordance with this Resolution. Any money so deposited with the Paying Agent/Registrar or an eligible trust company or commercial bank as provided in this Section may at the discretion of the BCRUA also be invested in Defeasance Securities, maturing in the amounts and at the times as hereinbefore set forth, and all income from all Defeasance Securities in possession of the Paying Agent/Registrar or an eligible trust company or commercial bank pursuant to this Section which is not required for the payment of such Bond and premium, if any, and interest thereon with respect to which such money has been so deposited, shall be remitted to the BCRUA.

(c) Notwithstanding any provision of any other Section of this Resolution which may be contrary to the provisions of this Section, all money or Defeasance Securities set aside and held in trust pursuant to the provisions of this Section for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the BCRUA shall make proper arrangements to provide and pay for such services as required by this Resolution.

(d) Notwithstanding anything elsewhere in this Resolution, if money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or an eligible trust company or commercial bank pursuant to this Section for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the provisions of this Section shall be made without the consent of the registered owner of each Bond affected thereby.

(e) Notwithstanding the provisions of subsection (a) immediately above, to the extent that, upon the defeasance of any Defeased Bond to be paid at its maturity, the BCRUA retains the right under State law to later call that Defeased Bond for redemption in accordance with the provisions of this Resolution, the BCRUA may call such Defeased Bond for redemption upon complying with the provisions of State law and upon the satisfaction of the provisions of subsection (a) immediately above with respect to such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

Section 33. TEXAS WATER DEVELOPMENT BOARD MATTERS. The provisions of this Section shall apply so long as the Bonds, or any of them, are owned by the Texas Water Development Board.

(a) Annual Audit Reporting. The BCRUA shall provide to the Development Fund Manager of the Texas Water Development Board, without the necessity of a written request therefor, a copy of the BCRUA's annual audit report, to be submitted without charge, within 120 days of the close of each BCRUA fiscal year.

(b) As-Built Plans. The BCRUA shall provide to the Texas Water Development Board a full and complete set of "as-built" plans relating to the BCRUA Project, promptly upon completion of such project.

(c) Final Accounting. Upon completion of the BCRUA Project, the BCRUA shall render a final accounting of the cost of such project to the Texas Water Development Board. If the total cost of such project, as finally completed, is less than originally estimated, so that the proper share of the participation by the Texas Water Development Board in such project is reduced, the BCRUA shall return to the Texas Water Development Board the amount of such excess to the nearest multiple of the denomination of the Bonds, whereupon the Texas Water Development Board shall cancel and return to the BCRUA a like amount of said Bonds held by the Texas Water Development Board. The Bonds to be canceled and returned shall be chosen in inverse order of maturity. The remainder of any such excess, an amount less than \$5,000, shall be deposited into the Debt Service Fund.

(d) Covenant to Abide with Rules. The BCRUA will abide with all applicable laws of the State of Texas and Rules of the Texas Water Development Board relating to the loan of funds evidenced by the Bonds and the project for which the Bonds are issued, sold and delivered.

(e) Records and Accounts. The BCRUA agrees and covenants that it will maintain current, accurate and complete records and accounts regarding the BCRUA Project in accordance with 31 TAC 375.71(a)(2)(G).

(f) Environmental Determinations. The BCRUA agrees and covenants that it will comply with any special conditions of the Executive Administrator's environmental determination in accordance with 31 TAC 375.71(a)(8).

(g) Environmental Expenditures. The BCRUA covenants and agrees that none of the proceeds of the Bonds will be expended on costs incurred or to be incurred relating to the sampling, testing, removing or disposing of potentially contaminated soils and/or media at the project site.

(h) Indemnification. The BCRUA further agrees, to the extent permitted by law and solely from funds provided by Round Rock under the Contract, to indemnify, hold harmless and protect the Texas Water Development Board from any and all claims or causes of action arising from the sampling, analysis, transport, removal and off-site disposition of any contaminated media that may be generated by the BCRUA, its contractors, consultants, agents, officials and employees as a result of activities related to the BCRUA.

(i) Water Conservation Plan. Round Rock has agreed to implement the Texas Water Development Board approved water conservation plan.

Section 34. FURTHER PROCEDURES. The President of the Board, the BCRUA Representative, and all other officers, employees, and agents of the Board, and each of them, shall be and they are hereby expressly 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 Board 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 Resolution, the Bonds, the sale and delivery of the Bonds and fixing all details in connection therewith. The BCRUA Representative is authorized to sign this Resolution.

Section 35. DTC LETTER OF REPRESENTATION. The Board approves execution by the BCRUA Representative and delivery to DTC of a "Blanket Letter of Representations" with respect to the utilization by the Board of DTC's book-entry-only system and the Board intends to utilize such book-entry-only system in connection with the Bonds.

Section 36. BOND INSURANCE. (a) In connection with the sale of the Bonds, the Board may obtain municipal bond insurance policies from one or more municipal bond insurers (the "Insurer") to guarantee the full and complete payment required to be made by or on behalf of the Board on some or all of the Bonds as determined by the BCRUA Representative. The BCRUA Representative is hereby authorized to sign a commitment letter with the Insurer and to pay the premium for the bond insurance policies at the time of the delivery of the Bonds out of the proceeds of sale of the Bonds or from other available funds and to execute such other documents and certificates as necessary in connection with the bond insurance policies as he or she may deem appropriate. Printing on Bonds covered by the bond insurance policies a statement describing such insurance, in form and substance satisfactory to the Insurer and the BCRUA Representative, is hereby approved and authorized. The Award Certificate may contain provisions related to the bond insurance policies, including payment provisions thereunder, and the rights of the Insurer or Insurers, and any such provisions shall be read and interpreted as an integral part of this Resolution.

(b) As long as an Insurer is not in default on the related Insurance Policy for the Bonds, the Insurer of a Series shall be deemed to be the sole Registered Owner of such Bonds insured by it for all purposes of this Resolution.

Section 37. REPEAL OF CONFLICTING RESOLUTIONS. All resolutions and all parts of any resolutions which are in conflict or inconsistent with this Resolution are hereby repealed and shall be of no further force or effect to the extent of such conflict or inconsistency.

Section 38. PUBLIC NOTICE. It is hereby found and determined that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting at which this Resolution was adopted; that this Resolution would be introduced and considered for adoption at said meeting; and that said meeting was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

Section 39. NO PERSONAL LIABILITY. No covenant or agreement contained in the Bonds, this Resolution or any corollary instrument shall be deemed to be the covenant or agreement of any member of the Board or any officer, agent, employee or representative of the Board in his individual capacity, and neither the directors, officers, agents, employees or representatives of the Board nor any person executing the Bonds shall be personally liable thereon or be subject to any personal liability for damages or otherwise or accountability by reason of the issuance thereof, or any actions taken or duties performed, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being expressly released and waived as a condition of and in consideration for the issuance of the Bonds.

Section 40. CREDIT AGREEMENTS. To the extent permitted by law, the BCRUA reserves the right to enter into Credit Agreements in connection with the Bonds, upon the written opinion of the BCRUA Representative that such Credit Agreements are in the best interest of the BCRUA given the market conditions at the time. The Credit Agreements will constitute a Credit Agreement as defined in this Resolution. Credit Agreements and the obligations thereunder may, pursuant to their terms, constitute (i) debt secured by a pledge of the Bond Payments on parity with the Bonds Similarly Secured (ii) debt secured by an inferior lien secured by a pledge of the Bond Payments subordinate to the Bonds Similarly Secured or (iii) partially parity and partially inferior lien.

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PASSED AND ADOPTED on the 3rd day of June, 2009.

**BRUSHY CREEK REGIONAL
UTILITY AUTHORITY, INC.**

BCRUA Representative

- EXHIBIT A - Definitions
- EXHIBIT B - Award Certificate
- EXHIBIT C - Form of Bond
- EXHIBIT D - Paying Agent/Registrar Agreement
- EXHIBIT E - Escrow Agreement
- EXHIBIT F - Continuing Disclosure
- EXHIBIT G - Contract

EXHIBIT A

DEFINITIONS

As used in this Resolution, the following terms and expressions shall have the meanings set forth below, unless the text in this Resolution specifically indicates otherwise.

The term *Additional Bonds* shall mean the obligations issued in accordance with the terms and conditions prescribed in Section 17 hereof.

The term *Annual Payments* shall have the meaning given in the Contract.

The term *Authorized Denominations* shall mean with respect to the Bonds the denomination of \$5,000 or any integral multiple thereof.

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 all outstanding Bonds Similarly Secured when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Debt Service Requirement by the number of Fiscal Years then remaining before Stated Maturity of such Bonds Similarly Secured. 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 Bond proceeds shall be excluded in making the aforementioned computation.

The Term *Award Certificate* shall mean the Certificate executed by the BCRUA Representative in connection with the Bonds that establishes the terms of the Bonds issued pursuant to Section 3 of this Resolution.

The term *BCRUA* shall mean Brushy Creek Regional Utility Authority, Inc. and any other public agency succeeding to the powers, rights, privileges and functions of the BCRUA and, when appropriate, the Board of Directors of the BCRUA.

The term *BCRUA Project* shall mean, collectively, the Land Interests and the improvements described in the recitals to the Contract and further described in the Preliminary Design Report, and as shown on Exhibit "G" to the Contract. Without limitation the BCRUA Project includes the facilities, lines, intake structures, storage tanks, booster pumps and other appurtenances in the BCRUA Project as described in the Preliminary Design Report and owned by the BCRUA sufficient to treat the raw water and deliver the treated water to which the Cities, respectively, are entitled under the Contract.

The term *BCRUA Project Costs* means and includes, without limitation, the following costs incurred for the BCRUA Project by or on behalf of the BCRUA or the Cities: (i) the cost of acquisition of the Land Interests, including appraisals, closing costs and title insurance policies; (ii) the cost of acquisition, construction, repair, replacement, improvement or decommissioning of the Facilities, and any structure, item of equipment, or other item, used for, or in connection with, the BCRUA Project; (iii) the cost of site preparation of the Land Interests, including demolition or removal of structures and

improvements as necessary or incident to accomplishing the BCRUA Project; (iv) the cost of engineering, legal, architectural or other related services; (v) the preparation cost of plans, specifications, studies, surveys, cost estimates, and other expenses necessary or incident to planning, providing, or financing the BCRUA Project; (vi) the cost of machinery, equipment, furnishings, and facilities necessary or incident to placing the BCRUA Project in operation; (vii) finance charges and interest before, during, and after construction as permitted by the laws of the State; (viii) costs incurred in connection with financing the BCRUA Project, including, without limitation: (1) financing, legal, accounting, financial advisory, rating agency, and auditing fees, expenses and disbursements; (2) the cost of printing, engraving, and reproduction services; and (3) the cost of a trustee's or paying agent's initial or acceptance fee and subsequent fees; (ix) all costs, fees and expenses of litigation of all kinds; (x) the cost of property casualty and public liability insurance; (xi) the fees and costs of the Purchaser as the anticipated purchasers of the Bonds; (xii) reimbursement of the costs previously incurred by the Cities with respect to the BCRUA Project; and (xiii) other costs generally recognized as part of BCRUA Project construction costs.

The term *BCRUA Representative* shall mean the Vice President of the Board of the BCRUA or in his absence the General Manager of the BCRUA or such other person authorized by the Board to act as a BCRUA Representative.

The term *Bond Payments* shall mean the payments defined as "Bond Payments" within the Contract that the BCRUA expects to receive from the City of Round Rock, Texas pursuant to the terms of the Contract.

The term *Bonds* shall mean and include collectively the Bonds issued and delivered pursuant to this Resolution and the Award Certificate for the Bonds and all substitute Bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term *Bond* shall mean any of the Bonds.

The term *Bonds Similarly Secured* shall mean the Bonds issued pursuant to this Resolution and any Additional Bonds hereafter issued by the BCRUA 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 lien on and pledge of the Bond Payments.

The term *Business Day* shall mean any day which is not a Saturday, Sunday, legal holiday, or a day on which banking institutions in The City of New York, New York or in the city where the Designated Trust Office of the Paying Agent/Registrar is located are authorized by law or executive order to close.

The term *Certified Public Accountant* shall mean an independent certified public accountant or firm of independent certified public accountants.

The term *Closing Date* shall mean the date of physical delivery of the Initial Bond issued pursuant to this Resolution for the payment in full by the Purchaser.

The term *Contract* shall mean the Master Contract for the Financing, Construction and Operation of the BCRUA Regional Water Treatment and Distribution Project, dated as of September 2, 2008, as

amended by the First Amendment to the Master Contract for the Financing, Construction and Operation of the BCRUA Regional Water Treatment and Distribution Project dated as of February 12, 2009 together with any additional amendments and supplements thereto (which by the term of such instrument is designated as a supplement or amendment to such Contract), a copy of such Contract being attached hereto as Exhibit "G".

The term *Credit Agreement* shall mean an Insurance Policy, a surety bond (including any supporting Insurance Agreement), a letter or line of credit or other type of enhancement issued in support of any Bonds or Additional Bonds by a Credit Agreement Provider at the request of the BCRUA.

The term *Credit Agreement Provider* shall mean (i) with respect to any Credit Agreement consisting of a policy of municipal bond insurance or a surety bond, an issuer of policies of insurance insuring the timely payment of scheduled debt service on governmental obligations such as the Bonds or Additional Bonds, provided that a Rating Agency having an outstanding rating on the Bonds or Additional Bonds would rate the Bonds or Additional Bonds upon delivery of the Bonds or Additional Bonds fully insured by a standard policy issued by the issuer in its highest generic rating category for such obligations; and (ii) with respect to any Credit Agreement consisting of a letter or line of credit, any financial institution, provided that a Rating Agency having an outstanding rating on the Bonds or Additional Bonds would rate the Bonds or Additional Bonds in one of its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Bonds or Additional Bonds and the interest thereon.

The term *Debt Service Fund* shall mean the special fund or account created and established by the provisions of Section 10(a) of this Resolution.

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 BCRUA 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 (a) either (i) an interest rate equal to the average rate borne by such Bonds (or by comparable debt in the event that such Bonds have not been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, (ii) if the Bonds bear interest at tax-exempt rates, an interest rate equal to the 24 month average of the Index (as most recently published in The Bond Buyer), unless such index is no longer published in The Bond Buyer, in which case the index to be used in its place shall be that index which the BCRUA Representative determines most closely replicates such index as set forth in a certificate of a BCRUA Representative, (iii) if the Bonds bear interest at taxable rates, an interest rate equal to the rate of the 30 day London Interbank Offered Rate, (iv) that interest rate which, in the judgment of the BCRUA Representative, based, to the extent possible, upon an accepted market index which corresponds with the provisions of the subject Bonds, is the average rate anticipated to be in effect with respect to such Bonds or (v) that interest rate which, in the judgment of the BCRUA Representative, based upon the interest rate methodology in the applicable Credit Agreement if calculating payments under a Credit Agreement, is the average rate anticipated to be in effect; and (b) that the debt service 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.

The term *Defeasance Securities* shall mean (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (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 Board adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent.

The term *Depository* shall mean an official depository bank of the BCRUA.

The term *Designated Trust Office* shall have the meaning ascribed to said term in Section 5(b) of this Resolution.

The term *DTC* shall mean The Depository Trust Company, New York, New York, or any successor securities depository.

The term *DTC Participant* shall mean securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

The term *Federal Securities* shall mean direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (including Interest Strips of the Resolution Funding Corporation).

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

The term *Fitch* shall mean Fitch Investors Service, L.P., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Fitch shall be deemed to refer to any other nationally recognized securities rating agency designated by the BCRUA.

The term *Funds* shall mean the Debt Service Fund and Construction Fund created and held pursuant to this Resolution.

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; or (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Bonds, while any of the Bonds remain Outstanding as established in the Award Certificate.

The term *IRS Code* shall mean the Internal Revenue Code of 1986, as amended.

The term *Land Interests* shall mean the fee simple interests and/or the easements, right-of-way and other interests in real property necessary for the acquisition, construction and operation of the BCRUA Project.

The term *Maintenance and Operation Expenses* shall mean the expenses necessary to provide for the administration, efficient operation and adequate maintenance of the BCRUA's System, including the cost of purchasing water, paying necessary wages, salaries, and benefits, the acquisition of property and materials necessary to maintain the System in good condition and to operate it efficiently, together with such other costs and expenses as may now or hereafter be defined by law as proper maintenance and operation expenses of the System, including Operation and Maintenance Expenses (as defined in the Contract).

The term *Maturity* shall mean the date on which the principal of a Bond becomes due and payable as therein and herein provided, whether at Stated Maturity, by redemption or otherwise.

The term *Moody's* shall mean Moody's Investors Service, Inc., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Moody's shall be deemed to refer to any other nationally recognized securities rating agency designated by the BCRUA.

The term *MSRB* shall mean the Municipal Securities Rulemaking Board.

The term *Outstanding* shall mean when used in this Resolution with respect to Bonds means, as of the date of determination, all Bonds of any series issued and delivered pursuant to this Resolution, except:

- (1) those Bonds canceled 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 BCRUA in accordance with the provisions of Section 32 of this Resolution 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 Resolution 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 5(f) of this Resolution.

The terms *Paying Agent/Registrar*, *Paying Agent* or *Registrar* shall mean the agent appointed pursuant to Section 5 of this Resolution or any successor to such agent.

The term *Preliminary Design Report* shall mean, collectively, the following described documents:

(i) *Treatment Plant PDR*, "Brushy Creek Regional Water Treatment Plant; Preliminary Design Report" prepared by Camp Dresser & McKee, Inc., dated July, 2008;

(ii) *Raw Water PDR*, "Brushy Creek Regional Water Supply Project – Phase 1 Raw Water Facilities – Floating Intake and Raw Water Pipeline; Preliminary Design Report" prepared by Carter & Burgess, Inc., dated October 2007;

(iii) *Treated Transmission Main, Segment 1 PDR*, "Brushy Creek Regional Utility Authority 78 inch Water Transmission Main Preliminary Engineering Report" prepared by Lockwood, Andrews & Newman, Inc., dated May 24, 2007; and

(iv) *Treated Transmission Main, Segment 2C PDR*, "Preliminary Engineering Report – Treated Water Transmission Line Segment 2C" prepared by K. Friese & Associates, Inc., dated September 2007.

The term *Purchaser* shall mean the Texas Water Development Board.

The term *Rating Agencies* shall mean S&P, Moody's and/or Fitch according to which of such rating agencies then rates the Bonds or Additional Bonds of the applicable series; and provided that if neither of such rating agencies then rates any series of Bonds or Additional Bonds of such series, the term "Registered Owner" shall refer to any national rating agency (if any) which provides such rating.

The term *Record Date* shall mean, with respect to the Bonds, the Business Day of each month as set forth in the Award Certificate.

The term *Registration Books* shall mean the books or records relating to the registration, payment and transfer or exchange of the Bonds maintained by the Paying Agent/Registrar pursuant to Section 5 of this Resolution.

The term *Registered Owner* shall mean the entity or person in whose names any of the Bonds are registered in the Registration Books.

The term *Resolution* shall mean this resolution adopted by the Board on June 3, 2009.

The term *Round Rock or City* means the City of Round Rock, Texas, a home-rule municipality.

The term *Round Rock System* shall mean the combined water and wastewater system of Round Rock together with all future extensions, improvements, enlargements, and additions thereto, including, to the extent permitted by law, storm sewer and drainage and/or reclaimed water systems which are integrated with the waterworks or wastewater disposal system, and all replacements thereof, provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term Round Rock System shall not include any waterworks or wastewater facilities which are declared by Round Rock not to be a part of the Round Rock System and which are hereafter acquired or constructed by Round Rock with the proceeds from the issuance of "Special Facilities Bonds," which are not secured by or payable from the net revenues of the Round Rock System, but which are secured by and are payable solely from special contract revenues, or payments received from Round Rock or any other legal entity, or any combination thereof, in connection with such facilities; and such revenues or payments shall not be considered as or constitute gross revenues of the Round Rock System, unless and to the extent otherwise provided in the ordinance or ordinances authorizing the issuance of such "Special Facilities Bonds."

The term *Round Rock Utility Bonds* shall mean the bonds, notes or other obligations issued by Round Rock secured by a lien on and pledge of the net revenues of the Round Rock System or any part thereof regardless of lien priority including such bonds, notes or other obligations now or hereafter outstanding.

The term *Rule* shall mean SEC Rule 15c2-12, as amended from time to time.

The term *S&P* shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, S&P shall be deemed to refer to any other nationally recognized securities rating agency designated by the BCRUA.

The term *SEC* shall mean the United States Securities and Exchange Commission.

The term *Special Project Bonds* shall mean obligations which the BCRUA expressly reserves the right to issue in Section 15 of this Resolution.

The term *State* shall mean the State of Texas.

The term *Stated Maturity* shall mean, when used with respect to the Bonds, the scheduled maturity or mandatory sinking fund redemption date of a series of the Bonds.

EXHIBIT B
AWARD CERTIFICATE

EXHIBIT C
FORM OF BOND

REGISTERED
NO. _____

REGISTERED
PRINCIPAL AMOUNT
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
CITY OF ROUND ROCK, TEXAS CONTRACT REVENUE BONDS
SERIES _____
(BRUSHY CREEK REGIONAL WATER TREATMENT AND DISTRIBUTION PROJECT)

BOND DATE: **STATED MATURITY:** **INTEREST RATE:** **CUSIP No.:**

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____ **DOLLARS**

The Brushy Creek Regional Utility Authority, Inc. (the "BCRUA"), a non-profit corporation of the State of Texas, with its principal office in _____, 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 from the Bond Date, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, 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 _____ and _____* of each year commencing _____*.

Principal and premium, if any, of the Bond shall be payable to the Registered Owner hereof (the "Holder") upon presentation and surrender, at a corporate trust office of the Paying Agent/Registrar executing the registration certificate appearing hereon or a successor thereof. Interest shall be payable to the Holder of this Bond (or one or more Predecessor Bonds, as defined in the Resolution hereinafter

* As provided in the Award Certificate. To the extent that the Award Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Award Certificate shall be used in the executed Bonds.

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. In addition, interest may be paid by such other method, acceptable to the Texas Water Development Board, or such other Registered Owner, requested by, and at the risk and expense, of the Registered Owner; provided, however, that if this Bond is owned by the Texas Water Development Board, interest will be paid by wire transfer or other method acceptable to the Texas Water Development Board, and there will be no charge.

This Bond is one of the series specified in its title issued in the aggregate principal amount of \$ _____* (the "Bonds") pursuant to a resolution adopted by the governing body of the BCRUA (the "Resolution"), to pay: (i) ROUND ROCK'S SHARE OF THE COSTS OF CONSTRUCTING, ACQUIRING, IMPROVING AND/OR EXPANDING THE BCRUA PROJECT INCLUDING BUT NOT LIMITED TO LAND INTERESTS, TEMPORARY INTAKE STRUCTURE, STORAGE TANKS, LINES, BOOSTER PUMPS, TREATMENT FACILITIES AND OTHER APPURTENANCES NECESSARY FOR THE DELIVERY, TREATMENT AND TRANSMISSION OF RAW WATER AND ACQUIRING EASEMENTS, RIGHTS-OF-WAY AND OTHER INTERESTS IN LAND OR OTHER FACILITIES NECESSARY FOR THE WITHDRAWAL, DIVERSION DELIVERY, TRANSMISSION AND TREATMENT OF RAW WATER ALL AS DESCRIBED IN THE PRELIMINARY DESIGN REPORT AND (ii) THE COSTS OF ISSUANCE OF THE BONDS.

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

If this Bond (or any portion of the principal sum hereof) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date this Bond (or the portion of the principal sum hereof to be redeemed) shall become due and payable, and, if money for the payment of the

* As provided in the Award Certificate. To the extent that the Award Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Award Certificate shall be used in the executed Bonds.

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 BCRUA 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 BCRUA payable from and equally and ratably secured solely by a lien on and pledge of the Bond Payments received by the BCRUA from the City of Round Rock, Texas pursuant to the provisions of the Contract. In the Resolution, the BCRUA reserves and retains the right to issue Additional Bonds, without limitation as to principal amount but subject to any terms, conditions, or restrictions set forth in the Resolution 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 BCRUA or BCRUA Project, except with respect to the Bond Payments.

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 Resolution, copies of which are on file in the corporate trust office of the Paying Agent/Registrar, and to all of the provisions of which the Holder by his acceptance hereof hereby assents, for definitions of terms; the description and nature of the Special Payments pledged for the payment of the Bonds; the terms and conditions under which the BCRUA may issue Additional Bonds; the terms and conditions relating to the transfer or exchange of the Bonds; the conditions upon which the Resolution may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the BCRUA 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 Resolution. Capitalized terms used herein have the same meanings assigned in the Resolution.

This Bond, subject to certain limitations contained in the Resolution, may be transferred on the Registration Books upon presentation and surrender at a 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 BCRUA 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 BCRUA 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 BCRUA. 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 BCRUA have been performed, exist, and have been done, in regular and due time, form, and manner, as required by law, and that issuance of the Bonds does not exceed any constitutional or statutory limitation; and that due provision has been made for the payment of the principal of and interest on the Bonds by a lien on and pledge of the Bond Payments and as otherwise provided in this Resolution. 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 Resolution shall be construed in accordance with and shall be governed by the laws of the State of Texas.

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

BRUSHY CREEK REGIONAL UTILITY
AUTHORITY, INC.

President, Board of Directors

ATTESTED:

Secretary, Board of Directors

(SEAL)

C. Form of Registration Certificate of Comptroller of Public Accounts to Appear on Initial Bond Only.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER OF
PUBLIC ACCOUNTS

THE STATE OF TEXAS

§
§ REGISTER NO. _____
§

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

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

D. Form of Certificate of Paying Agent/Registrar to Appear on Definitive Bonds Only.

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

Registered this date: _____

as Paying Agent/Registrar

By: _____
Authorized Signature

E. Form of Assignment.

ASSIGNMENT

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

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

DATED: _____

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

Signature guaranteed:

F. The Initial Bond of each series 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 Brushy Creek Regional Utility Authority, Inc. (the "BCRUA"), a non-profit corporation of the State of Texas, with its principal office located in _____, 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 _____* day of _____* in each of the years and in principal amounts and bearing interest at per annum rates in accordance with the following schedule:

Years of	Principal	Interest

* As provided in the Award Certificate. To the extent that the Award Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Award Certificate shall be used in the executed Bonds.

Stated Maturity

Amounts (\$)

Rates (%)

(Information to be inserted from Award Certificate).

(or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid Principal Amount hereof from the _____*, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, to Stated Maturity or prior redemption, at the per annum rates of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on _____* and _____*, commencing _____* (the "Interest Payment Date").

Principal and premium, if any, of this Bond shall be payable to the Registered Owner hereof (the Holder), upon its presentation and surrender, at a corporate trust office of Wells Fargo Bank, National Association, Austin, Texas (the "Paying Agent/Registrar"). Interest shall be payable to the Holder of this Bond whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the 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 an Insurance Policy is obtained by the Purchasers or the BCRUA for any series of Bonds, the definitive Bonds and the Initial Bond shall bear an appropriate legend as provided by the Insurer.

EXHIBIT D

PAYING AGENT/REGISTRAR AGREEMENT

EXHIBIT E
ESCROW AGREEMENT

EXHIBIT F

CONTINUING DISCLOSURE OF INFORMATION

Accounting Principles

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

EXHIBIT G

**MASTER CONTRACT FOR THE FINANCING, CONSTRUCTION
AND OPERATION OF THE BCRUA REGIONAL WATER
TREATMENT AND DISTRIBUTION**

Part B-25 Cedar Park WCP and Drought Contingency Plan

ARTICLE 18.08 DROUGHT CONTINGENCY AND WATER EMERGENCY PLAN*

Sec. 18.08.001 Approval of the plan

The City Council hereby approves the addition of definitions, prohibiting water waste during all drought response stages, and revisions to drought response stages to the City's drought contingency and water emergency plan (the "plan"). The City commits to implement the program changes according to the procedures set forth in the revised plan.

Sec. 18.08.002 Declaration of policy, purpose, and intent

(a) It is hereby declared that, because of the water conditions prevailing in the City, the water resources available to the City shall be put to the maximum beneficial use and that the waste, unreasonable use, or unreasonable method of use of water be prevented, and the conservation of such water to be extended with a view to the reasonable and beneficial use thereof in the interests of the people of the City and for the public health and welfare.

(b) Water uses regulated or prohibited under the plan are considered to be nonessential and continuation of such uses during times of water shortage or other emergency water supply condition are deemed to constitute a waste of water which subjects the offender(s) to enforcement as defined in [section 18.08.013](#) of this article.

Sec. 18.08.003 Public education

All information, including updates, regarding the plan will be made available to the public at all times on the City's website.

Sec. 18.08.004 Wholesale water customer education

Information regarding the plan will be available to wholesale water customers at all times on the City's website.

Sec. 18.08.005 Coordination and compliance with regional groups

The service area of the City is located within the Lower Colorado Regional Water Planning Area (Region K) and the Brazos Region G., and the City has provided a copy of this plan to both. Furthermore, this plan shall be altered by the City to reflect any regulations dictated by the Lower Colorado River Authority (LCRA) or any other governmental entity authorized to promulgate water conservation regulations applicable to the City.

Sec. 18.08.006 Authorization

The service area of the City is located within the Lower Colorado Regional Water Planning Area (Region K) and the Brazos Region G., and the City has provided a copy of this plan to both. Furthermore, this plan shall be altered by the City to reflect any regulations dictated by the

Lower Colorado River Authority (LCRA) or any other governmental entity authorized to promulgate water conservation regulations applicable to the City.

Sec. 18.08.007 Application

The provisions of this plan shall apply to all persons, customers, and property utilizing water provided by the City. The terms “persons” and “customer” as used in the plan include individuals, corporations, partnerships, associations, and all other legal entities.

Sec. 18.08.008 Definitions

For the purpose of this plan, the following definitions shall apply:

Acre-foot. The amount of water required to cover an area of one acre to a depth of one foot. One acre-foot of water is equal to 325,851 gallons.

Auxiliary source. A source of water other than the City’s public water system which may include reuse effluent, raw, ground or well water.

City. The City of Cedar Park, Texas.

City Manager. The City Manager or any designated person acting on the City Manager’s behalf.

Combined storage. The amount of water stored in acre-feet in Lake Travis and Lake Buchanan according to records kept by the Lower Colorado River Authority (LCRA).

Commercial/nonresidential customer. All other customers not classified as residential customer, including but not limited to businesses, schools, churches, large properties, athletic fields, municipally sponsored public gatherings, government entities, multifamily developments and property management associations (e.g. homeowners associations).

Conservation. Those practices, techniques, and technologies that reduce the consumption of water, reduce the loss or waste of water, improve the efficiency in the use of water or increase the recycling and reuse of water so that a supply is conserved and made available for future or alternative uses.

Customer. Any person, company, organization, or legal entity receiving water supplied by the City.

Drip irrigation. A method of irrigation which is typically installed below ground and consists of porous piping or emitters which allow the application of water at a slow and constant rate.

Drought tolerant landscaping. A method of landscaping which conserves water through the use of specific principles of design, plant selection, installation, maintenance, and irrigation methods.

Efficient irrigation technology. Irrigation techniques that use the latest technology with variables such as but not limited to soil moisture sensors, rain shutoff devices, and evapotranspiration based watering system controllers.

Landscape irrigation use. Water used for the irrigation and maintenance of landscaped areas, whether privately or publicly owned, including residential and commercial lawns, gardens, golf courses, parks, and rights-of-way and medians.

Nonessential water use. Water uses that are neither essential nor required for the protection of public health, safety, and welfare. These uses are considered nonessential depending on the current severity drought stage. Such nonessential uses include:

- (1) Irrigation of landscaped areas, including parks, athletic fields, and golf courses, except as otherwise provided by this plan;
- (2) Use of water to wash any motor vehicle, motorbike, boat, trailer, airplane or other vehicle;
- (3) Use of water to wash down any sidewalks, walkways, driveways, parking lots, tennis courts, or other hard-surfaced areas;
- (4) Use of water to wash down buildings or structures for purposes other than immediate fire protection;
- (5) Flushing gutters or permitting water to run or accumulate in any gutter or street;
- (6) Use of water to fill, refill, or add to any swimming pools or Jacuzzi-type pools;
- (7) Use of water in a fountain or pond for aesthetic or scenic purposes except if the fountain utilizes recirculated water and/or supports aquatic life or wildlife. A person may not operate an ornamental fountain with an aerial emission of water or aerial fall of water greater than four (4) inches other than for aeration necessary to preserve habitat for aquatic life or wildlife;
- (8) Failure to repair a controllable leak(s) within ten (10) business days after having been given notice directing the repair of such leak(s); and
- (9) Use of water for dust control, other than for purposes of public health and safety.

Outdoor water use. Includes, but is not limited to, watering lawns, shrubs, vegetables, athletic fields, large properties, and other types of outdoor vegetation; washing vehicles, boats, and trailers; use of landscape irrigation systems; refilling or adding water to swimming pools or wading pools or ponds; the operation of aesthetic or recreational devices such as water slides; the watering of patios, driveways, parking areas, streets, tennis courts, sidewalks or other paved areas; and the watering of ground foundations.

Residential customer. Any person, company, organization, or other legal type entity receiving water supplied by the City at a location where the principal use of the property is for single-family or duplex habitation.

Soaker hose. A perforated or permeable garden-type hose or pipe that is laid above ground that provides irrigation at a slow and constant rate.

Sec. 18.08.009 Triggering and termination criteria for drought response stages

(a) The City Manager shall monitor the water supply and/or production and shall determine when conditions warrant initiation or termination of each drought response stage of the plan.

(b) The triggering criteria described below are based on combined storage, customer water consumption and water treatment plant production/distribution system capacity; however, the stated triggering criteria are not intended as an exhaustive or finite listing, and regardless of whether any stated triggering criteria are present, the City Manager may initiate and/or terminate each drought response stage of the plan to protect the public health, safety, and welfare and in the best interest of the City.

(1) Stage 1-Voluntary water conservation conditions.

(A) Requirements for initiation. This stage shall be considered the baseline water conservation stage for the City and will be implemented at all times when stages 2–5 are not in effect. Customers shall be requested to adhere to a voluntary twice-per-week outdoor watering schedule and adhere to the water restrictions on nonessential water use, defined in [section 18.08.008](#) of this plan at all times. This stage is designed to promote water efficiency throughout the City.

(B) Target reduction goal. During this stage, the target reduction goal is 5%.

(C) Requirements for termination. Stage 1 of the plan may be rescinded at any time by the City Manager.

(2) Stage 2-Moderate water shortage conditions.

(A) Requirements for initiation. Customers shall be required to comply with the requirements and restrictions on nonessential water uses, defined in [section 18.08.008](#) of this plan at all times when one or a combination of such triggering criteria occurs:

(i) Total daily water demand equals or exceeds 90% of the total operating system treatment capacity for three consecutive days;

(ii) If the combined water storage of Lakes Buchanan and Travis are less than 1,100,000 acre-feet but greater than 750,000 acre-feet;

(iii) Weather conditions are to be considered in drought classification determination. Predicted long, cold, or dry periods are to be considered in impact analysis;

(iv) City Manager discretion.

(B) Target reduction goal. During this stage, the target reduction goal is 10%–20%.

(C) Requirements for termination. Stage 2 of the plan may be rescinded by the City Manager when all of the conditions listed as triggering events have ceased to exist for at least a period of three (3) consecutive days, or at the City Manager's discretion. Upon termination of stage 2, stage 1 becomes operative.

(3) Stage 3-Severe water shortage conditions.

(A) Requirements for initiation. Customers shall be required to comply with the requirements and restrictions on nonessential water uses, defined in [section 18.08.008](#), for stage 3 of this plan when one or a combination of such triggering criteria occurs:

(i) Total daily water demand equals or exceeds 95% of the total operating system treatment capacity for three consecutive days;

(ii) The combined storage of Lakes Buchanan and Travis are less than 750,000 acre-feet but greater than 600,000 acre-feet;

(iii) Water system is contaminated whether accidentally or intentionally. Severe condition is reached immediately upon detection; and/or

(iv) City Manager discretion.

(B) Target reduction goal. During this stage, the target reduction goal is a minimum of 20%.

(C) Requirements for termination. Stage 3 of the plan may be rescinded by the City Manager when all of the conditions listed as triggering events have ceased to exist for a period of three (3) consecutive days. Upon termination of stage 3, stage 2 becomes operative.

(4) Stage 4-Emergency water shortage conditions.

(A) Requirements for initiation. Customers shall be required to comply with the requirements and restrictions on nonessential water uses, defined in [section 18.08.008](#), for stage 4 of this plan when the City Manager declares it is in the best interest of the City.

(B) Target reduction goal. During this stage, the target reduction goal is a minimum of 30%, or as determined by the LCRA board.

(C) Requirements for termination. Stage 4 of the plan may be rescinded by the City Manager.

Sec. 18.08.010 Drought response stages

The City shall monitor the water supply and/or production as needed and, in accordance with the triggering criteria set forth in [section 18.08.009](#) of the plan, shall determine that a moderate, severe, or extreme condition exists and shall implement the following actions upon public notification:

(1) Stage 1-Voluntary water conservation stage. The goal for stage 1 of the plan is to maintain baseline water conservation measures and raise public and customer awareness of water demand conditions. This stage is designed to promote water efficiency throughout the City.

(A) Voluntary water use measures.

(i) Water customers shall voluntarily limit outdoor water use by participating in the two-day per week watering schedule for outdoor water use. Outdoor water use shall only occur on a designated outdoor watering day, which shall be two days per week. The two-day per week watering schedule will be determined and distributed by the City.

(ii) Residential customer watering days:

a. Last digit of their street address ending in a 0, 2, 4, 6, or 8: Thursday and Sunday.

b. Last digit of their street address ending in a 1, 3, 5, 7, 9: Wednesday and Saturday.

(iii) Commercial customer watering days: Tuesday and Friday.

(iv) Outdoor water use is discouraged between the hours of 10:00 a.m. and 7:00 p.m. except with handheld hoses equipped with a positive pistol grip nozzle or other device that automatically shuts off water flow when the hose is not being used, or handheld buckets. The following outdoor water uses are exempt from the voluntary weekly watering schedule and can be done at any time of day:

a. The irrigation of commercial plant nurseries.

b. Irrigation using an auxiliary source.

- c. Irrigation using a soaker hose or drip irrigation.
- d. New landscape installation during installation and the first twenty- one (21) days.
- e. The testing of new irrigation systems or existing irrigation systems being tested or under repair.

(v) All operations of the City shall adhere to nonessential water use restrictions, defined in [section 18.08.008](#).

(vi) Water customers are requested to practice water conservation and adhere to the restrictions on nonessential water uses, defined in [section 18.08.008](#). The following uses constitute a waste of water and are prohibited:

- a. Washing sidewalks, walkways, driveways, parking lots, tennis courts, patios or other hard-surfaced areas except to alleviate immediate health or safety hazards.
- b. Allowing water to run off a property, or allowing water to pond in the street or parking.
- c. Operating a permanently installed irrigation system with broken heads, with heads that are out of adjustment that spray more than 10% of the spray on street or parking lots, or that are misting.
- d. Failure to repair a controllable leak(s) within ten (10) business days after having been given notice directing the repair of such leak(s).
- e. Washing an automobile, truck, trailer, boat, airplane, or other mobile equipment with a handheld hose not equipped with a pistol grip nozzle or other device that automatically shuts off water flow when the hose is not being used.

(B) Demand management measures. The City will contact wholesale water customers to discuss water supply and/or production conditions and will request that wholesale water customers initiate voluntary measures to reduce water use.

(2) Stage 2-Moderate water shortage conditions. The goal for stage 2 of the plan is reduce water use by 10%-20%.

(A) Water use restrictions. Under threat of penalty for violation, the following water use restrictions shall apply to all persons:

(i) Water customers shall be required to limit outdoor water use by participating in the two-day per week watering schedule for outdoor water use. Outdoor water use shall only occur on a designated outdoor watering day. The two-day per week watering schedule will be determined and distributed by the City. Drip irrigation and soaker hoses are permitted for use at all times and are exempt from the weekly watering schedule and daily watering time restrictions. Soaker hoses may be used at any time to water vegetable gardens or trees. Drip irrigation attached to an automatic sprinkler system must have spray head zones turned off.

(ii) Residential customer watering days:

a. Last digit of their street address ending in a 0, 2, 4, 6, or 8: Thursday and Sunday.

b. Last digit of their street address ending in a 1, 3, 5, 7, 9: Wednesday and Saturday.

(iii) Commercial customer watering days: Tuesday and Friday.

(iv) Outdoor water use is prohibited between the hours of 10:00 a.m. and 7:00 p.m. except with handheld hoses equipped with a positive pistol grip nozzle or other device that automatically shuts off water flow when the hose is not being used, or handheld buckets. Handheld watering can be done on any day without time restrictions. The time restrictions do not apply to:

a. The irrigation of commercial plant nurseries.

b. Irrigation using an auxiliary source.

c. Irrigation using a soaker hose or drip irrigation.

d. New landscape installation during installation and the first twenty- one (21) days.

e. The testing of new irrigation systems or existing irrigation systems being tested or under repair.

(v) Charity carwashes are allowed on any day at any time with a handheld hose equipped with a pistol grip nozzle or other device that automatically shuts off water flow when the hose is not being used.

(vi) The washing of automobiles, trucks, motorbikes, boats, trailers, airplanes and other vehicles is allowed on any day and can be done at any time of day. The washing shall be done with a handheld bucket or handheld

hose equipped with a pistol grip nozzle or other device that automatically shuts off water flow when the hose is not being used.

(vii) Splash pads and other commercial recreational water devices are allowed to operate during this stage.

(viii) A person may not use commercially operated cosmetic power/pressure washing equipment unless it is fitted with a spray nozzle using no more than 3.5 gallons of water per minute and employing a working trigger shutoff with a protective weep mechanism. Equipment fitted with this technology is exempt from the watering schedule and is permitted for use at any time of day.

(ix) Use of water from fire hydrants shall be limited to firefighting and activities necessary to maintain public health, safety, and welfare. Use of water from designated fire hydrants for construction purposes may be allowed under special conditions and requires a meter; a variance application must be submitted with an explanation of the special conditions.

(x) Use of water for the irrigation of golf course greens, tees, and fairways is prohibited except on designated watering days. Such irrigation may not take place between the hours of 10:00 a.m. and 7:00 p.m. These restrictions do not apply to the irrigation of any golf course which uses an auxiliary source.

(B) Demand management measures.

(i) The City will initiate contact with wholesale water customers to discuss water supply and/or production conditions and the possibility of pro-rata curtailment of water diversions and/or deliveries.

(ii) The City will request wholesale water customers to initiate mandatory measures to reduce nonessential water use (e.g., implement stage 2 of the customer's drought contingency plan).

(iii) The City will initiate preparations for the implementation of pro-rata water curtailment of water diversions and/or deliveries by preparing a monthly water usage allocation baseline for the wholesale customer according to the procedures specified in [section 18.08.011](#) of the plan.

(iv) The City will provide a report to news media with information regarding current water supply and/or production conditions, projected water supply and demand conditions if drought conditions persist, and consumer information on water conservation measure and practices as needed.

(3) Stage 3-Severe water shortage conditions. The goal for stage 3 of the plan is to reduce water use by 20%.

(A) Water use restrictions. Under threat of penalty for violation, the following water use restrictions shall apply to all persons:

(i) All requirements of stage 2 shall remain in effect during stage 3 except:

a. Water customers shall be required to participate in the one-day per week watering schedule for outdoor water use within the designated times. Outdoor water use shall only occur on the customer's designated outdoor watering day, which shall be one day every seven days. The one-day per week watering schedule will be determined and distributed by the City Manager.

b. Extended variances beyond 21 days will not be granted for newly installed landscape plant material.

c. Events involving the use of water such as: festivals, parties, water slides, and other activities involving the use of water are permitted if the water being used drains to a recirculating device, or onto a pervious surface to prevent water waste.

(B) Demand management measures. The demand management measures for stage 2 will apply.

(4) Stage 4-Emergency water supply conditions. The goal for stage 4 of the plan is to significantly reduce water use during temporary, emergency water shortage conditions. During stage 4 all outdoor watering is prohibited.

(A) Supply management measures. The City will cease the flushing of water mains except when necessary for reasons of health or safety. All City departments will discontinue irrigating public landscaped areas except when such areas are irrigated with auxiliary water.

(B) Water use restrictions. Under threat of penalty for violation, the following water use restrictions shall apply to all persons:

(i) All requirements of stage 3 shall remain in effect during stage 4 except:

a. Commercial plant nurseries may use only handheld hoses equipped with a positive pistol grip nozzle or other device that automatically shuts off water flow when the hose is not being used or handheld buckets.

b. Water may only be served at restaurants upon request.

- c. Events involving the use of water such as: festivals, parties, water slides, and other activities involving the use of water are prohibited.
- d. All irrigation of landscaped areas is prohibited, including the use of drip and soaker hoses. Outdoor water use with handheld hose is prohibited.
- e. Commercial carwashing facilities may operate for health and safety purposes only.
- f. Use of water from fire hydrants shall be limited to firefighting and activities necessary to maintain public health, safety, and welfare only.
- g. All cosmetic power/pressure washing is prohibited.
- h. The washing of automobiles, trucks, trailers, boats, airplanes, and other types of mobile equipment is prohibited.
- i. Water use at events such as: festivals, parties, water slides, and other activities is prohibited.
- j. A person may not operate a splash pad or other similar aesthetic or recreational use of water.
- k. A person may not use or allow the use of water to test or repair a permanently installed irrigation system or drip irrigation system.
- l. The use of ornamental fountains is prohibited unless the water is necessary to support aquatic life.
- m. Filling of all new and existing swimming pools, hot tubs, wading pools, is prohibited. Replenishing to maintenance level is permitted. Draining is permitted only onto pervious surfaces or onto a surface where water will be transmitted directly to a pervious surface, and only if:
 - 1. Draining excess water from pool due to rain in order to lower water to maintenance level;
 - 2. Repairing, maintaining or replacing pool components that have become hazardous; or
 - 3. Repair of a pool leak.

A. Single-family and commercial pools. The automatic filling, refilling, or adding of potable water to single-family and commercial residential swimming or wading pools and hot tubs due to a leak is prohibited. Single-family residential swimming or wading pools and hot tubs may be refilled manually on the designated watering day before 8:00 a.m. and after 8:00 p.m., or may be refilled using an auxiliary source with no restriction.

B. Public pools. Refilling of public swimming pools as needed due to a leak is permitted on the designated watering day before 8:00 a.m. and after 8:00 p.m., or may be refilled using an auxiliary source with no restriction.

(C) Demand management measures. The demand management measures for stage 3 will apply.

(i) The City Manager will contact wholesale water customers to discuss water supply and/or demand conditions and will request that wholesale water customers initiate additional mandatory measures to reduce nonessential water use (e.g., implement stage 3 or 4 of the customer's drought contingency plan).

(ii) The City Manager will initiate pro-rata water curtailment of water diversions and/or deliveries for each wholesale customer according to the procedures specified in [section 18.08.011](#) of the plan.

(iii) The City Manager will provide a report to news media with information regarding current water supply and/or demand conditions, projected water supply and demand conditions if drought conditions persist, and consumer information on water conservation measures and practices.

(D) In the event that severe water shortage conditions persist (stage 4) for an extended period of time, the City Manager may order water rationing and/or terminate service to selected users of the system in accordance with the following sequence:

(i) Commercial yard meters.

(ii) Commercial users.

(iii) Residential users.

(iv) Hospitals, public health and safety facilities.

(v) Additional measures. Through a contractual agreement with the Lower Colorado River Authority (LCRA), the LCRA may interrupt or curtail the water supplied to the City in accordance with the LCRA's drought management plan.

Sec. 18.08.011 Pro rata water allocation

Every wholesale water contract entered into or renewed by the City after the effective date of this plan, including contract extensions, shall provide that in case of a shortage of water resulting from drought, the water to be distributed shall be divided in accordance with [Texas Water Code section 11.309](#) and the provisions of this plan.

Sec. 18.08.012 Variances

(a) The City Manager may, in writing, grant temporary variance for existing water uses otherwise prohibited under this plan if it is determined that failure to grant such variance would cause an emergency condition adversely affecting the health, sanitation, primary business, or fire protection for the public or the person requesting such variance and if one or more of the following conditions are met:

- (1) Compliance with this plan cannot be technically accomplished during the duration of the water supply shortage or other condition for which the plan is in effect.
- (2) Alternative methods can be implemented which will achieve the same level of reduction in water use.

(b) Persons requesting an exemption from the provisions of this article shall file a petition for variance with the City Manager after the plan or a particular drought response stage has been invoked. All petitions for variances shall be reviewed by the City Manager and shall include the following:

- (1) Name and address of the petitioner(s);
- (2) Purpose of water use;
- (3) Specific provision(s) of the plan from which the petitioner is requesting relief;
- (4) Detailed statement as to how the specific provision of the plan adversely affects the petitioner or what damage or harm will occur to the petitioner or others if petitioner complies with this plan;
- (5) Description of the relief requested;
- (6) Period of time for which the variance is sought;

(7) Alternative water use restrictions or other measures the petitioner is taking or proposes to take to meet the intent of this plan and the compliance date; and

(8) Other pertinent information.

(c) Variances granted by the City Manager shall be subject to the following conditions, unless waived or modified by the City Manager:

(1) Variances granted shall include a start and end date for compliance;

(2) Variance requests must be submitted no more than two (2) months prior to the requested start date, and no less than 48 hours prior to the requested start date; and

(3) Variances granted shall expire on the date set at the time when the application was granted.

(d) No variance shall be retroactive or otherwise justify any violation of this plan occurring prior to the issuance of the variance.

(e) Additionally, variances may be granted when a customer is using efficient irrigation technology for outdoor irrigation purposes. In order to receive this variance the requestor must have a master valve or flow sensor, the irrigation controller must have a cycle and soak capability, and will be subject to annual random irrigation checks by the City Manager.

Sec. 18.08.013 Enforcement

(a) No person or entity shall use or benefit from the use of water from the City for any purpose in a manner contrary to any provision of this plan, or in an amount in excess of that permitted by the drought response stage in effect at the time pursuant to action taken by the City, in accordance with provisions of this plan.

(b) Any person or entity in apparent control of the property where a violation occurs or originates shall be presumed to be the violator, and proof that the violation occurred on the person or entity's property shall constitute a rebuttable presumption that the person or entity in apparent control of the property committed the violation, but any such person or entity shall have the right to show that he/she/it did not commit the violation. Parents shall be presumed to be responsible for violations of their minor children and proof that a violation, committed by a child, occurred on property within the parents' control shall constitute a rebuttable presumption that the parent committed the violation, but any such parent may be excused if he/she proves that he/she had previously directed the child not to use the water as it was used in violation of this plan and that the parent could not have reasonably known of the violation. Each day that one or more of the provisions in this plan is violated shall constitute a separate violation/offense.

(c) Administrative violation. Except as otherwise stated herein, each violation of this plan may be enforced as an administrative violation, pursuant to the following:

Residential Customer

<u>1st Violation</u>	<u>2nd Violation</u>	<u>3rd Violation</u>	<u>4th Violation</u>
Warning letter	\$50.00 fee	\$100.00 fee	\$200.00 fee

Commercial Customer

<u>1st Violation</u>	<u>2nd Violation</u>	<u>3rd Violation</u>	<u>4th Violation</u>
Warning letter	\$200.00 fee	\$400.00 fee	\$1,000.00 fee

(1) First violation. If the City Manager or their designee reasonably believes that a person or entity has violated this plan, he/she may forward to the person or entity alleged to be in violation of this plan a notice of first violation. The notice of first violation shall be in writing, contain the name and address of the alleged violator (if known), provide a location and brief description of the alleged violation, provide a warning for this first violation and inform him/her of the administrative fees and consequences for subsequent violations, and be forwarded to the alleged violator's utility billing address via first class mail.

(2) Second (and/or subsequent) violation(s). If the City Manager or their designee reasonably believes that a person or entity has violated this plan again within the 12-month calendar year immediately following the date of a preceding violation, he/she shall forward to the person or entity alleged to be in violation of this plan a notice of second (or subsequent) violation. The notice of second (or subsequent) violation shall be in writing, contain the name and address of the alleged violator (if known), provide a location and brief description of the alleged violation, inform him/her of the administrative fee that will be added to the alleged violator's next monthly utility bill and the administrative fees and consequences for subsequent violations, and be forwarded to the alleged violator's utility billing address via first class mail.

(3) Each day that one or more of the provisions in this plan is violated shall constitute a separate violation. Any person, including one classified as a water customer of the City, in apparent control of the property where a violation occurs or originates, shall be presumed to be the violator. Any such person, however, shall have the right to show that he/she did not commit the violation.

(d) Appeal of administrative violation; effect on payment, hearing procedure.

(1) Any alleged violator shall be entitled to appeal an administrative violation under this article as set forth in this subsection. The request or pendency of an appeal under this subsection shall not suspend or delay an alleged violator's obligation to pay current outstanding utility fees and/or administrative fines assessed under this article. Upon successful appeal of an alleged administrative violation, the City shall refund all administrative fines paid by or on behalf of an alleged violator pursuant to this article.

(2) At the alleged violator's discretion, any appeal or final review hearing hereunder this subsection may be conducted via scheduled telephone conference involving the alleged offender, hearing officer(s), City Manager or their designee, and any testifying witnesses. Prior to the commencement of any telephone conference under this subsection, each testifying witness' name, address, telephone number, and relationship to the alleged violator shall be submitted to the City Manager or their designee prior to commencement of such telephone conference, along with any documentary or physical evidence to be presented in such telephone conference. No unidentified witness or unsubmitted evidence shall be considered at the hearing.

(3) If the alleged violator shall fail to attend a scheduled appeal or final review hearing for any reason, it shall be the alleged violator's responsibility to contact the City Manager or their designee to reschedule within three (3) working days of the unattended hearing; failure to do so, or failure to attend the rescheduled hearing for any reason shall constitute a default, render final the pending administrative violation and any assessed administrative fines, and waive the alleged violator's right to appeal.

(4) Within fifteen (15) business days of the date of a notice of violation, an alleged violator may appeal the administrative violation and fee by submitting a written request to the City Manager or their designee. Within ten (10) business days of the City Manager's receipt of such request, the City Manager or their designee shall appoint one or more hearing officers and an appeal hearing ("appeal hearing") shall be held. At the appeal hearing, the alleged violator shall present relevant evidence and bear the burden of proof to show by the majority of the evidence why he/she should not be held in violation of the plan or the administrative fee should not be assessed. The hearing officer(s) shall consider all relevant evidence presented and render a decision in writing within five (5) business days of the conclusion of the appeal hearing ("appeal hearing decision"). A copy of the appeal hearing decision shall be forwarded to the alleged violator's utility billing address via first class mail and email.

(5) The alleged violator may appeal the appeal hearing decision by submitting a written request to the City Manager or their designee within five (5) business days of forwarding the appeal hearing decision. Within five (5) business days of receipt of the alleged violator's timely appeal of the appeal hearing decision, the City Manager or their designee shall conduct a final review hearing ("final review hearing"). At the final review hearing, the alleged violator shall present relevant evidence and bear the burden of proof to show by the majority of the evidence why he/she should not be held in violation of the plan or the administrative fee should not be assessed. The City Manager or their designee shall consider all relevant evidence presented and render a decision in

writing within five (5) business days of the conclusion of the final review hearing (“final review hearing decision”). A copy of the final review hearing decision shall be forwarded to the alleged violator’s utility billing address via first class mail and email. The final review hearing decision by the City Manager or their designee is final and binding.

(e) Notices. All notices regarding alleged administrative violations under this article, including without limitation notices of violation, appeal hearing decisions, and final review hearing decisions, shall be in writing and forwarded to the alleged violator via first class mail and/or certified mail, return receipt requested, to the alleged violator’s current billing address. All notices forwarded in such manner shall be deemed received by the alleged violator within three (3) days of the mailing’s postmark. At an appeal hearing and/or final review hearing under this article, an alleged violator may present evidence that a required notice was not received.

(f) Class C misdemeanor. Alternatively, and at the discretion of the City Manager or their designee, third and subsequent violations within the 12-month period from the date of the alleged violator’s immediately preceding violation may be treated as class C misdemeanor offenses. Any person or entity alleged to have violated this plan may be cited to appear in municipal court for such offense, and, upon conviction, shall be punished by a fine in accordance with the general penalty provision found in [section 1.01.009](#) of this Code.

(g) Termination of service. Upon a person or entity’s second or subsequent violation within the 12-month period immediately following the date of the preceding violation and upon due notice to the person or entity as set forth herein, the City shall be authorized to discontinue water service to the premises where such violations occur. The City shall be so authorized regardless of whether such violation is being simultaneously enforced administratively, under subsection (c), or criminally, under subsection (f). Services discontinued under such circumstances shall be restored only upon payment of a reconnection charge and all other costs incurred by the City in discontinuing service. In addition, suitable assurance must be given to the City that the same action shall not be repeated while the plan is in effect. Compliance with this plan may also be sought through injunctive relief in a court of proper jurisdiction. This subsection shall not be construed to reduce, diminish, or in any manner restrict the City’s right to terminate utility service for nonpayment of fees and fines.

(Ordinance CO33-15-08-13-C1 adopted 8/13/15)

ARTICLE 18.11 WATER CONSERVATION PLAN

Sec. 18.11.001 Utility profile

(a) The city obtains its raw water supply from Lake Travis through a water supply agreement with the Lower Colorado River Authority (LCRA). The city's utility department is the managing municipal entity that owns and operates the surface water treatment facility that withdraws raw water from Lake Travis, treats and disinfects the utility's drinking water supply, and delivers the potable water to its retail and wholesale service area customers. In 2005, the cities of Cedar Park, Leander, and Round Rock established the Brushy Creek Regional Utility Authority ("BCRUA") to develop a three-phase regional water system for treatment and delivery of water from Lake Travis to their respective principal jurisdictions for the next 50 years. The city's water utility operates as Texas Commission on Environmental Quality ("TCEQ") Public Water Supply system 246009 and serves the area defined by TCEQ Certificate of Convenience and Necessity ("CCN") 10160.

(b) The service area of the city's water utility is bordered by Texas Highway 620 to the south and by the City of Leander to the north and lies to the north and northwest of the City of Austin. The city's water utility service area extends to the east past Parmer Lane (FM 734) to Sam Bass Road and to the west along Texas FM 1431 to its intersection with Trails End Road. The city's water utility service area covers more than 36 square miles and served an estimated 2013 population of 84,642 customers.

(c) The city's utility department estimates the year 2014 water service area population at 86,820 and estimates the year 2019 water service area population at 99,000. The city's water utility currently provides about 21,078 service connections (19,759 residential, 1,128 nonresidential, 13 wholesale, 3 reclaimed water and 1 raw water) for its estimated 83,887 water customers. The water utility supplies the following four treated wholesale customers: Williamson-Travis County Municipal Utility District ("MUD") No. 1 with 11 system connections, Blockhouse MUD with 1 system connection, and Indian Springs with 1 system connection. The 13 wholesale system connections account for 4,113 residential and commercial individual connections.

(d) Water system data compiled from 2013 indicated an average daily water use of 11.58 million gallons and a peak daily demand of 20.9 million gallons. The city's water treatment plant has a current capacity to treat 26 million gallons per day ("MGD") of raw surface water from Lake Travis while the BCRUA water plant has a capacity to treat 4.35 MGD. The city's water utility presently has 10.97 million gallons capacity of ground and elevated storage tanks, operates 2 booster pump stations, and has about 324 miles of transmission and distribution system delivery lines.

(e) The city-owned and operated water reclamation facility ("WRF") has a wastewater treatment capacity of 2.5 MGD. The city is also part of the Brushy Creek Wastewater System which has a capacity of 3.58 MGD. The city's wastewater service area (CCN #20580) includes 18 pump stations and about 292 miles of collection system service mains.

Sec. 18.11.002 Conservation goals

(a) The city's annual average water use over the past five years is 164.7 gpcd. The city's annual average water loss over the past five years is 14.5% of water delivered or 24 gpcd. The city's annual average residential water use over the past five years is 104.5 gpcd. Presented below are the city's five year and ten year goals for reducing the annual average water use and water loss.

(1) Five-year conservation goals.

(A) Reduce the average per capita day water usage by 2.5% by 2019 with a goal of achieving 160.6 gpcd. Reduce the average residential per capita day water usage by 2.5% by 2019 with a goal of achieving 101.9 gpcd.

(B) Reduce water loss by 2.5% by 2019 so that water loss is no more than 14.2% of delivered water or 22.8 gpcd.

(2) Ten-year conservation goals.

(A) Reduce the average per capita day water usage by 2.5% between 2019 and 2024 with a goal of achieving 156.5 gpcd by 2024. Reduce the average residential per capita day water usage by 2.5% by 2024 with a goal of achieving 99.3 gpcd.

(B) Reduce water loss by 2.5% between 2019 and 2024 so that water loss is no more than 13.8% of water delivered or 21.6 gpcd by 2024.

(b) The continuation of an on-going public education program, a leak detection monitoring program, a universal metering program, and the staffing of a water conservation coordinator position and other programs described below serve to ensure that the water treatment capacity and distribution system are capable of meeting the growing potable water demands that are expected within the service area, based on the city's projected population growth. This water conservation plan has been adopted and established by the city to meet these objectives.

Sec. 18.11.003 Best management practices

During the 80th Texas Legislative Session, SB3, HB4 and HB3 were all passed and involve state water planning and conservation. TCEQ and the Texas Water Development Board (TWDB) jointly adopted these rules requiring the submission of a water conservation plan from public utilities that provide service to 3,300 or more connections. These utilities must also make annual progress reports to the TWDB, describing how they are implementing the conservation plans. Previously, TWDB-approved water conservation plans were only required from utilities making water rights applications or receiving funding from the TWDB. The TWDB Report 362 Water Conservation Best Management Practices Guide is the reference manual for water conservation practices discussed herein. The best management practices (BMPs) that the city currently utilizes and plans on utilizing to meet their annual water conservation goals are as follows:

BMP Category	BMP	Cedar Park Program Description
Utility practices	Water audit and loss	The city performs a detailed water audit annually to track unaccounted water (ref. section 18.11.006).
	Water conservation pricing	The city has a conservation-oriented (inclining block) water rate schedule with increasingly higher rates after consumption of 2,000 gallons (ref. section 18.11.008 and appendix A, article 8.000).
	Prohibition on wasting water	In the city’s drought contingency and water emergency plan (section 18.08.010), the city prohibits wasting of water under various drought response stages.
	Metering and retrofit	Raw water is metered along with all treated water connections. There is a program in place to monitor and replace meters (ref. sections 18.11.004 and 18.11.005).
Rebates and incentive programs	Showerhead, aerator & toilet flapper replacement program	The city periodically offers incentive or rebate programs such as toilet replacement and rain barrel sales.
Public outreach	Public information	Water conservation public education inserts are provided in utility billing, direct mailings, on the city website, pamphlets and in newspaper articles and advertisements (ref. section 18.11.007). The city works with local businesses, residents, and HOA’s through individual meetings and other events to inform them of the city’s watering schedule.
	Water smart	The city is initiating the launch of the water smart program which will provide residents with detailed

		information about their household water use and how they can take steps to conserve water.
Outdoor programs	Water reuse	In 2013 the city delivered 164 million gallons of reclaimed water for Avery Ranch Golf Course (ref. section 18.11.013).
Other	Water conservation coordinator	Water conservation coordinator assesses conservation efforts, reports on an annual basis and monitors five-year conservation efforts (ref. sections 18.11.016 and 18.11.017).

Sec. 18.11.004 Source supply metering devices

The city meters Lake Travis raw water withdrawals from the LCRA through two (2) meters. These meters are calibrated and tested annually to an accuracy of plus or minus two percent (2%). The BCRUA has one (1) meter.

Sec. 18.11.005 Universal metering and meter maintenance

- (a) All water customers of the city water utility, including city offices and public facilities are metered. The city has installed remote metering throughout the service area.
- (b) Meter replacement and maintenance program. Every residential meter shall be changed out approximately every ten years. Every meter that will be changed out is tested and, if possible, rebuilt. The city is equipped with a meter test bench where all meters two inches (2") and smaller are tested before being put into service. Meters are tested to ensure they meet the American Water Works Association (AWWA) criteria for accuracy. Meters two inches (2") and larger are scheduled to be tested once per year. At any time, a customer may request their meter to be tested. Guidelines for such requests are established in [article 18.01](#), water rates, charges, and service regulations, of this code.

Sec. 18.11.006 Control measures for unaccounted water

The city performs annual water system audits to track unaccounted for water using the following monthly data: billing data (gallons sold), treated water data (gallons pumped), number of repaired leaks (and estimated gallons lost through leakage), and estimated gallons used for line flushing and fire hydrant testing. Additionally, the city performs a detailed water system audit annually as required by the Texas Water Development Board.

Sec. 18.11.007 Public education

(a) Education materials. The city will make available water conservation education materials for its customers on an on-going basis. Such information shall be provided to customers through various mediums including but not limited to: utility bill inserts, pamphlets provided at public facilities, direct mailings, school presentations, and periodic articles published in a local newspaper. When appropriate, the city shall also coordinate education efforts with local water suppliers, agencies, and regulators to promote water conservation education. The city has also recently partnered with the water smart program to provide residents with detailed information regarding their household water use.

(b) New customers. Water conservation information will be available to new water customers when applying for service. This information is made available at city hall and at other designated public buildings.

Sec. 18.11.008 Water rate structure

(a) The city's water rate charges and service regulations are contained in [article 18.01](#), water rates, charges, and service regulations. The inclined user rate structure is contained in [appendix A, article 8.000](#), utility related fees. The residential user rate in place is a minimum monthly base rate for the first two thousand (2,000) gallons used. After residential consumption of the first 2,000 gallons per month, an inclined rate is applied for each of the following volumetric categories: 2,001 gallons to 10,000 gallons, 10,001 gallons to 15,000 gallons and greater than 15,000 gallons. The nonresidential user rate is a minimum base rate based on meter size for the first 2,000 gallons used. After nonresidential consumption of 2,000 gallons, the rate is based on a charge per each additional thousand (1,000) gallons. This rate structure is conservation-oriented as it charges a nominally higher water rate following a customer's consumption of the first 2,000 gallons.

(b) Service regulations that address the conservation of water include the following:

- (1) Requirements that there be no free service.
- (2) All city departments that use water service pay the same user rates set out in the ordinance.
- (3) All usage through city fire hydrants shall be authorized by the city and that usage shall be charged for at a metered rate.

Sec. 18.11.009 Leak detection/repair program

The city investigates all reported leaks, performs periodic visual inspections, and schedules leak detection surveys of the water distribution lines. Reports are prepared and incorporated into the annual system audits; see [section 18.11.006](#) of this article. Work orders are generated and prioritized by this program.

Sec. 18.11.010 Record management system

(a) The city administers a comprehensive record management system that accounts for its water use characteristics. The record management system is maintained by the city’s water utility and is configured to provide the following water use information:

- (1) Water diversions;
- (2) Water production;
- (3) Water deliveries;
- (4) Water sales; and
- (5) Water losses.

(b) The city’s record management system further allows for the separation of aggregate water sales and water usage characteristics into four customer-specific categories that include:

- (1) Residential (single-family);
- (2) Residential (multifamily);
- (3) Commercial; and
- (4) Other (wholesale).

(c) The cities record management even further allows for the tracking and quantification of water conservation. The following water conservation programs are tracked or proposed for tracking:

- (1) Water audits;
- (2) Metering of new connections and retrofit and replacement of existing connections;
- (4) Annual water conservation reporting by water conservation coordinator.

(d) The record management system will serve as the accounting and records repository for the city’s water utility.

Sec. 18.11.011 Water wholesale agreements

This plan shall require that any future or amended wholesale water supply contract that the water utility negotiates with a wholesale customer shall contain a “pass-through” clause that requires direct compliance with [article 18.08](#), drought contingency and water emergency plan. In turn,

should a wholesale customer sell water to another wholesale water entity, then the [article 18.08](#) rules will convey to any additional water utilities and their customers that are served, directly or indirectly, by the water utility.

Sec. 18.11.012 Retrofit/replacement program

The city shall continue to encourage the retrofit or replacement of water efficient plumbing fixtures with the following programs:

- (1) Providing water saving devices such as faucet aerators and shower heads to water customers at a discounted price.
- (2) Encouraging the use of water efficient devices through the availability of public education materials (see [section 18.11.007](#) of this article).

Sec. 18.11.013 Water reuse program

(a) The city's water reclamation facility ("WRF") currently provides treated effluent, up to 1.0 million gallons per day ("MGD"), for the irrigation of the Avery Ranch Golf Course. In 2012, the city completed two projects that use treated effluent and reclaimed water, in place of treated potable water, for irrigation.

(b) With the expansion of the city's field operations center, an irrigation system was installed that uses reclaimed water for the irrigation of surrounding landscape and turf grass, which averages about 60,000 gallons per month. The city also installed an irrigation system that uses treated effluent for irrigation water at one of the city's largest parks, Brushy Creek Sports Park. This water is used to irrigate all of the athletic fields and other landscaping at the park and averages about 1.3 million gallons per month.

(c) The city will continue to look for ways to replace treated potable water with reclaimed water for irrigation purposes. As part of a 2014 utility capital improvement project, the city is installing a pipeline that will be able to deliver reclaimed water for irrigation to other parks and landscaped areas within the city.

Sec. 18.11.014 Drought resistant landscape (xeriscape) program

The city shall encourage customers to utilize drought resistant landscaping techniques through education materials and landscape examples made available to the public (see [section 18.11.007](#) of this article). The city provides program examples and guidance by maintaining the drought resistant plant demonstration garden at city hall, by encouraging the use of drought resistant landscaping principals in the city's landscape and tree regulations ([chapter 15](#) of this code), by encouraging the use of drought tolerant landscaping principals at all city public facilities, and by providing public information on efficient irrigation methods.

Sec. 18.11.015 Reservoir systems operations program

The city obtains its raw water from Lake Travis through a withdrawal contract with LCRA. The city uses floating dock pump stations that are able to withdraw surface water at various stage elevations as the lake’s conservation pool varies in response to flooding and drought conditions. The city, along with the BCRUA, is in the planning stages of a project that will allow for it to be prepared to establish a deeper stage intake than is currently capable that would provide it the ability to withdraw raw water at a lake elevation of about 570 feet (above mean sea level). Such action would provide the city with the ability to secure reservoir withdrawals based upon a lake elevation that is set to the historical extreme conditions caused by the 1950’s drought of record. This additional component to the city’s reservoir operations plan should allow the water utility to provide a reliable, long-term, raw water supply to the city even during the most serious drought conditions.

Sec. 18.11.016 Water conservation coordinator

The city has budgeted and staffed a water conservation coordinator position that is responsible for implementing and maintaining the city’s water conservation program since the late 1990’s. The city’s water conservation coordinator is an individual who is designated to oversee and coordinate water conservation efforts within the water utility’s service area. This position will further document the annual water conservation program implementation status report as it relates to the 30 TAC section 288 reporting requirements that indicate the performance of adopted best management practices (BMPs) described by this plan.

Sec. 18.11.017 Conservation assessment and proposed five-year efforts

Conservation efforts will be monitored and assessed annually over the next five years. The city is evaluating the following water conservation strategies and will implement additional water conservation programs by year 2019.

BMP Category	BMP	Cedar Park Program Description
Rebates and incentive programs	Toilet replacement program	The city will evaluate rebates for installation of low flush toilets for homes built prior to 1992.
Public outreach	School education	The city will evaluate making water conservation presentations to school age children.
	Water IQ	The city will evaluate growing its water IQ public awareness campaign through multi-media approaches.
Outdoor programs	Landscape irrigation	The city will evaluate offering free irrigation audits to residential and commercial customers and offering incentives for water-saving equipment

	conservation and incentives	upgrades such as rebates on new controllers, pressure-reducing valves and rain shut-off devices. The city is also revising our landscape ordinance to emphasize the use of more drought tolerant landscaping.
	Irrigation system analysis	The city will evaluate requiring annual submittal of an annual irrigation system analysis for major irrigators and major water users.
	Rain barrels	The city will evaluate selling water conservation rain barrels to the public and marketing them in pamphlets and mailers.

(Ordinance CO56-14-07-10-C1 adopted 7/10/14)



City of Leander, Texas



Part B-25 Leander WCP and Drought Contingency Plan

STATE OF TEXAS §

§

CERTIFIED COPY

COUNTY OF WILLIAMSON §

I, the undersigned, hereby certify that Ordinance No. 11-027-00, is a complete, true and correct copy, as the same appears in the records of my office, and that said records are kept and maintained as official records of the City of Leander, Texas, a Texas political subdivision, and are kept in the offices of the City in its regular course of business.

I further certify that I am the City Secretary of the City of Leander, Texas, that I am the custodian of the records of the City, and that I have lawful possession and custody of its files and records.

In witness whereof, I have hereunto set my hand this 27th day of April, 2017.

Dara Crabtree

DARA CRABTREE, CITY SECRETARY

[Seal]



ORDINANCE NO. 11-027-00

AN ORDINANCE OF THE CITY OF LEANDER, TEXAS; AMENDING THE WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN; PROVIDING OPEN MEETINGS AND EFFECTIVE DATE CLAUSES

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

Section 1. Amend Article 13.400. The City Council hereby amends Article 13.400, Leander Code of Ordinances in its entirety to read as shown in Exhibit "A", attached hereto and incorporated herein for all purposes.

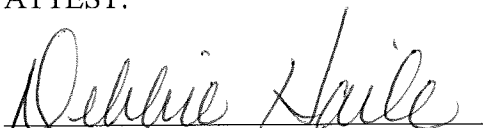
Section 2. Amendment of Ordinances. Article 13.400, Leander Code of Ordinances is amended in its entirety as provided herein. All prior ordinances of the City dealing with or applicable to water conservation and drought contingency plans are hereby amended to the extent of any conflict herewith, and all ordinances or parts thereof conflicting or inconsistent with the provisions of this Ordinance as adopted and amended herein, are hereby amended to the extent of such conflict. In the event of a conflict or inconsistency between this Ordinance and any other code or ordinance of the City, the terms and provisions of this Ordinance shall govern.

Section 3. Effective Date. This Ordinance shall take effect after its passage and publication in accordance with the provisions of the *Tex. Loc. Gov't. Code*.

Section 4. Open Meetings. It is hereby officially found and determined that the meeting at which this Ordinance is passed was open to the public as required and that public notice of the time, place, and purpose of said meeting was given as required by the Open Meetings Act, *Chapt. 551, Tex. Gov't. Code*.

PASSED AND APPROVED this the 1st day of September, 2011.

ATTEST:


Debbie Haile, City Secretary

City of Leander, Texas

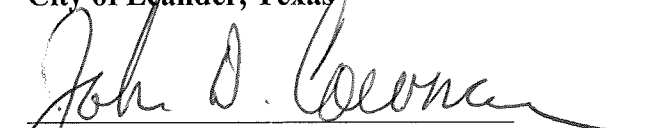

John D. Cowman, Mayor

EXHIBIT A

ARTICLE 13.400 WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN

Sec. 13.401 Declaration of Policy, Purpose and Intent

(a) In order to conserve the available water supply and protect the integrity of water supply facilities, with particular regard for domestic water use, sanitation, and fire protection, and to protect and preserve public health, welfare, and safety and minimize the adverse impacts of extreme drought, periods of abnormally high water usage, system contamination, or extended reduction in ability to supply water due to equipment failure, water supply shortage or other water supply emergency conditions, the City of Leander hereby adopts the following regulations and restrictions on the delivery and consumption of water (“the Plan”).

(b) When it appears that the city’s system-wide water demand or water supply warrants the implementation of conservation measures, such measures shall be ordered within the city as provide in this article. The voluntary or mandatory conservation program will be implemented by the directive of the city manager as provided in this article.

(c) Water uses regulated or prohibited under this article are considered to be non-essential and continuation of such uses during times of water shortage or other emergency water supply condition are deemed to constitute a waste of water which subjects the offender(s) to penalties as defined in Section 13.411 of this article.

Sec. 13.402 Public Involvement

Opportunity for the public to provide input into the preparation of the Plan was provided by the City of Leander by means of scheduling and providing public notice of a public meeting to accept input on the Plan.

Sec. 13.403 Public Education

The City of Leander will periodically provide the public with information about the Plan, including information about the conditions under which each stage of the Plan is to be initiated or terminated and the drought response measures to be implemented in each stage. This information will be provided by means of public events, press releases or utility bill inserts.

Sec. 13.404 Coordination with Regional Water Planning Groups

The service area of the City of Leander, Texas, is located within the Regional Water Planning

Group (RWPG) G, Brazos River Authority; and the City of Leander has given this Plan to the Lower Colorado River Authority, Brazos River Authority, and the City of Cedar Park, Texas.

Sec. 13.405 Authorization

The City Manager of the City of Leander or his/her designees is hereby authorized and directed to implement the applicable provisions of this article upon determination that such implementation is necessary to protect public health, safety and welfare. The city manager or his/her designee shall have the authority to initiate or terminate drought or other water supply emergency response measures as described in this article. Unless otherwise specified by the City Manager, the City Manager's primary designee is the Public Works Director and the, alternate designee is the: City Engineer.

Sec. 13.406 Notice Requirements

The City of Leander shall notify the executive director of the Texas Commission on Environmental Quality and LCRA General Manager in writing within five (5) business days of the implementation of any mandatory provisions of the Drought Contingency Plan.

Sec. 13.407 Application

The provisions of this Plan shall apply to all persons, customers, and property utilizing water provided by the City of Leander. The terms "person" and "customer" as used in the Plan include individuals, corporations, partnerships, associations and all other legal entities.

Sec. 13.408 Definitions

For the purposes of this Plan, the following definitions shall apply:

Aesthetic Water Use. Water use for ornamental or decorative purposes such as fountains, reflecting pools and water gardens.

Commercial and Institutional Water Use. Water use which is integral to the operations of commercial and non-profit establishments and governmental entities such as retail establishments, hotels and motels, restaurants and office buildings.

Conservation. Those practices, techniques, and technologies that reduce the consumption of water, reduce the loss or waste of water, improve the efficiency in the use of water or increase the recycling and reuse of water so that a supply is conserved and made available for future or alternative uses.

Customer. Any person, company or organization using water supplied by the City of Leander.

DCP. Drought Contingency Plan.

Domestic Water Use. Water use for personal needs or for household or sanitary purposes such as drinking, bathing, heating, cooking, sanitation, or for cleaning a residence, business, industry or institution.

Even number address. Street addresses, box numbers, or rural postal route numbers ending in 0, 2, 4, 6, or 8 and locations without addresses.

Industrial Water Use. The use of water in processes designed to convert materials of lower value into forms having greater usability and value, including the development of power by means other than hydroelectric.

Landscape Irrigation Use. Water used for the irrigation and maintenance of landscaped areas, whether publicly or privately owned, including residential and commercial lawns, gardens, parks, and rights-of-way and medians.

LCRA. Lower Colorado River Authority, or successor agency.

Livestock water use. The use of water for the open-range watering of livestock, exotic livestock, game animals or fur-bearing animals. For purpose of this definition, the terms “livestock” and exotic “livestock” are to be used as defined in Section 142.001 of the Texas Agriculture Code, as amended, and the terms “game animals” and “fur-bearing animals” are to be used as defined in Section 63.001 and Section 71.001, respectively, of the Parks and Wildlife Code, as amended.

Non-Essential Water Use. Water uses that are not essential nor required for the protection of public, health, safety and welfare, including:

- (1) Irrigation of landscaped areas, including public and private parks, athletic fields, and street right-of-way/medians, except otherwise provided under this article;
- (2) Use of water to wash any motor vehicle, motorbike, boat, trailer, airplane or other vehicle;
- (3) Use of water to wash down any sidewalks, walkways, driveways, parking lots, tennis courts, or other hard-surfaced areas;
- (4) Use of water to wash down buildings or structures for purposes other than immediate fire protection;
- (5) Flushing gutters or permitting water to run or accumulate in any gutter or street;

- (6) Use of water to fill, refill, or add to any indoor or outdoor swimming pools or Jacuzzi-type pools;
- (7) Use of water in a fountain or pond for aesthetic or scenic purposes except where necessary to support aquatic life;
- (8) Failure to repair a controllable leak(s) within a reasonable period after having been given notice directing the repair of such leak(s); and
- (9) Use of water from hydrants or flush valves for construction purposes or any other purposes other than fire fighting.

Odd numbered address. Street addresses, box numbers, or rural postal route numbers ending in 1, 3, 5, 7, or 9.

TAC. Texas Administrative Code.

Sec. 13.409 Permanent Water Conservation Measures

(a) A person may not:

- (1) fail to repair a controllable leak, including a broken sprinkler head, a leaking valve, leaking or broken pipes, or a leaking faucet;
- (2) operate a permanently installed irrigation system with:
 - (A) a broken head;
 - (B) a head that is out of adjustment and the arc of the spray head is over a street or parking lot; or
 - (C) a head that is misting because of high water pressure; or
- (3) during irrigation, allow water:
 - (A) to run off a property and form a stream of water in a street for a distance of 50 feet or greater; or
 - (B) to pond in a street or parking lot to a depth greater than one-quarter of an inch.

- (b) Irrigation of apartment common areas shall comply with the following requirements, in conjunction with drought control measures:
- (1) Irrigation of common areas of apartments may only occur between the hours of 7:00 p.m. and 10:00 a.m. Irrigation of apartment common areas is allowed between the hours of 10:00 a.m. and 7:00 p.m. if irrigation of reclaimed water during that time is necessary to meet LCRA regulation requirements.
 - (2) Exceptions. The provision does not apply to the following:
 - (A) Hand watering.
 - (B) Irrigation of new lawns for a period of thirty days from planting or the date of installation.
 - (C) Irrigation by commercial gardens of licensed plant nurseries, provided the owner or licensee or his or her representative is personally on the premises at the time watering is taking place.
 - (D) Irrigation system testing after mowing to identify broken heads, after repairs to flush lines, to properly align sprinkler heads, or to locate a reported leak. A test run may not exceed two minutes and the individual conducting the test must be present to observe system performance.
 - (E) Syringing to cool down hot spots showing visible signs of stress. If syringing is performed by one station, syringing must be performed manually. On large irrigation projects, syringing may be performed by hand-held remote irrigation controllers or computerized central control for no more than three minutes, with the individual running the controllers present and observing the controllers while they are running.
 - (F) Landscape irrigation audits, where the application rate and efficiency of an irrigation system is being tested by aligning heads and placing cups across the turf area and the amount of water caught in the cups is measured. Testing run times of pop-up spray heads are limited to five minutes. Testing run times of impact and rotor heads are limited to fifteen minutes. The auditor performing the test must be present and must observe sprinkle performance.

Sec. 13.410 Initiation and Termination of Drought Response Stages

- (a) The city manager or his/her designee shall monitor the water supply and/or demand conditions on a daily basis and shall determine when conditions warrant initiation or

termination of each stage of the plan, that is, when the specified “triggers” are reached. Water supply conditions will be determined by the source of supply, system capacity, and weather conditions. Water demand will be measured by the peak daily demands on the system.

- (b) The triggering criteria described below are based on information provided by the Lower Colorado River Authority, Brazos River Authority and/or the City of Cedar Park and are further based on known system capacity limits.
- (c) Public notification of the initiation or termination of drought response stages shall be by a variety of ways, examples include: bill inserts, e-mail and automated telephone calls, signs posted at entry points to the service area or a combination of these methods.
- (d) Unless there is an immediate and extreme reduction in water production, or other absolute necessity to declare an emergency or severe condition, the city will initially declare Stage I restrictions. If, after a reasonable period of time, demand is not reduced enough to alleviate outages, reduce the risk of outages, or comply with restrictions required by a court, government agency or other authority, Stage II may be implemented with Stage III and Stage IV to follow if necessary.

(1) **Stage I: Mild Water Shortage Conditions (Voluntary Water Conservation Measures)**: As the City of Leander’s limiting factor is water treatment capacity and water usage typically peaks during the summer months, Stage I of the Plan is in effect each year from May 1 through September 30. A reminder notice will be placed in the utility billing before May 1. Stage I follows a voluntary conservation measure to minimize the waste of water and reduce the peak demand on the water treatment and distribution system. Voluntary restrictions during Stage I do not implement mandatory provisions of the Plan. Notice(s) will be designed to increase customer awareness of water conservation and encourage the most efficient use of water. A copy of the current public announcement on water conservation awareness shall be kept on file and available for inspection by the TCEQ.

(A) **Triggers**: Customers shall be requested to adhere to the Stage 1 Drought Response Measures when one or a combination of such triggering criteria occurs:

1. **Treatment Capacity**: For surface water systems, when total daily water demand equals or exceeds 80 percent of the total operating system treatment capacity for three consecutive days, or 85 percent on a single day;
2. **Water Supply**: Combined storage of Lakes Travis and Buchanan reaches

1.4 million acre-feet in accordance with the LCRA Drought Contingency Plan for Firm Water Customers (DCP).

(B) Reduction Targets

1. System Capacity Reduction Target: Limit daily water demand to no more than 80% capacity for three days.
2. Water Supply Reduction Target: Achieve a 5% reduction in water use.

(C) Voluntary Water Use Restrictions

1. Supply Management Measures:
 - a. The City of Leander will review system operations and identify ways to improve system efficiency and accountability.
 - b. Actively promote drought related issues and the need to conserve.
2. Demand Management Measures:
 - a. Ask customers to voluntarily comply with the water-use restrictions outlined in Stage 2 of this plan, including watering landscapes no more than twice per week.
 - b. Water customers are requested to voluntarily limit the use of water for non-essential purposes and to practice water conservation.
 - c. Water customers are reminded to follow the year-round water waste restrictions.
 - d. Water customers are requested to take steps to reduce all non-essential uses of water.

(D) Wholesale Water Use Restrictions

1. When Leander is utilizing water from a wholesale supplier, and wholesale supplier has declared Stage I restrictions under the wholesale supplier's Drought Contingency Plan, additional water use restrictions, which are mandatory, will also apply.
2. The City of Leander will contact wholesale treated water customers to discuss supply and demand conditions. The City of Leander will provide a limited supply of consumer information and materials on water conservation measures and practices to wholesale customers.

(E) Requirements for termination: Stage 1 of the plan may be rescinded when:

1. Treatment Capacity: The water treatment plant capacity condition listed above as a triggering event for Stage 1 has ceased to exist for five consecutive days
2. Water Supply: The LCRA announces that voluntary restrictions by its firm raw water customers are no longer needed in accordance with the LCRA DCP.
3. Upon termination of Stage 1, the City will publicly announce the termination to its customers and notify the LCRA. No notice to the TCEQ is required.

(2) Stage 2: Moderate Water Shortage Conditions (Mandatory Water Conservation Measures).

(A) Triggers: Customers shall adhere to the Stage 2 Drought Response Measures when one or a combination of such triggering criteria occurs:

1. Treatment Capacity
 - a. For surface water systems, when total daily water demand equals or exceeds 93 percent of the total operating system treatment capacity for three consecutive days, or 95 percent on a single day or
 - b. Pump hours per day of 18 hours.
2. Water Supply: Combined storage of Lakes Travis and Buchanan reaches 900,000 acre-feet in accordance with the LCRA DCP.

(B) Reduction Targets:

1. System Capacity Reduction Target: Limit daily water demand to no more than 80% capacity for three days or 85% for one day.
2. Water Supply Reduction Target: Achieve a 10-20% reduction in water use and 17 pump hours per day.

(C) Mandatory Water Use Restrictions

1. Supply Management Measures:
 - a. Apply all water-use restrictions prescribed for Stage 2 of the plan for City of Leander utility owned facilities and properties.

- b. Discontinue water main and line flushing unless necessary for public health reasons.
 - c. Keep customers informed about issues regarding current and projected water supply and demand conditions.
 - d. Visually inspect lines and repair leaks on a regular basis.
 - e. Conduct a monthly review of customer use records and follow-up on any that have unusually high usage.
2. Demand Management Measures: Under threat of penalty, the following water-use restrictions shall apply to all retail water customers:
- a. Irrigation of Landscaped Areas:
 - i. If the combined water storage of lakes Buchanan and Travis are less than 900,000 AF, irrigation of landscaped areas with hose-end sprinklers or in-ground irrigation systems shall be limited to a no more than the TWICE weekly watering schedule shown in subsection 2(b) below and based on the nature of the current drought or water emergency. Irrigation of recreational areas may apply for a variance but must still develop a schedule where no part of the landscape is watered more than twice per week.
 - ii. Water Schedule (Twice a Week for Customers). Irrigation outdoors using an in-ground irrigation system or hose-end sprinkler only during the scheduled days and times as indicated below:
 - aa. Odd number residential addresses: Irrigate only on Wednesdays and Saturdays.
 - bb. Even number residential addresses: Irrigate only on Thursdays and Sundays.
 - cc. Commercial and multi-family (including large landscapes such as HOA common areas): Irrigate only on Tuesdays and Fridays.
 - iii. Outdoor Watering Hours are midnight to 10 a.m. and 7 p.m. to midnight on the designated days. This prohibition does not apply to irrigation of landscaped areas if it is by means of a hand-held hose or a faucet-filled bucket or watering can of five gallons or less.

iv. New landscapes may be installed and re-vegetation seeding performed under these specific criteria:

aa. A completed variance form for new landscapes has been submitted to the City of Leander and has been approved prior to the installation of the landscape, or re-vegetation seed application. New building and development permits with associated landscape installations approved in connection with the permit are exempt from submitting a separate variance request, but must comply with applicable provisions of this ordinance, including, but not limited to subsection (dd) below which makes the variance effective for 30 days only.

bb. Irrigation of the new landscape follows the schedule identified in the new landscape variance. The schedule will be developed to minimize water waste.

cc. Areas being re-vegetated for soil stabilization must also comply with the (aa) and (bb) specific criteria above. Options for re-vegetation may be available in times of low water supply.

dd. Variances for new landscapes may be issued for a period of no more than 30 days from the day of issuance. A variance is not an exemption from compliance with the permanent water use restrictions under Section 13.409 of this plan. Variances will not be granted for seasonal "color bed" or temporary grass installation (over-seeding).

- b. Vehicle Washing: Use of water to wash any motor vehicle, such as a motorbike, boat, trailer, or airplane is prohibited except on designated watering days between the hours of midnight and 10 a.m. and between 7 p.m. and midnight. Such activity, when allowed, shall be done with a hand-held bucket or a hand-held hose equipped with a positive shutoff nozzle. A vehicle may be washed any time at a commercial car wash facility or commercial service station. Further, this activity is exempt from these regulations if the health, safety, and welfare of the public are served by washing the vehicle, such as a truck used to collect garbage or used to transport food and perishables.
- c. Use of water to fill, refill, or add to any swimming pools, hot tubs, wading pools, is prohibited, except on designated watering days and hours. Draining is permitted only onto pervious surfaces or onto a

surface where water will be transmitted directly to a pervious surface, and only if:

- i. Draining excess water from pool due to rain in order to lower water to maintenance level;
 - ii. Repairing, maintaining or replacing pool components that have become hazardous; or
 - iii. Repair of a pool leak.
- d. Refilling of public/community swimming pools is permitted only if pool has been drained for repairs, maintenance, or replacement as outlined in items above.
- e. Outside Water Features: Operation of outside water features, such as, but not limited to, fountains, splash pad type fountains or outdoor misting systems, is prohibited, except where such features are used to sustain aquatic life or maintain water quality. (This provision includes fountains associated with aesthetic ponds and swimming pools).
- f. Ponds: Ponds used for aesthetic, amenity, and/or storm water purposes may maintain water levels only necessary to preserve the integrity of the liner and operating system. City staff may request specific design documentation regarding a pond and the intended purpose.
- g. Golf Courses receiving any amount of treated water from a City of Leander utility must develop a drought contingency plan that meets the minimum water reduction target set for Stage 2.
- h. Events involving the use of water such as: car washes, festivals, parties, water slides, and other activities involving the use of water are permitted, if the water being used drains to a recirculating device, or onto a pervious surface to prevent water waste.
- i. Restaurants are encouraged to serve water to their patrons only upon request.
- j. Fire Hydrants: Use of water from fire hydrants shall be limited to firefighting and activities necessary to maintain public health, safety, and welfare. Use of water from designated fire hydrants for construction purposes may be allowed under special conditions and requires a meter; a variance application must be submitted with an explanation of the

special conditions.

- k. Recreational areas (includes parks and athletic fields): The areas can only be used for designated or scheduled events or activities. Unnecessary foot traffic must be discouraged. Watering must follow a no more than twice per week schedule. A variance can be obtained if watering cannot be completed on the designated two day schedule.
- l. Water Waste: The following non-essential uses of water are prohibited at all times during periods in which restrictions have gone into effect:
 - i. Washing sidewalks, walkways, driveways, parking lots, street, tennis courts, and other impervious surfaces is prohibited except for immediate health and safety;
 - ii. Washing buildings, houses or structures with a pressure washer or garden hose is prohibited for aesthetic purposes but allowable for surface preparation of maintenance work to be performed;
 - iii. Flushing gutters or flooding gutters is prohibited except for immediate health and safety; and
 - iv. Controlling dust is prohibited, unless there is a demonstrated need to do so for reasons of public health and safety, or as part of an approved construction plan.
 - v. Other uses that waste such running down the gutter are prohibited.

(D) Wholesale Water Use Restrictions:

1. When Leander is utilizing water from a wholesale supplier, and wholesale supplier has declared Stage II restrictions under the wholesale supplier's Drought Contingency Plan, additional water use restriction, which are mandatory, will also apply.
2. The City will keep wholesale treated water customers informed about demand and current and projected supply conditions. The City will initiate discussions with wholesale treated water customers about potential curtailment and implementation of mandatory measures to reduce all nonessential water uses.

(E) Requirements for termination.

1. Stage 2 of the plan may be rescinded when:
 - a. Treatment Capacity: The water treatment plant capacity condition listed above as a triggering event for Stage 2 has ceased to exist for five consecutive days
 - b. Water Supply: The LCRA announces that mandatory restrictions by its firm raw water customers are no longer needed in accordance with the LCRA DCP.
2. Upon termination of Stage 2, the City will publicly announce the termination to its customers and notify the LCRA. Notice to the TCEQ is required.
3. Stage 1 becomes operative upon termination of Stage 2.

(3) Stage 3: Severe Water Shortage Conditions (Mandatory Water Conservation Measures)

(A) Triggers: Customers shall adhere to the Stage 3 Drought Response Measures when one or a combination of such triggering criteria occurs:

1. Treatment Capacity:
 - a. When total daily water demand equals or exceeds 95 percent of the total operating system treatment capacity for three consecutive days, or 97 percent on a single day; or
 - b. Pump hours per day of 22 hours.
2. Water Supply:
 - a. Combined storage of Lakes Travis and Buchanan reaches 600,000 acre-feet, in accordance with the LCRA DCP, or
 - b. The LCRA Board declares a drought worse than the Drought of Record or other water supply emergency and orders the mandatory curtailment of firm water supplies.

(B) Reduction Targets:

1. System Capacity Reduction Target: Limit daily water demand to no more

than 80% capacity for three days or 85% for one day.

2. Water Supply Reduction Target: Achieve a 20% reduction in water use and 17 pump hours per day.

(C) Mandatory Water Use Restrictions

1. Supply Management Measures: In addition to measures implemented in the preceding stages of the plan, affected City of Leander water utility systems will explore additional emergency water supply options.
2. Demand Management Measures: Under threat of penalty, all retail customers are required to further reduce non-essential water uses as follows. All requirements of Stage 2 shall remain in effect during Stage 3, with the following modifications and additions.

a. Irrigation of Landscaped Areas:

- i. Irrigation of landscaped areas with hose-end sprinklers or in-ground irrigation systems shall be limited to a no more than the ONCE weekly watering schedule shown in subsection 2(a)(ii) below and based on the nature of the current drought or water emergency. Irrigation of recreational areas may apply for a variance but must still develop a schedule where no part of the landscape is watered more than once per week.

ii. Water Schedule (Once a Week for Customers)

- aa. Odd number residential addresses: Irrigate only on Wednesdays.
- bb. Even number residential addresses: Irrigate only on Thursdays.
- cc. Commercial and multi-family (including large landscapes such as HOA common areas): Irrigate only on Tuesdays.
- dd. Outdoor Watering Hours are midnight to 10 a.m. and 7 p.m. to midnight on the designated days. This prohibition does not apply to irrigation of landscaped areas if it is by means of a hand-held hose or a faucet-filled bucket or watering can of five gallons or less.

b. Vehicle Washing:

Use of water to wash any motor vehicle, motorbike, boat, trailer, airplane, or other vehicle is prohibited. A vehicle can be washed at any time at a commercial car wash facility or commercial service station that recycles its water. Further, this activity is exempt from these regulations if the health, safety, and welfare of the public are served by washing the vehicle, such as a truck used to collect garbage or used to transport food and perishables.

c. Pools:

Installation of swimming pools is prohibited. The filling or replenishing of water to swimming pools, hot tubs, wading pools, and other types of pools is prohibited. Public/community swimming pools may be exempt from this prohibition to maintain safe levels of water quality for human contact.

d. Golf Course:

Golf courses receiving any amount of treated water from a City of Leander utility must develop a drought contingency plan in accordance with the City of Leander's Drought Contingency Plan and will implement its Stage 3 mandatory restrictions in conjunction with water provider.

e. Events:

Events involving the use of water such as: car washes; festivals; parties; water slides; and other activities involving the use of water are prohibited.

f. Recreational areas (includes parks and athletic fields):

The areas can only be used for designated or scheduled events or activities. Unnecessary foot traffic must be discouraged. Watering is prohibited except with a hand-held hose.

(D) Wholesale Water Use Restrictions.

1. When Leander is utilizing water from a wholesale supplier, and wholesale supplier has declared Stage 3 restrictions under the wholesale supplier's Drought Contingency Plan, additional water use restriction, which are mandatory, will also apply.
2. The City will contact its wholesale treated water customers to initiate mandatory measures to control water demand and to ensure capacity for emergency response requirements. Mandatory measures will include the curtailment of nonessential water uses in accordance with the wholesale treated water customer's own drought contingency plan.

In addition, if the Stage 3 triggering criteria is based on a water supply shortage, the City will initiate the curtailment of water provided to wholesale treated water customers on a pro rata basis, in accordance with the LCRA DCP.

(E) Requirements for termination.

1. Stage 3 of the plan may be rescinded when:
 - a. Treatment Capacity: The water treatment plant capacity condition listed above as a triggering event for Stage 3 has ceased to exist for five consecutive days
 - b. Water Supply: The LCRA announces that mandatory restrictions by its firm raw water customers are no longer needed in accordance with the LCRA DCP.
2. Upon termination of Stage 3, the City will publicly announce the termination to its customers and notify the LCRA. Notice to the TCEQ is required.
3. Stage 2 becomes operative upon termination of Stage 3.

(4) Stage 4: Emergency Water Conditions. The City will implement Stage IV when any one of the selected triggers is reached.

(A) Triggers: Customers shall adhere to the Stage 4 Drought Response Measures

when one or a combination of the following triggering criteria occurs:

1. Treatment Capacity:

- a. Major water line breaks or pump system failures that cause substantial loss of ability to provide water service.
- b. When total daily water demands equal or exceed 100 percent of the total operating system treatment capacity.
- c. Pump hours per day of 24 hours.

2. Water Supply:

- a. Natural or man-made contamination of the water supply source; or
- b. Any other emergency water supply or demand conditions that the LCRA general manager or the LCRA Board determines that either constitutes a water supply emergency or is associated with the LCRA Board declaration of a drought worse than the drought of record.

(B) Reduction Targets: Water use reduction target is less than or equal to 90% of treatment capacity and less than 22 pump hours per day.

(C) Mandatory Water Use Restrictions

Under threat of penalty for violation, all retail customers are required to reduce nonessential water uses during an emergency. All requirements of Stages 1 through 3 are also in effect during stage 4, with the following modifications and additions:

1. Irrigation of landscaped areas is prohibited.
2. Use of water from fire hydrants shall be limited to firefighting and activities necessary to maintain public health, safety, and welfare only.
3. No applications for new, additional, expanded, or larger water service connections, meters, service lines, pipeline extensions, mains, or water service facilities of any kind shall be allowed or approved.

(D) Upon declaration of Stage 4: Emergency Water Conditions, water use restrictions outlined in Stage 4 Emergency Response Measures shall immediately apply.

(E) Wholesale Water Use Restrictions:

1. When Leander is utilizing water from a wholesale supplier, and wholesale supplier has declared Stage IV restrictions under the wholesale supplier's Drought Contingency Plan, additional water use restriction, which are mandatory, will also apply.
2. All requirements of Stage 3 shall remain in effect during Stage 4. Additional measures may be added as needed.

(D) Utility Measures: The City shall visually inspect lines and repair leaks on a regular basis. Flushing is prohibited except for dead end mains and only between the hours of 9:00 p.m. and 3:00 a.m. Emergency interconnects or alternative supply arrangements shall be initiated. All meters shall be read as often as necessary to insure compliance with this program for the benefit of all the customers.

(E) Requirements for termination.

1. Stage 4 of the plan may be rescinded when:
 - a. Treatment Capacity: The water treatment plant capacity condition listed above as a triggering event for Stage 4 has ceased to exist for five consecutive days; or
 - b. Water Supply: LCRA announces that mandatory water restrictions for firm water customers are no longer required in accordance with the LCRA DCP.
2. Upon termination of Stage 4, the City will publicly announce the termination to its customers and notify the LCRA. Notice to the TCEQ is required.
3. Stage 3 becomes operative upon termination of Stage 4.

Sec. 13.411 Enforcement; Penalty; Termination of Water Service

(a) No person or entity shall knowingly or intentionally allow the use of water from the City of Leander for residential, commercial, industrial, agricultural, governmental or any other purpose in a manner contrary to any provision of this article, or in an amount in excess of that permitted by the drought response stage in effect at the time pursuant to action taken by the city manager, or his/her designee, in accordance with provisions of this Plan.

(b) Administrative Violation:

(1) Except as otherwise stated herein, each violation of this Plan may be enforced as an administrative violation pursuant to the following:

<u>Violation</u>	<u>Residential Customer</u>	<u>Commercial Customer</u>
First Offense	Courtesy Warning	Courtesy Warning
Second Offense	\$50.00	\$200.00
Third Offense	\$100.00	\$400.00
Fourth & Subsequent Offense(s)	\$200.00	\$1,000.00

(2) First Offense: If the City Manager or a designee reasonably believes that a person or entity has violated this Plan, then a Notice of First Offense shall be in writing and include the name and address of the alleged offender, a location and description of the alleged offense and a description of the administrative fees for subsequent violations. This notice will be mailed to the alleged offender's utility billing address.

(3) Second and/or subsequent Offense. If the City Manager or a designee reasonably believes that a person or entity has violated this Plan again subsequent to and within a 12 month period immediately following the date of the preceding offense, then a Notice of Second Offense containing the same information as described in the preceding paragraph and a description of the administrative fee for the offense. This notice will be mailed to the alleged offender's utility billing address.

(4) Appeal of Administrative Offense

(A) An alleged offender may appeal an administrative offense as set forth in this ordinance. They request of an appeal shall not suspend or delay an alleged offender's obligation to pay current outstanding utility or administrative fees. Upon successful appeal of an offense, the City will refund administrative fees paid by the alleged offender.

(B) At the designee's discretion an appeal or final review hearing may be conducted by a scheduled telephone conference involving the alleged offender, pertinent City staff, and testifying witnesses. Prior to any telephone conference, each testifying witness' name, address, telephone number, and relationship to the alleged offender shall be submitted to the City Manager, along with any or supporting documentation or physical evidence to be considered during the

conference. Any unidentified witness or supporting documents and evidence shall be considered during an appeal conference or meeting.

- (C) Within fifteen (15) business days of the date of the Notice of Offense, an alleged offender may appeal the administrative offense and fee by submitting a written request to the City Manager or his designee. Within 15 business days of the receipt of such request, the City Manager or his designee shall appoint one or more pertinent hearing officers and schedule an appeal hearing or telephone conference. At the appeal hearing, the alleged offender may present relevant evidence and bear the burden of proof to show by preponderance of the evidence why he or she should not be held in violation or assessed a fee. The hearing officers shall consider all relevant evidence as presented and render a decision within five (5) business days of the conclusion of the appeal hearing. A copy of the decision shall be mailed to the alleged offender's utility billing address.
- (D) An alleged offender may appeal the hearing decision by submitting a written request to the City Manager within five (5) business days of their receipt of the decision. Within five (5) business days of receiving a timely appeal, the City Manager or designee shall conduct a final review hearing. At this hearing, the alleged offender may present relevant evidence as described in the preceding paragraph. The City Manager or designee shall consider relevant evidence and render a written decision within five (5) business days of the conclusion of the final review hearing. A copy of the decision shall be mailed to the alleged offender's utility billing address. The Final Review Hearing Decision is final and binding.
- (E) Should the alleged offender fail to attend a scheduled appeal, it is their responsibility to contact the designee within five working days of the scheduled date of the appeal. Failure to do so or the attend the rescheduled appeal for any reason shall constitute a default, render final the administrative offense and associated fee, and further waive the offender's right to an appeal.

(5) Notices. All notices regarding alleged administrative offenses including without limitation Notices of Offenses, Appeal Hearing and Final Review Hearing Decisions shall be in writing and forwarded to the alleged offender via first class mail and/or certified mail, return receipt requested to the alleged offender's current utility billing address. All notices delivered in this manner shall be deemed as received by the alleged offender within five (5) days of the mailing's postmark.

(6) Alternatively and at the City Manager's discretion, any violation of this ordinance may be enforced as a criminal violation in accordance with subsection (b) below,

(b) Any person who shall violate any of the provisions of this article, or shall fail to comply therewith, or with any of the mandatory requirements thereof, within the City limits shall be deemed guilty of an offense and shall be liable for a fine not to exceed the sum of two thousand dollars (\$2,000.00). Each day the violation exists shall constitute a separate offense. Such penalty shall be in addition to all the other remedies provided herein.

(c) The city manager, or his/her designee shall, upon due notice to the customer, be authorized to discontinue water service to the premises where such violations occur in accordance with this section. Services discontinued under such circumstances shall be restored only upon payment of a reconnection charge, hereby established at \$1,000.00 and any other costs incurred by the City of Leander in discontinuing service. In addition, suitable assurance must be given to the city that the same action shall not be repeated while the plan is in effect. Compliance with this article may also be sought through injunctive relief in the district court.

(1) Emergency Termination: If an officer charged with enforcement of this article determines that a violation of this Ordinance constitutes an immediate threat to the public health, safety and welfare, and the owner, occupant, or person in control of the property (the “responsible party”) is absent or fails to immediately remedy the violation, the officer may terminate water services to such property. The City Manager shall hold a hearing within 72 hours after termination of service to determine whether the responsible party violated the ordinance, unless a later hearing date is requested by the responsible party or the responsible party is unable to be located, in which case the hearing shall be held as soon as possible. Promptly after terminating service, the officer charged with enforcement of this article shall give the responsible party written notice of the termination and hearing in compliance with TAC, Title 30, Section 291.88(b) by personal delivery or posting notice of the hearing on or near the front door of each building on the property. If it is determined at the hearing that the responsible party did not violate this article, the responsible party’s utilities shall be immediately reconnected without charge to the responsible party.

(2) Nonemergency Termination: An officer charged with enforcement of this article who determines that a violation of this article is present may seek termination of wastewater service to the property at which the violation is present after notice and hearing as provided in this subsection. The officer charged with enforcement of this article shall give written notice of the violation of this article to the responsible party and the requirement that the violation be remedied within ten (10) days or water service will be disconnected, such notice to comply with TAC, Title 30, Section 291.88(a). If the responsible party fails to remedy the violation within the time specified in the notice, the officer charged with enforcement of this article may terminate water service. The responsible party may request a hearing by the City Manager regarding termination of service. Written notice of the time and date of the hearing shall be given to the responsible party at least ten days

before the hearing date. Notices required by this subsection shall be delivered to the responsible party by in person service, by letter addressed to the responsible party at his/her post office address.

(3) If the City Manager determines at a hearing held under subsections (1) or (2) above that the responsible party did not violate this article, the responsible party's utilities shall be immediately reconnected without charge to the responsible party. If it is determined that the responsible party violated this article, as appropriate, water service shall not be reconnected until the responsible party remedies the violation of this article and pays all required reconnection fees. The City Manager's decision may be appealed to the City Council in writing within ten days of the City Manager's decision.

(d) Any person, including a person classified as a water customer of the City of Leander, in apparent control of the property where a violation occurs or originates shall be presumed to be the violator, and proof that the violation occurred on the person's property shall constitute a rebuttable presumption that the person in apparent control of the property committed the violation, but any such person shall have the right to show that he/she did not commit the violation. Parents shall be presumed to be responsible for violations of their minor children and proof that a violation, committed by a child, occurred on property within the parents control shall constitute a rebuttable presumption that the parent committed the violation, but any such parent may be excused if he/she proves that he/she had previously directed the child not to use the water as it was used in violation of this article and that the parent could not have reasonably known of the violation.

Sec. 13.412 Variances

(a) The City Manager or his designee may grant variances:

- (1) From specific applications of the outdoor water schedule, providing that the variances do not increase the time allowed for watering but rather alter the schedule for watering; and
- (2) Allowing the use of alternative water sources (i.e., ground water, reclaimed wastewater) that do not increase demand on potable water sources for outdoor use. Variance requests may be submitted to staff and need not meet the requirements of subsection below.

(b) The City Manager or his/her designee may in writing, grant temporary variance for existing water uses otherwise prohibited under this Plan if it is determined that failure to grant such variance would cause an emergency condition adversely affecting the health, sanitation, or fire protection for the public or the person requesting such variance and if one or more of the following conditions are met:

- (1) Compliance with this Plan cannot be technically accomplished during the duration of the water supply shortage or other condition for which the Plan is in effect.
 - (2) Alternative methods can be implemented which will achieve the same level of reduction in water use.
- (c) Persons requesting an exemption from the provisions of this article shall file a petition for variance with the City of Leander within 5 working days after the Plan or a particular drought response stage has been invoked. All petitions for variances shall be reviewed by the City Manager, or his/her designee, and shall include the following:
- (1) Name and address of the petitioner(s);
 - (2) Purpose of water use;
 - (3) Specific provision(s) of the Plan from which the petitioner is requesting relief;
 - (4) Detailed statement as to how the specific provision of the Plan adversely affects the petitioner or what damage or harm will occur to the petitioner or others if petitioner complies with the Plan;
 - (5) Description of the relief requested;
 - (6) Period of time for which the variance is sought;
 - (7) Alternative water use restrictions or other measures the petitioner is taking or proposes to take to meet the intent of this Plan and compliance date; and
 - (8) Other pertinent information.
- (d) Variances granted by the City of Leander shall be subject to the following conditions, unless waived or modified by the City Manager, or his/her designee:
- (1) Variances granted shall include a timetable for compliance.
 - (2) Variances granted shall expire when the Plan is no longer in effect, unless the petitioner has failed to meet specified requirements.
- (e) No variance shall be retroactive or otherwise justify any violation of this Plan occurring prior to the issuance of the variance.

Part B-25 Round Rock WCP and Drought Contingency Plan

RESOLUTION NO. R-2014-1203

WHEREAS, recent updates to the City's long-range water supply plan indicates that additional water supplies will be needed to satisfy the projected water demand; and

WHEREAS, the City of Round Rock Water Conservation Plan ("Plan") has been updated by City Staff, and

WHEREAS, the City Council wishes to approve the Plan, Now Therefore

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF ROUND ROCK, TEXAS,

That the City of Round Rock Water Conservation Plan, attached hereto as Exhibit "A" and incorporated herein, is hereby approved.

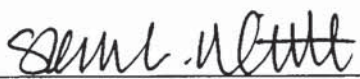
The City Council hereby finds and declares that written notice of the date, hour, place and subject of the meeting at which this Resolution was adopted was posted and that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof were discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended.

RESOLVED this 13th day of March, 2014.



ALAN MCGRAW, Mayor
City of Round Rock, Texas

ATTEST:



SARA L. WHITE, City Clerk

CITY OF ROUND ROCK WATER CONSERVATION PLAN

EXHIBIT
"A"

Section 1.0 General Information

1.1 Declaration of Policy, Purpose and Intent

Recent updates to the city's long-range water supply plan indicate that additional water supplies will be needed to satisfy the projected water demand. The plan also states that an aggressive water conservation program could substantially reduce the average per capita day consumption, prolonging the life of existing water sources and postponing the need to develop new resources. The purpose of the Water Conservation Plan is to establish short and long-term consumption goals and develop implementation strategies and processes for achieving these goals.

1.2 Utility Profile

Water Supply

The City of Round Rock obtains its raw water supply from two sources: the Edwards Aquifer and Lake Georgetown/Lake Stillhouse Hollow. Current projections indicate that these two supplies will not meet the City's projected demand by 2017. Therefore, Round Rock has created a partnership with the cities of Cedar Park and Leander known as the Brushy Creek Regional Utility Authority (BCRUA). This authority is tasked with building a regional water treatment and delivery system to deliver water from a third supply, Lake Travis. This supply will provide water for our communities for many years to come. Not only does this partnership meet Round Rock's long-term needs to the anticipated build-out population in the year 2050, water from several supplies will increase the City's drought tolerance and improve reliability in the event of a catastrophe.

Service Area

The service area is the City of Round Rock, along with the majority of its ETJ. Round Rock's current population is estimated close to 103,000 residents. The City has 31,423 active water accounts; of these, 29,382 are residential accounts. The City also wholesales water to nine customers: Teravista MUDs 10 and 11, Paloma Lake MUDs 1 and 2, Vista Oaks, Meadows at Chandler Creek, Walsh Ranch, Fern Bluff, and Blessing Mobile Home Park. The majority of their customers are residential.

Water Treatment and Production

The City of Round Rock owns and operates one water treatment plant located west of Interstate 35 off of Westinghouse Road. The City's average daily production is 19.655 million gallons per day (MGD), combined for surface and ground water production.

Wastewater Collection and Treatment

The City of Round Rock's wastewater collection system is made up of over 500 miles of collection lines. These lines ultimately discharge at the Brushy Creek Regional Wastewater Treatment Plants (East or West) either directly or through larger diameter regional interceptor lines owned by the Brushy Creek Regional Wastewater Treatment System (BCRWWTS). The BCRWWTS is comprised of the cities of Austin, Cedar Park, and Round Rock. The wastewater treatment plants and regional collection lines are operated by the Brazos River Authority (BRA). The East Plant is located southwest of the intersection of U.S. Highway 79 and Red Bud Lane. The West Plant is located east of the intersection of Georgetown Avenue and Austin Blvd, at the termination of Austin Blvd. The City of Round Rock's wastewater collection system is currently covered under the Wastewater Discharge Permit that is held by the BCRWWTS.

The East Plant has a treatment capacity of 21.5 million gallons of wastewater per day from the plant's regional customers. The regional customers include the cities of Round Rock, Cedar Park, Leander and Austin, and the sub-regional customers include Fern Bluff Municipal Utility District and Brushy Creek Municipal Utility District. The West Plant is rated for a maximum flow of 3 MGD.

Because approximately 60% of the City is located over the Edwards Aquifer, the City has a collection system rehabilitation program that includes cleaning and videoing the collection system located in this area every 5-years. The Edwards Aquifer Protection Program is mandated by the Texas Commission on Environmental Quality (TCEQ). This program also includes inspecting and correcting "problem" areas that require regular maintenance. This program is funded through the self-funded wastewater utility fund.

Water Reuse

The City of Round Rock wastewater reuse facility is located at the East Wastewater Treatment Plant, which can produce up to 6 million gallons per day. The City began using Type II wastewater reuse in 1997 with a project that provides irrigation water to Forest Creek Golf Course. Approximately 45 million gallons are currently diverted per year, with a peak demand of 600,000 gallons per day for irrigation of the City's golf course.

Round Rock is currently in the process of converting all reuse water to Type I reuse, which will be completed by summer of 2014. . Currently, Forest Creek golf course, the 500-acre Old Settlers Park and portions of the Dell Diamond baseball facility are irrigated with reuse water. Plans include connecting Legends Village HOA, Forest Creek HOA and the Freeman tract development common area irrigation systems to the reuse system; this is set to be completed before the summer of 2014.

The reuse facility will ultimately provide irrigation to various properties on the northeast side of the City, including Texas State University Higher Education Center, Texas A&M Medical School campus, Austin Community College campus, Seton Hospital, and the Avery North development. These facilities will be able to tie into the reuse system by the end of 2014.

1.3 Goals

- Develop and implement conservation programs that will:
 - Reduce seasonal peak demands
 - Reduce water loss, non-revenue water, unaccounted for water, and water waste
 - Decrease per capita day consumption
 - Maintain the community's quality of life while continuing to enhance economic growth
 - Prevent the pollution of ground and surface water sources
- Establish a heightened public awareness of water conservation in Round Rock.
- Audit and retrofit city facilities with water efficient fixtures, landscapes and irrigation systems wherever possible.
- Facilitate the conservation efforts of the city's wholesale customers.
- Establish a target of one percent per year reduction in per capita day consumption for the next five years.
- Monitor conservation strategies for future goal setting purposes.

1.4 Applicability

This plan and Chapter 10, Section 10.800 of the City of Round Rock Code of Ordinances 1995 edition shall apply to all persons, customers and owners of property who use or allow the use of city water, wherever situated.

1.5 Public Involvement

Opportunity for the public to provide input into the continued development of the Plan or any modifications has been provided by the City by means of scheduling and providing public notice of a public meeting to accept input on the Plan. Further, the public is always invited to attend city council meetings, held the second and fourth Thursday of each month.

Section 2.0 Conservation Goals, Metering and Leak Detection

2.1 Water Savings Targets

Five-Year Target

- Over the last five years, Round Rock's total gallons per capita per day (gpcd) have averaged 150 gallons. Our goal is to reduce the total per capita day consumption each year with a target of achieving 140 gpcd.
- Over the last five years, Round Rock's residential gpcd has averaged 108. Our goal is to reduce the residential gpcd consumption each year with a target of achieving 90 gpcd.
- Reduce the actual water loss over the five year period so that actual water loss is no more than ten percent of the total amount of water treated.

Ten-Year Target

- Maintain the total per capita per day consumption each year until the average per capita day consumption is 140 gpcd or less.
- Reduce and maintain the residential per capita day consumption each year with a target of achieving 80 gpcd.
- Reduce and maintain the actual water loss until it is no more than ten percent of the total amount of water treated.

2.2 Metering Devices

Diversion and Production Meters

The Round Rock Water System has six American Water Works Association (AWWA) approved meters. Two GE ultrasonic, insertion meters are used to measure water diverted from the lake, two venturi meters are used to measure water entering the treatment plant and the remaining two, one venturi, one ultrasonic insertion, are used to measure treated water leaving the water treatment plant. These meters are calibrated at least once per year to an accuracy of plus or minus one percent. Records of water diverted and produced are collected continuously via a Supervisory Control and Data Acquisition (SCADA) System and compiled monthly.

Additionally, the City's Lake Travis water source is metered by BCRUA by two meters. A strap-on ultrasonic meter is at Lake Travis, measuring what is drawn from the lake. The other is a venturi insertion meter, which meters what enters into the City of Round Rock's water system. The testing of these meters is managed by BCRUA.

Delivery Meters

The City of Round Rock's current ordinance requires all connections to be metered. All wholesale meters are regularly monitored and verified. All water meters are tested and calibrated to AWWA standards. All water meters are read regularly and the readings are verified for accuracy annually. Meters are replaced and/or repaired as necessary. Residential meters and commercial meters smaller than 1" are replaced at a minimum every 2,000,000 gallons metered or every fifteen years, whichever is sooner. Commercial meters that are 1-1/2" to 2" are replaced at a minimum of 10,000,000 gallons metered or every 10 years, whichever is sooner. Meters 3" or larger are repaired or replaced on-site after failure or unusual meter reads. The Top 100 users are tested each year. AMR registers and meter signal boosters will be replaced after failure or 15 years.

Starting with a pilot project in November 2009, the City has been replacing traditional meters with Master Meter's AMR meters. At the end of 2013, the meter retrofit was 97% completed, with all but a few large commercial meters being an AMR. Any new meter installed since 2010 has been an AMR meter. Round Rock is using drive-by meter reading, which has reduced meter read time, increased meter accuracy, reduced water loss, assumed to increase revenues and reduced staff by four persons. Currently, only one full-time meter reader is employed. The City is in the process of continuing to improve the meter reading accuracy and efficiency by upgrading to an AMI system. Work is starting on this process in 2014 with installing boosters and antennas. The conversion is projected to be completed by the end of the calendar year.

2.3 Leak Detection, Repair and Control of Unaccounted-for, or Non-Revenue Water

A substantial portion of the Round Rock Water and Wastewater Utilities is spent on personnel and equipment for the maintenance of the city's water distribution system. The city operates crews used for leak repair and crews for leak detection. Most leaks, illegal connections or abandoned services are detected by field crews or reported by the public. The city visually inspects its large water mains and raw water lines once per year.

The Round Rock Water and Wastewater Utility conducts a water audit each year to identify real water losses and correct applicable reports. Real water losses are minimized by replacing deteriorated water mains and customer service lines. These replacement programs are ongoing.

Section 3.0 Public Education and Awareness

The City of Round Rock periodically provides the public with information about the Water Conservation Plan, including information about proposed rate changes, rebate programs, water conservation measures and water availability conditions.

3.1 Water Conservation and Drought Contingency information is currently provided through:

- City's electronic newsletter
- press releases
- utility bill inserts and printed material
- Facebook, Twitter, and other City social media outlets
- City website: www.roundrocktexas.gov
- Public meetings, seminars

3.2 The city plans to enhance its public education and awareness component for the next five year planning period through:

- School education programs
- Presentations at local service organizations and homeowner associations
- Special events, promotions, workshops, and seminars
- Specific Landscape irrigation advice
- Social media campaigns
- Water blog on local water projects and programs

Section 4.0 Non-Promotional Rate Structure

The City of Round Rock began implementation of a multi-tiered rate structure in 2009 to provide incentive to conserve water during peak landscape irrigation season. The increasing block water rates are effective each May 1 through September 30. Each customer is charged a monthly base rate, based on the size of the water meter; then an amount per thousand gallons up to 18,000 for residential customers with a 5/8" meter. When 18,000 gallons are used, a second tier amount is 125% of tier one, per thousand gallons. For meters larger than 5/8", the volume amount for the lower block is based on the size of the water meter, then using the number of living unit equivalents for that meter times the 18,000 gallon amount. The rate structure changed to a four-tier in 2011, with tiers two and three still increasing in price by 125%. Tier four is a 150% increase over tier three. For a typical 5/8" meter, the tiers look like this:

Gallons Used	Price per 1000 Gallons
0 - 18,000	\$2.35
18,100 – 24,000	\$2.94
24,100 – 30,000	\$3.53
Over 30,000	\$4.70

These rates and thresholds amounts are reviewed on a regular basis. Irrigation-only meters follow the same tiers and rates as regular potable water, mentioned above.

Reuse water rate structure is a flat rate of 75 percent of the potable water rate; currently \$1.76 per 1000 gallons. The rates will be reviewed on a regular basis.

Section 5.0 Reservoir Systems Operations Plan

The City of Round Rock contracts for raw water in Lake Georgetown, Lake Stillhouse Hollow and Lake Travis from the Brazos River Authority and Lower Colorado River Authority. Round Rock is not responsible for the management of these reservoirs.

Section 6.0 Means of Implementation and Enforcement

- 6.1 The City of Round Rock will enforce necessary portions of this plan through ordinances and signed contracts.
- 6.2 The City's sworn police officers, code enforcement officers and other designated personnel will ensure compliance with the water conservation and drought contingency regulations.
- 6.3 Violations will be handled according to the 2010 City Code of Ordinances, Sec. 44-240.
- 6.4 The plan will be implemented immediately upon adoption by City Council.

Section 7.0 Tracking Targets and Goals

The staff shall track target and goals by utilizing the following procedures:

- 7.1 Logs will be maintained for meter calibration, meter testing and meter replacement.
- 7.2 Annual water audits shall be documented and kept in the Water & Wastewater Utility Department files. An outside consulting firm will conduct periodic audits.
- 7.3 Records of all public education shall be maintained. These records must include type, number, and location distributed.
- 7.4 Rates are tracked and monitored by the City's Finance Department. An outside consulting firm will conduct periodic reviews of the rates.
- 7.5 Logs of the City's Leak Detection Program will be maintained. These records will include inspections and soundings of water main fittings and connections and night flow measurements. An outside consulting firm will conduct periodic leak detection audits.

Section 8.0 Coordination with Regional Water Planning Groups

The service area of the City of Round Rock is located within Brazos G Regional Water Planning Group. The City of Round Rock has mailed a copy of this Plan to the RWPG and the Texas Water Development Board.

Section 9.0 Record Management

The city desegregates water records on a monthly basis in the following manner:

- 9.1 Water diverted from water sources.
- 9.2 Water pumped into the distribution system.
- 9.3 Water sales including: residential, commercial, public/institutional, bulk water, industrial, parks irrigation, government and wholesale.
- 9.4 Non-revenue water.
- 9.5 Actual water losses.

Section 10.0

Wholesale Customer Conservation Requirements

All wholesale water contracts require compliance with the City's Drought Contingency and Water Conservation Plans. Each contract specifies that the water supplied to the wholesale customer may be reasonably limited by the City on the same basis and to the same extent as the supply of water to any other customers within the city.

All wholesale contracts entered into, renewed or extended after the adoption of this plan will include provisions for distributing water to the wholesale customers in accordance with the Texas Water Code, Section 11.039. Customer entities that intend to resell water provided by the City of Round Rock shall require that all successive customers implement conservation measures in accordance with the provisions stated in Title 30, Texas Administrative Code, Chapter 288.

Section 11.0

Additional Conservation Strategies

- 11.1 The City of Round Rock adopted a plumbing code effective November 2012, based on the 2012 Edition of the International Building Code requiring efficient water use fixtures, which complies with the State of Texas requirements.
- 11.2 The City of Round Rock recycles approximately 98% of the filter backwash water at the water treatment plant.
- 11.3 The City of Round Rock has several regulations in place to help prevent water waste as a result of improper irrigation or leaks. City ordinances address the following:
 - Voluntary outdoor irrigation schedule is encouraged year-round. Residents are encouraged to limit outdoor irrigation to twice per week on designated watering day(s), and not during the hours of 10:00 AM and 7:00 PM. The schedule is as follows:
 - Industrial/Commercial/Intuition/Multifamily properties on Tuesday and/or Friday.
 - Residential properties with Odd Addresses on Wednesday and/or Saturday.
 - Residential properties with Even Addresses on Thursday and/or Sunday.
 - During irrigation, water is not allowed to pool, puddle, or run-off on any impervious area.
 - New automatic irrigation systems are required adhere to the TCEQ's 2009 irrigation design standards.
 - Irrigation systems are not allowed to operate if malfunctioning.
- 11.4 The City of Round Rock operates a permanent household hazardous waste collection program available free of charge to direct City of Round Rock water customers. It is open on the first Wednesday of each month and a few other designated Saturday collections. The City intends to offer these collection services to wholesale customers in the near future for a nominal fee.

Section 12.0

Water Conservation Strategies

Conservation strategies are being implemented using BMPs prepared by the Texas Water Development Board and other agencies. The City intends to evaluate the strategies using the following criteria: applicability, potential for saving water, practicality, public acceptance and cost effectiveness. There is currently one full-time, dedicated water conservation staff. Current conservation programs include:

- Free irrigation system evaluations to water customers by request or by referral of Utility Billing,
- Promoting seasonal watering schedule changes
- Public education talks to schools, service organizations, HOAs, clubs, and other groups, as requested
- Rebate programs:
 - Efficient clothes washer rebates
 - Upgrades to irrigation systems
 - Rainwater harvesting rebates
 - High-efficient toilet rebates

- Give-away and promotional items available on a limited basis, including dye tablets, rain gauges, showerheads, conservation brochures, landscape guides, and soil moisture sensors
- Special events, such as rainbarrel sales and educational workshops
- Social media outreach

As the program continues to expand and plumbing and irrigation technology improves, there is anticipation of revising existing water conservation incentives and ending programs that have market saturation. There is also continued research on new programs and ordinances to possibly include:

- Showerhead, Faucet Aerator and other conservation tool giveaways
- Water Wise Landscape Design Incentives, possibly including soils, mulch, drought-tolerant plant rebates
- Expanded rainwater Harvesting Programs
- Increased Irrigation System Upgrade Rebates on new technologies, weather-based data
- Amendments to Landscape Development Code to include specifications on soil depth, plant selection
- Commercial property specific rebates
- Increased public education workshops
- Use of AMI technology
- Evaluation of current seasonal tiered water rate structure
- Expanding conservation programs to include MUD water customers

Section 13.0

Plan Review and Update

The City of Round Rock will review and update the Water Conservation Plan as appropriate based on an assessment of the five and ten year goals. At a minimum, the Water Conservation Plan will be updated and adopted no later than May 1, 2019 and every five years thereafter.

ARTICLE VIII. - DROUGHT CONTINGENCY AND PEAK DAY WATER USE MANAGEMENT^[3]

Footnotes:

--- (3) ---

Editor's note— Ord. No. G-12-07-12-G1, § I, adopted July 12, 2012, amended art. VIII, in its entirety to read as herein set out. Former art. VIII, §§ 44-221—44-238, was entitled "Drought Contingency and Peak Day Water Use Management Plan", and derived from: Code 1995, §§ 10.801—818; Ord. No. G-02-04-11-15A1, adopted Apr. 11, 2002; Ord. No. G-06-06-08-9C1, adopted June 8, 2006; Ord. No. G-09-04-23-9B2, § I, adopted Apr. 23, 2009; Ord. No. G-09-08-27-8C1, § I, adopted Aug. 27, 2009; and Ord. No. G-11-11-10-9B1, § I, adopted Nov. 10, 2011.

Sec. 44-221. - Declaration of policy.

It is declared that, because safe and high-quality drinking water is a precious resource, the general welfare requires that the water resources available to the city be put to the maximum beneficial use, and that the waste or unreasonable use of water be prevented, and the conservation of water is to be encouraged with a view to its reasonable and beneficial use in the interests of the people of the city and for the public health, safety and welfare. The city council has determined that an aggressive water conservation and drought contingency program will protect the integrity of water supply facilities, prolong the life of existing water sources, and minimize the impacts of water supply shortages, and therefore adopts the following regulations and restrictions on the delivery and consumption of water. Water uses regulated or prohibited under this plan are considered to be nonessential and continuation of such uses during time of water shortage or other emergency water supply conditions are deemed to constitute a waste of water which may subject the offender to penalties.

(Ord. No. G-12-07-12-G1, § I, 7-12-2012)

Sec. 44-222. - Definitions.

For the purpose of this article, the definitions set forth in section 44-5 shall apply, unless the context clearly indicates or requires a different meaning.

(Ord. No. G-12-07-12-G1, § I, 7-12-2012)

Sec. 44-223. - Implementation.

The city manager is hereby authorized and directed to implement the applicable conservation stages upon his determination that the implementation is necessary to protect the public health, safety and welfare. The city manager shall have the authority to initiate or terminate drought or other water supply emergency response measures as described in this article.

(Ord. No. G-12-07-12-G1, § I, 7-12-2012)

Sec. 44-224. - Application.

The provisions of this article shall apply to all persons, customers, and owners of property who use or allow the use of city water, wherever situated. The terms person and customer, as used in this article,

include individuals, corporations, partnerships, associations and all other legal entities. The provisions of this article do not apply to: (i) persons who use water from private wells; (ii) persons who use water from the city's reuse water system; or (iii) persons who otherwise use water from a source other than the city's water utility system.

(Ord. No. G-12-07-12-G1, § I, 7-12-2012)

Sec. 44-225. - Public education.

The city will periodically provide the public with information about water use, including information about the conditions under which each stage of this article is to be initiated or terminated and the drought response measures to be implemented in each stage. Drought and water conservation information will be provided by public meeting, press releases, utility bill inserts, the city's website, and/or electronic media notification.

(Ord. No. G-12-07-12-G1, § I, 7-12-2012)

Sec. 44-226. - Wholesale providers.

The city contracts for raw water in Lake Georgetown and Lake Stillhouse Hollow from the Brazos River Authority and Lake Travis from the Lower Colorado River Authority and the Brazos River Authority. The city will comply with and implement any drought contingency requirements that may be set forth in any contracts with these river authorities.

(Ord. No. G-12-07-12-G1, § I, 7-12-2012)

Sec. 44-227. - Wholesale customers.

- (a) All wholesale water contracts require compliance with the city's drought contingency and water conservation programs. Each contract specifies that the water supplied to the wholesale customer may be reasonably limited by the city on the same basis and to the same extent as the supply of water to any other customers within the city.
- (b) All wholesale contracts entered into, renewed or extended after the adoption of this plan will include provisions for distributing water to the wholesale customer in accordance with V.T.C.A., Water Code § 11.039.

(Ord. No. G-12-07-12-G1, § I, 7-12-2012)

Sec. 44-228. - Voluntary water conservation during peak water use periods.

- (a) The city has determined that the peak water use period begins on May 1 of each year and ends on October 31 of each year. During this period of peak water use, the city seeks to encourage water conservation by implementing water rates that increase as consumption increases. (See subsection 44-29(f) of this chapter.)
- (b) During the peak water use period of May 1 to October 31 of each year, water customers will be encouraged to voluntarily use water in compliance with all of the stage I regulations set forth in section 44-233.
- (c) At the beginning of the peak water use period, the city will initiate actions and engage in educational programs designed to increase customer awareness of water conservation and encourage the most efficient use of water.

- (d) Water customers are encouraged to voluntarily limit the use of water for nonessential purposes and to practice water conservation. Voluntary observance of the stage 1 twice-per-week watering schedule is requested.

(Ord. No. G-12-07-12-G1, § I, 7-12-2012)

Sec. 44-229. - Stage I triggers.

- (a) Stage I shall be implemented when any of the following triggers occur:
 - (1) Supply-based trigger for implementation of stage I is as follows:
 - a. Lake Georgetown Reservoir elevation is below 770 feet above mean sea level (msl) for three consecutive days; or
 - b. The combined storage of Lake Georgetown and Lake Stillhouse Hollow is less than 162,752 acre feet of water.
 - (2) Demand or capacity-based triggers for implementation of stage I are as follows:
 - a. Water treatment capacity has reached 85 percent for three consecutive days;
 - b. Total daily demand has reached 85 percent of the raw water pumping capacity for three consecutive days;
 - c. Total daily demand is 85 percent of storage capacity for three consecutive days;
 - d. Total daily demand is 85 percent of the treated water pumping capacity for three consecutive days; or
 - e. Production or distribution limitations including, but not limited to system outages or equipment failure.
 - (3) Wholesale water suppliers' triggers:
 - a. Pursuant to requirements specified in the city's wholesale water supply contract(s), notification is received from the city's wholesale water supplier(s) requesting implementation of the stage I restrictions.
 - (4) Public health, safety and welfare triggers:
 - a. The city manager makes a written public announcement that he has reasonably determined that one or more reasons exist to initiate stage I restrictions to protect the health, safety and welfare of the citizens of the city.
 - b. The implementation of stage I by the city manager pursuant to subsection (4)a. above, shall expire 15 days thereafter unless the city council adopts a resolution ratifying such determination and implementation within such 15-day period.
- (b) Stage I shall terminate when any of the following occurs:
 - (1) Stage I will terminate when the city manager makes a public announcement that all of the conditions listed as triggering events have ceased to exist for a period of three consecutive days; or
 - (2) When the city manager makes a public announcement that it is in the best interest of the city to terminate stage I.

(Ord. No. G-12-07-12-G1, § I, 7-12-2012; Ord. No. O-2015-2383, § I, 4-23-2015)

Sec. 44-230. - Stage I twice-per-week watering schedule.

The stage I twice-per-week watering schedule is hereby established as follows:

Type of Property	Watering Days	Watering Times
Commercial	Tuesday & Friday	Midnight to 10:00 a.m. and 7:00 p.m. to midnight
Industrial/Multifamily	Tuesday & Friday	
Residential (Addresses ending in odd numbers)	Wednesday & Saturday	
Residential (Addresses ending in even numbers)	Thursday & Sunday	

During stage I, all watering is discouraged on Mondays.

(Ord. No. G-12-07-12-G1, § I, 7-12-2012; Ord. No. O-2015-2383, § I, 4-23-2015)

Sec. 44-231. - Stage II triggers.

(a) Stage II shall be implemented when any of the following triggers occur:

(1) Supply-based trigger for implementation of stage II is as follows:

- a. Lake Georgetown Reservoir elevation is below 765 feet above mean sea level (msl) for three consecutive days; or
- b. The combined storage of Lake Georgetown and Lake Stillhouse Hollow is less than 105,001 acre feet of water.

(2) Demand or capacity-based triggers for implementation of stage II are as follows:

- a. Water treatment capacity has reached 90 percent for three consecutive days;
- b. Total daily demand has reached 90 percent of the raw water pumping capacity for three consecutive days;
- c. Total daily demand is 90 percent of storage capacity for three consecutive days;
- d. Total daily demand is 90 percent of the treated water pumping capacity for three consecutive days; or
- e. Production or distribution limitations including, but not limited to system outages or equipment failure.

(3) Wholesale water suppliers' triggers:

- a. Pursuant to requirements specified in the city's wholesale water supply contract(s), notification is received from the city's wholesale water supplier(s) requesting implementation of the stage II restrictions.

(4) Public health, safety and welfare triggers:

- a. The city manager makes a written public announcement that he has reasonably determined that one or more reasons exist to initiate stage II restrictions to protect the health, safety and welfare of the citizens of the city.

b. The implementation of stage II by the city manager pursuant to subsection (4)a. above shall expire 15 days thereafter unless the city council adopts a resolution ratifying such determination and implementation within such 15-day period.

- (b) Stage II shall be terminated when any of the following occurs:
- (1) Stage II will terminate when the city manager makes a public announcement that all of the conditions listed as triggering events have ceased to exist for a period of three consecutive days; or
 - (2) When the city manager makes a public announcement that it is in the best interest of the city to terminate stage II.

(Ord. No. G-12-07-12-G1, § I, 7-12-2012; Ord. No. O-2015-2383, § I, 4-23-2015)

Sec. 44-232. - Stage II once-per-week watering schedule.

The stage II once-per-week watering schedule is hereby adopted and established as follows:

Type of Property	Watering Days	Watering Times
Industrial/Commercial/Public Schools	Friday	Midnight to 10:00 a.m. and 7:00 p.m. to midnight
Multifamily/Homeowner Association common areas	Tuesday	
Residential addresses ending in odd numbers with automatic irrigation system	Wednesday	
Residential addresses ending in odd numbers without automatic irrigation system	Saturday	
Residential addresses ending in even numbers with automatic irrigation system	Thursday	
Residential addresses ending in even numbers without automatic irrigation system	Sunday	

During stage II, all watering is prohibited on Monday.

(Ord. No. G-12-07-12-G1, § I, 7-12-2012; Ord. No. O-2015-2383, § I, 4-23-2015)

Sec. 44-233. - Stage I and stage II water conservation regulations.

(a) When either stage I or stage II mandatory water conservation regulations are implemented, the following restrictions and prohibitions shall be in effect:

- (1) *Outdoor irrigation.* All outdoor irrigation by automatic irrigation systems, hose end sprinklers, soaker hoses, or drip irrigation is prohibited unless it occurs in compliance with the applicable stage I or stage II watering schedule. Irrigation by hand-held hoses or hand-held buckets is permitted anytime. The outdoor watering day and time restrictions do not apply to outdoor irrigation by commercial plant nurseries.
- (2) *Vehicle washing.* The washing, including charity car washes, of automobiles, trucks, trailers, boats, airplanes, or other type of mobile equipment is prohibited except in compliance with the applicable stage I or stage II watering schedule. The washing, when allowed, must be done with a hand-held bucket or a hand-held hose.

The vehicle washing prohibition does not apply to the following:

- a. The washing of vehicles or mobile equipment when conducted on the immediate premises of a commercial carwash or a commercial service station; or
 - b. The washing of automobiles, trucks, trailers, boats, airplanes and other types of mobile equipment (such as garbage trucks and vehicles used to transport food and perishables) when the washing is necessary on a more regular and frequent basis in order to protect the health, safety and welfare of the public.
- (3) *Power washing.* The day and time regulations of outdoor watering do not apply to commercial companies in the business of power washing.
 - (4) *Foundation watering.* The watering of the ground around foundations is prohibited except in compliance with the applicable stage I or stage II watering schedule.
 - (5) *Pools.* If either stage I or stage II is implemented, the initial filling and the refilling or adding of water to nongovernment owned swimming pools, hot tubs, wading pools, or ponds is prohibited except in compliance with the applicable stage I or stage II watering schedule.
 - (6) *Fountains and similar water features.*
 - a. During stages I and II, the operation of ornamental fountains or other similar structures that do not recirculate the water is prohibited.
 - b. During stage I, the operation of ornamental fountains or other similar structures that recirculate water is permitted.
 - c. During stage II, the operation of ornamental fountains or other similar structures that recirculate water is prohibited.
 - (7) *Golf courses.* The use of water for irrigation of golf fairways is prohibited except in compliance with the applicable stage I or stage II watering schedule. The irrigation of golf course greens and tees is allowed on an every-other-day schedule if a plan therefor is approved in writing by the director.
 - (8) *Fire hydrants.* The use of water from fire hydrants is prohibited except for firefighting-related activities or other activities necessary to maintain the health, safety and welfare of the citizens of the city. Routine flushing of fire hydrants for other than health and safety reasons is prohibited.
 - (9) *Street washing.* Street washing is prohibited.
 - (10) *New landscaping.* Because of the watering restrictions imposed by this section, landowners are encouraged to postpone the installation of new landscaping until after all mandatory restrictions are lifted. In lieu of installing the required landscaping during mandatory restrictions, owners of new construction may apply for a temporary certificate of occupancy in accordance with subsection 10-56(d) of this Code.

(b) The stage I and stage II regulations do not apply to the following:

- (1) The necessary use of water, other than for landscape irrigation, by a governmental entity in pursuit of its governmental functions for the benefit of the public, such as for capital improvement construction projects.
 - (2) The necessary use of water, other than for landscape irrigation, for land development (such as roadway base preparation, flushing of utility lines, dust control, concrete and asphalt work) and for building construction processes.
 - (3) The necessary use of water for repair of water distribution facilities, residential and commercial plumbing and landscape irrigation systems.
 - (4) The necessary use of water for athletic fields for organized youth, amateur, or professional sports such as football, soccer or baseball where the field is in use or will be in use within 60 days of the institution of stage I or II restrictions.
- (c) Stage I and stage II regulations are intended to achieve the following target reductions in water consumption:
- (1) Stage I regulations are intended to achieve a 15 percent reduction in daily water consumption.
 - (2) Stage II regulations are intended to achieve a 25 percent reduction in daily water consumption.

(Ord. No. G-12-07-12-G1, § I, 7-12-2012; Ord. No. O-2015-2383, § I, 4-23-2015)

Sec. 44-234. - Stage III triggers.

- (a) Stage III shall be implemented when any of the following triggers occur:
- (1) Supply-based trigger for implementation of stage III is as follows:
 - a. The combined storage of Lake Georgetown and Lake Stillhouse Hollow is less than 52,501 acre feet of water.
 - (2) Demand or capacity-based triggers for implementation of stage III are as follows:
 - a. Water treatment capacity has reached 95 percent for three consecutive days;
 - b. Total daily demand has reached 95 percent pumping capacity for three consecutive days;
 - c. Total daily demand is 95 percent of the storage capacity for three consecutive days; or
 - d. Significant production or distribution limitations including, but not limited to, system outages and equipment failure.
 - (3) Wholesale water suppliers' triggers:
 - a. Pursuant to requirements specified in the city's wholesale water supply contract(s), notification is received from the city's wholesale water supplier(s) requesting implementation of the stage III restrictions.
 - (4) Public health, safety and welfare triggers:
 - a. The city manager makes a written public announcement that he has reasonably determined that one or more reasons exist to initiate stage III restrictions to protect the health, safety and welfare of the citizens of the city.
 - b. The implementation of stage III by the city manager pursuant to subsection (a)(1) above shall expire 15 days thereafter unless the city council adopts a resolution ratifying such determination and implementation within such 15-day period.
 - (5) Triggers for termination of stage III restrictions:
 - a. Stage III may terminate when the city manager makes a public announcement that all of the conditions listed as triggering events have ceased to exist for a period of three consecutive days; or

- b. When the city manager makes a public announcement that it is in the best interest of the city to terminate stage III.

(Ord. No. G-12-07-12-G1, § I, 7-12-2012; Ord. No. O-2015-2383, § I, 4-23-2015)

Sec. 44-235. - Stage III water conservation regulations.

- (a) When stage III mandatory water conservation regulations are implemented, the following restrictions and prohibitions shall be in effect:
 - (1) *Outdoor irrigation.* Except as provided below, all outdoor irrigation of vegetation is prohibited. Irrigation by hand-held hoses or hand-held water cans is permitted in compliance with the stage II once-per-week watering schedule found in section 44-232. Commercial plant nurseries are permitted to irrigate by hand-held hoses or hand-held water cans in compliance with the stage I twice-per-week watering schedule.
 - (2) *Vehicle washing.* The washing of automobiles, trucks, trailers, boats, airplanes, and other types of mobile equipment is prohibited, unless occurring on the immediate premises of a commercial carwash or a commercial service station and between the hours of 8:00 a.m. and 5:00 p.m.
 - (3) *Power washing.* Power washing is prohibited.
 - (4) *Foundation watering.* The watering of the ground around foundations is prohibited except by hand-held hoses or soaker hoses and in compliance with the stage II once-per-week watering schedule found in section 44-232.
 - (5) *Pools.* Except as provided below, the refilling or adding of water to nongovernment owned swimming pools, hot tubs, wading pools, or ponds is prohibited. For new and existing swimming pools, hot tubs, wading pools, and ponds, the initial filling of said new water features and the refilling or adding of water in existing water features in accordance with the stage II schedule is permitted if necessary to prevent damage to the pool or equipment.
 - (6) *Fountains and similar water features.* The operation of ornamental fountains or other similar structures is prohibited.
 - (7) *Golf courses.* The use of water for irrigation of golf courses is prohibited.
 - (8) *Fire hydrants.* The use of water from fire hydrants is prohibited except for firefighting-related activities or other activities necessary to maintain the health, safety and welfare of the citizens of the city. Routine flushing of fire hydrants for other than health and safety reasons is prohibited. Provided however, when approved in writing by the director, a business may use water from a fire hydrant for land development and building construction processes.
 - (9) *Street washing.* Street washing is prohibited.
 - (10) *New landscaping.* All new planting of plants or grass of any type is prohibited.
 - (11) *Water served in restaurants.* Water may not be served in restaurants unless requested by a customer.
- (b) The stage III regulations do not apply to the following:
 - (1) The necessary use of water, other than for landscape irrigation, by a governmental entity in pursuit of its governmental functions for the benefit of the public, such as for capital improvement construction projects.
 - (2) The necessary use of water, other than for landscape irrigation, for land development (such as roadway base preparation, flushing of utility lines, dust control, concrete and asphalt work) and for building construction processes.
 - (3) The necessary use of water for repair of water distribution facilities, residential and commercial plumbing and permanently installed landscape irrigation systems.

(c) Stage III regulations are intended to achieve a 50 percent reduction in daily water consumption.

(Ord. No. G-12-07-12-G1, § I, 7-12-2012; Ord. No. O-2015-2383, § I, 4-23-2015)

Sec. 44-236. - Powers of the city manager.

In the event of unusual operational events, catastrophic occurrences, severe weather events, or other public emergencies, the city manager may implement mandatory water restrictions in addition to those set out in this article. The city manager may implement these mandatory restrictions by public announcement and the restrictions are effective immediately upon the making of such public announcement. The implementation of additional restrictions pursuant to this section 44-236 shall expire 15 days thereafter unless the city council adopts a resolution ratifying such determination and implementation within such 15-day period.

(Ord. No. G-12-07-12-G1, § I, 7-12-2012)

Sec. 44-237. - Procedures for the implementation and termination of mandatory restrictions.

- (a) Stages I, II, and III may be implemented or terminated at any time by resolution adopted by the city council.
- (b) When the triggers for implementation of stages I, II, and III are met, the city manager shall implement the respective mandatory restrictions by issuing a written public announcement stating at a minimum the following information:
 - (1) The date restrictions will begin; and
 - (2) The circumstances and/or reasons that triggered the restrictions.
- (c) Notice of the implementation and termination of mandatory restrictions will be given through press releases, cable television announcements, postings in public areas, on the city's web page and/or other electronic means. The notifications for implementation will contain, at a minimum, the following information:
 - (1) The date restrictions will begin;
 - (2) The circumstances that triggered the restrictions;
 - (3) The stages of response and explanation of the restrictions to be implemented;
 - (4) An explanation of the consequences for violations.
- (d) When the triggers for implementation of stages I, II, and III are no longer in effect, or the city manager determines that it is in the best interest of the city to terminate the restrictions, the city manager may do so by issuing a written order terminating the restrictions.

(Ord. No. G-12-07-12-G1, § I, 7-12-2012)

Sec. 44-238. - Reserved.

Sec. 44-239. - Variance; alternative compliance.

- (a) The director may grant any customer a temporary variance from the restrictions when failure to grant such variance would cause an emergency condition adversely affecting the public health, welfare or safety, and if one of the following conditions is met:
 - (1) Compliance with this article cannot be technically accomplished during the duration of the water supply shortage or other condition for which the restrictions in effect; or

- (2) Alternative methods can be implemented which will achieve the same or better level of reduction in water use.
- (b) The director shall inform the customer in writing concerning the granting or denial of such variance and any conditions that may accompany such variance, including any timetables for compliance with the restrictions. The city will treat all customers equally concerning variances, and shall not discriminate in granting variances. No variance shall be retroactive or otherwise justify any violation of restrictions occurring prior to the issuance of the variance.
- (c) Customers requesting a variance shall file a petition for variance with the director. All petitions shall include the following information:
 - (1) Name and address of the petitioner;
 - (2) Purpose of water use;
 - (3) Specific provisions of the restrictions from which the petition is requesting relief;
 - (4) Detailed statement as to how the specific restriction(s) adversely affects the petitioner or what damage or harm will occur to the petitioner or others if petitioner complies with the restriction(s);
 - (5) Description of the relief requested;
 - (6) Period of time for which the variance is sought;
 - (7) Alternative water use restrictions or other measures the petitioner is taking or proposes to take to meet the intent of this article and the compliance date;
 - (8) Other pertinent information.
- (d) If approved, the customer shall keep a copy of the alternative water use requirements in the location accessible and visible to the public.
- (e) If granted, the variance shall expire when the then current stage of regulations is terminated or the city implements a different stage. A new petition must be submitted each time the city implements a new higher stage of regulations.

(Ord. No. G-12-07-12-G1, § I, 7-12-2012)

Sec. 44-240. - Enforcement and penalty.

- (a) For purposes of this article, the person or customer in whose name the utility billing office last billed or who is receiving the economic benefit of the water supply is presumed to have knowingly made, caused, used or permitted the use of water received from the city for residential, commercial, industrial, agricultural, governmental or any other purpose in a manner contrary to any provision of this article and proof that the violation occurred on the person's or customer's property shall constitute a rebuttal presumption that the person or customer committed the violation.
- (b) A person commits an offense if the person performs an act prohibited by this article or fails to perform an act required by this article. Each instance of a violation of this article is a separate offense.
- (c) Proof of a culpable mental state is not required for a conviction of an offense under this article.
- (d) Parents shall be presumed to be responsible for violations of their minor children and proof that a violation, committed by a child, occurred on property within the parent's control shall constitute a rebuttal presumption that the parent committed the violation.
- (e) An offense under this article is a class C misdemeanor, punishable by a fine not to exceed \$2,000.00. Prosecution of an offense under any section does not preclude other enforcement remedies under this article. The enforcement of other remedies under this article does not prevent prosecution for a violation of this article.

- (f) If a person is convicted for three or more violations of this article within a 12-month period, water service may be disconnected or restricted.
- (g) If a customer is irrigating during a time period or on a day when irrigation is not permitted for that customer and a city worker cannot find any person at that street address to turn off the irrigation system, the city worker may enter the property and turn off the irrigation system.
- (h) The city's authority to seek injunctive or other civil relief available under the law is not limited by this article.

(Ord. No. G-12-07-12-G1, § I, 7-12-2012)

Secs. 44-241—44-269. - Reserved.

Part C-45 Bond Proforma

Brushy Creek Regional Utility Authority, Inc.

Case: Bond Proforma Base Case (5% customer growth for 5 years)
Interest Rate On 2017 SWIFT Bonds 2.75%



Fiscal Year	Water Customers	Customer Growth %	Water Revenue per Customer	Capital Contributions & Contract	Operating Expenses (1)	Net Operating Income	Combined Cities' Existing Debt Service	Leander Proforma	Cedar Park Proforma	Round Rock Proforma	Total Projected Debt Service	Projected Debt Service Coverage
				Water Revenue (1)				2017 (2)(3) Series Bonds	2017 (2) Series Bonds	2017 (2) Series Bonds		
2016	68,522	NA	\$ 193	\$ 13,217,148	\$ 1,407,268	\$ 11,809,880	\$ 11,809,880	\$ -	\$ -	\$ -	\$ 11,809,880	1.00
2017	71,948	5.00%	182	13,094,554	1,477,631	11,616,923	8,845,495	195,748	106,597	106,597	9,254,437	1.26
2018	75,546	5.00%	182	13,749,282	1,551,513	12,197,769	10,876,283	410,731	223,668	223,668	11,734,349	1.04
2019	79,323	5.00%	182	14,436,746	1,629,089	12,807,657	10,952,575	410,731	223,668	223,668	11,810,641	1.08
2020	83,289	5.00%	182	15,158,583	1,710,543	13,448,040	11,126,263	410,731	223,668	223,668	11,984,329	1.12
2021	87,453	5.00%	182	15,916,512	1,796,070	14,120,442	11,187,263	410,731	223,668	223,668	12,045,329	1.17
2022	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	11,235,213	410,731	223,668	223,668	12,093,279	1.17
2023	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	11,288,613	410,731	223,668	223,668	12,146,679	1.16
2024	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	11,346,613	410,731	223,668	223,668	12,204,679	1.16
2025	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	11,388,613	410,731	223,668	223,668	12,244,579	1.15
2026	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	11,416,413	410,731	223,668	223,668	12,274,479	1.15
2027	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	11,451,113	410,731	223,668	223,668	12,309,179	1.15
2028	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	11,479,613	410,731	223,668	223,668	12,337,679	1.14
2029	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	11,508,663	410,731	223,668	223,668	12,366,729	1.14
2030	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	11,529,913	410,731	223,668	223,668	12,387,979	1.14
2031	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	11,545,013	410,731	223,668	223,668	12,403,079	1.14
2032	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	11,560,213	410,731	223,668	223,668	12,418,279	1.14
2033	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	11,571,413	410,731	223,668	223,668	12,429,479	1.14
2034	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	11,593,213	410,731	223,668	223,668	12,451,279	1.13
2035	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	11,612,113	410,731	223,668	223,668	12,470,179	1.13
2036	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	11,632,863	410,731	223,668	223,668	12,490,929	1.13
2037	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	11,646,813	410,731	223,668	223,668	12,504,879	1.13
2038	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	11,681,563	410,731	223,668	223,668	12,539,629	1.13
2039	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	-	410,731	223,668	223,668	858,067	16.46
2040	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	-	410,731	223,668	223,668	858,067	16.46
2041	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	-	410,731	223,668	223,668	858,067	16.46
2042	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	-	410,731	223,668	223,668	858,067	16.46
2043	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	-	410,731	223,668	223,668	858,067	16.46
2044	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	-	410,731	223,668	223,668	858,067	16.46
2045	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	-	410,731	223,668	223,668	858,067	16.46
2046	87,453	0.00%	182	15,916,512	1,796,070	14,120,442	-	410,731	223,668	223,668	858,067	16.46
2047	87,453	0.00%	-	-	-	-	-	-	-	-	-	NA
2046	87,453	0.00%	-	-	-	-	-	-	-	-	-	NA
							260,468,791	\$ 12,106,943	\$ 6,592,964	\$ 6,592,964	\$ 286,768,452	

(1) FY2016 data is audited. Capital contributions includes net position draw of \$592,123 in FY2016. Operating expenses exclude depreciation expense and debt service.

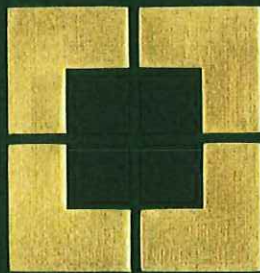
(2) Proposed bonds assumed to be issued NOVEMBER 15 of year shown.

(3) Assumes timely closing of Series 2017 Refunding Bonds for Leander portion.

Brushy Creek Regional
Utility Authority, Inc.

September 30, 2012

Part C-46 2012 Audit
Financial Statements



**BROCKWAY
GERSBACH
FRANKLIN &
NIEMEIER, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.

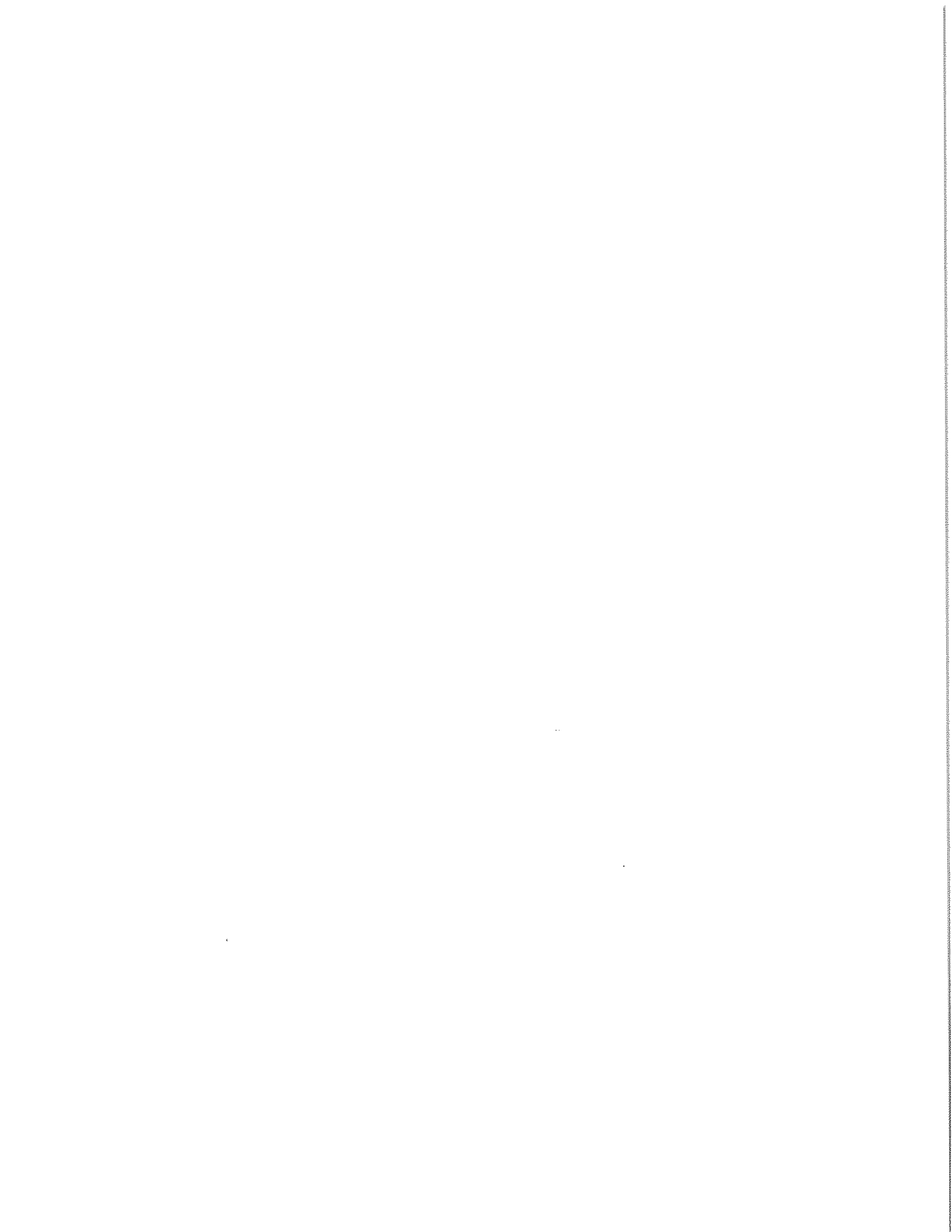
FINANCIAL STATEMENTS AS OF

September 30, 2012

TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON

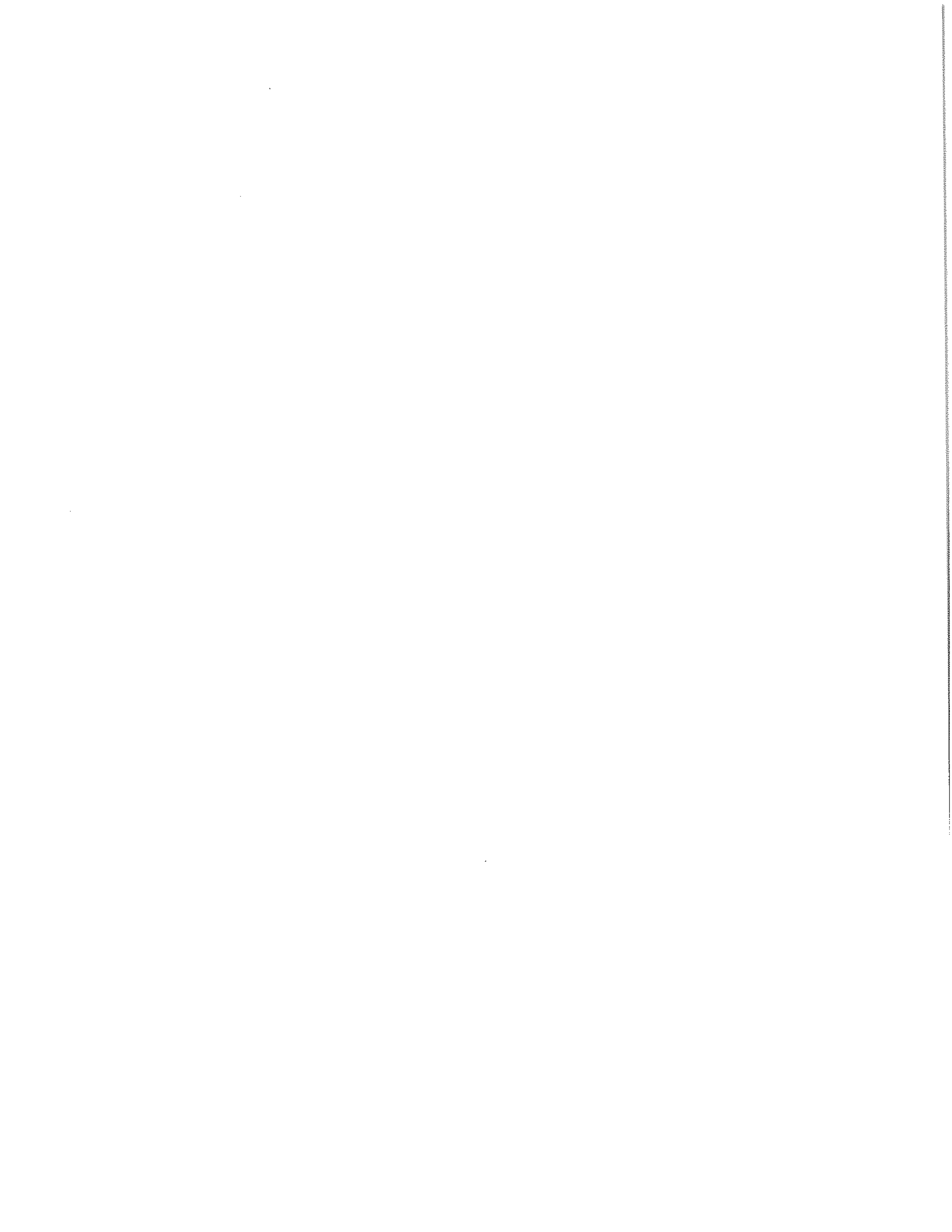
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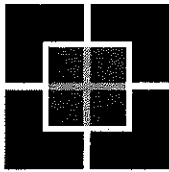
SUPPLEMENTARY SCHEDULES



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NIEMEIER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Brushy Creek Regional Utility Authority, Inc.
Round Rock, Texas

We have audited the accompanying financial statements of the business-type activities of Brushy Creek Regional Utility Authority, Inc. (the BCRUA), a local government corporation, as of and for the year ended September 30, 2012, which collectively comprise the BCRUA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the BCRUA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the BCRUA, as of September 30, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2013, on our consideration of the BCRUA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**INDEPENDENT AUDITORS' REPORT
(CONTINUED)**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the BCRUA's financial statements taken as a whole. The combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

As discussed in Note 6 to the financial statements, the Brushy Creek Regional Utility Authority, Inc. is dependent on the Cities of Cedar Park, Leander and Round Rock, Texas for the continued funding of its operating activities. The Cities annually budget funds for operational expenses and debt service requirements of the Brushy Creek Regional Utility Authority, Inc.

Ernst & Young, LLP

January 14, 2013

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012

ABOUT BCRUA

The Brushy Creek Regional Utility Authority (BCRUA) is a joint venture between the Cities of Leander, Cedar Park and Round Rock, Texas to design and construct a regional water system that will supply treated water to the three communities.

Round Rock, Cedar Park and Leander are some of the fastest growing cities in Texas. Their combined service area population is 192,000 and is projected to grow to 609,000 by the year 2040.

This project will provide the facilities to access, treat and deliver water to each partner city's customers. When completed, the project will meet the needs of Round Rock and Cedar Park to their ultimate build-out and the needs of Leander for at least the next 20 to 25 years.

The regional concept ensures the responsible use of resources and the least impact on both the environment and neighboring communities. Rather than three communities building three separate water supply projects—with three pipelines, three intakes, and three treatment plants, the BCRUA project streamlines the effort for minimum impact and maximum efficiency. The regional option affords the three cities the opportunity to realize "economy of scale" savings of 30 percent, or more than \$ 90 million.

The regional water treatment plant will have an ultimate capacity of 106 million gallons per day (mgd) and will be built in three phases to better match the capacity with near-term needs. The initial Phase 1 was completed in July 2012 and includes the full sized 106 mgd raw water and treated water pipelines, and a 17 mgd water treatment plant, readily expandable to 42 mgd. Phase 1 operates with an interim 30 mgd floating barge intake on Lake Travis, but a permanent deep water intake with ultimate capacity will be required as part of Phase 2.

Plant operations officially began July 1, 2012, operations for the project have been divided into three categories: plant staffing; General Manager / administrative support; financial support / accounting services, with each city taking responsibility for one of the categories. Plant staffing is provided by Leander consisting of one plant superintendent and three plant operators. The General Manager and administrative support are provided by Round Rock. Finance and Accounting is provided by Cedar Park. While each city maintains responsibility for their own category, the Operations Committee (composed of engineering and finance staff from each city) provides oversight of each city's contribution in order to ensure appropriate controls are in place.

With substantial completion of the Phase I Project in 2012, staff has begun working on planning, environmental studies and real-estate acquisition for Phase II.

The BCRUA Board of Directors is composed of six members, two from each of the city councils of the partnering cities. A General Manager directs the day to day business of the BCRUA, and during 2012 hired a Plant Superintendent to oversee the operation of the system.

As managers of BCRUA, it is here that we discuss and analyze the BCRUA's financial performance for the fiscal year ended September 30, 2012. Please read it in conjunction with the Independent Auditors' Report on page 1 and the BCRUA's Basic Financial Statements which begin on page 10.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: (1) management's discussion and analysis (this section), (2) basic financial statements, and (3) notes to the financial statements. This report also contains combining statements as supplementary information in addition to the basic financial statements.

The basic financial statements include the Statement of Net Assets (page 10), the Statement of Revenues, Expenses, and Changes in Net Assets (page 12) and the Statement of Cash Flows (page 13). The BCRUA operates as an enterprise activity and consists of one proprietary fund.

The notes to the financial statements (starting on page 15) provide narrative explanations or additional data needed for full disclosure in the basic financial statements.

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to provide readers with a broad overview of the BCRUA's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the BCRUA's assets and liabilities, with the difference between the two reported as net assets. The BCRUA's net assets provide one measure of the BCRUA's financial health, or financial position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the BCRUA is improving or deteriorating. To fully assess the overall health of the BCRUA, however, you should consider nonfinancial factors as well, such as the condition of assets, and the total economic impact of the entity on the Cities of Cedar Park, Leander and Round Rock, Texas.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents information showing how the BCRUA's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* presents cash receipts, cash disbursements and net changes in cash resulting from operating, financing and investing activities. This statement provides information such as where cash originated, how it was used and the net change in cash balances during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide required disclosures and other additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements present information about the accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. The notes to the financial statements can be found on pages 15 through 24 of this report.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2012

SUPPLEMENTARY INFORMATION

The combining statements are presented for purposes of additional analysis and to provide an overview of the financial position and results of operations related to each partner City. The combining statements can be found on pages 26 and 28 of this report.

FINANCIAL ANALYSIS

FINANCIAL HIGHLIGHTS

- The BCRUA's net assets decreased by \$ 471,234 as a result of current year operations.
- Partner city contributions to net assets for the year ended September 30, 2012 were \$ 9,654,944 and distributions to partner cities were \$ 1,105,000.
- Total net assets at September 30, 2012 were \$ 18,441,816, an increase of \$ 8,087,810 from September 30, 2011.
- Total capital assets, net of depreciation, were \$ 155,311,460 as of September 30, 2012. This is an increase of \$ 21,699,472 over the prior year and reflects the completion of Phase 1 of the project and the start up cost for Phase 2.
- Total long-term liabilities were \$ 178,605,000 and \$ 180,605,000 as of September 30, 2012 and 2011, respectively. Principal payments on this debt began in fiscal year 2012.

The following condensed financial statements (Tables I and II) provide key financial data as of and for the years ended September 30, 2012 and 2011.

Table I

NET ASSETS

	2012	2011
Current assets	\$ 15,027,661	\$ 33,965,737
Restricted assets	32,435,783	33,577,566
Capital assets, net	155,311,460	133,611,988
Other	801,913	832,955
Total assets	203,576,817	201,988,246
Current liabilities	3,151,729	8,198,610
Current liabilities payable from restricted assets	3,378,272	2,821,530
Noncurrent liabilities	178,605,000	180,605,000
Total liabilities	185,135,001	191,625,140
Net assets:		
Unrestricted	18,441,816	10,363,106
Total net assets	\$ 18,441,816	\$ 10,363,106

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2012

FINANCIAL ANALYSIS (continued)

FINANCIAL HIGHLIGHTS (continued)

Table II

CHANGE IN NET ASSETS

	2012	2011
Operating Revenues	\$ 892,950	\$ -
Operating Expenses		
Accounting services	65,125	50,859
Amortization	-	32,227
Audit expense	23,500	23,525
Bank service charges	551	579
Chemicals	34,150	-
Contract services	3,192	3,566
Depreciation	973,240	5,498
Insurance	24,398	-
Investment consultant	26,500	30,000
Legal fees	8,925	4,559
Office supplies	3,412	-
Personnel	91,801	-
Plant dedication	12,395	-
Power	104,844	-
Miscellaneous expense	52	901
Total Operating Expenses	1,372,085	151,714
Operating Loss	(479,135)	(151,714)
Other Income	7,901	-
Change in net assets	(471,234)	(151,714)
Net assets - beginning of year	10,363,106	7,070,762
Capital contributions from partner cities	9,654,944	5,199,328
Capital distributions to partner cities	(1,105,000)	(1,755,270)
Net assets - end of year	\$ 18,441,816	\$ 10,363,106

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2012

FINANCIAL ANALYSIS (continued)

CAPITAL ASSETS

Capital assets at September 30, 2012 amounted to \$ 155,311,460 and consisted of land, easements, buildings, improvements, infrastructure and construction in progress. Construction in progress is made up of costs attributed to Phase 2 of the BCRUA Project and consists primarily of engineering costs. The cost of constructing Phase 1 was closed out of construction in progress during fiscal year 2012 for a total cost of \$ 145,800,187. Capitalized interest of \$ 25,347,535 (net of investment income of \$ 2,075,409) was included in the cost of Phase 1.

The construction phasing and estimated costs for the project are planned as follows:

Phase 1:

- Construction of an interim, floating intake structure near Cedar Park's existing plant on the Sandy Creek arm of Lake Travis
- New raw water pipeline within right-of-way along Trails End Road
- New treatment plant to serve all three cities with an initial capacity of 17 million gallons per day (mgd) and a final Phase 1 capacity of 42 mgd
- Treated water transmission pipeline across the north side of Cedar Park
- Construction began in late 2009 and was substantially complete in July 2012
- Cost to complete will approximate \$ 1.2 million

Phase 2:

Phase 2a:

- Permanent, deep-water intake structure on Lake Travis and raw water pipeline connecting the intake to the Phase 1 pipeline
- Construction estimated to begin as late as 2016, depending on lake levels
- Cost estimated at approximately \$ 160 million

Phase 2b:

- Expansion of the water treatment plant to 84 mgd
- Cost estimated at approximately \$ 41 million

Total estimated cost for Phase 2: \$ 201 million

Phase 3:

- Final expansion of water treatment plant
- Estimated cost: \$ 29 million

Total cost: The total project cost is estimated at \$ 365 million

RESTRICTED ASSETS

Restricted assets at September 30, 2012 were \$ 32,435,783, a decrease from the September 30, 2011 balance of \$ 33,577,566. Restricted assets consist of debt service, escrow and reserve funds arising from the proceeds of long-term debt. The decrease reflects the release of escrow funds to finance current construction.

LONG-TERM DEBT

In 2009, the BCRUA issued three series of contract revenue bonds totaling \$ 182,020,000 for construction and other costs related to Phase 1 of the BCRUA Project. Additional information on long-term debt can be found in Note 5 to the financial statements.

**BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2012**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The economy in the local area continues to grow, and the service areas which will be supplied by the BCRUA at project completion are positioned for continued customer growth. The BCRUA's board adopted an administrative operating budget for fiscal year 2013 in the amount of \$ 1,596,000, an additional annual reserve of \$ 336,000 in 2013 and a debt service budget for fiscal year 2013 in the amount of \$ 10,453,000.

CONTACTING THE BCRUA'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens of the partner cities, customers and creditors with a general overview of the BCRUA's finances and to show the BCRUA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the BCRUA at 450 Cypress Creek, Bldg 1, Cedar Park, Texas 78613.

BASIC FINANCIAL STATEMENTS

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
STATEMENT OF NET ASSETS
September 30, 2012

ASSETS

Current assets:	
Cash and cash equivalents	\$ 6,890,072
Investments	7,977,967
Receivables, net:	
Accounts	23,945
Accrued interest	65,827
Due from other funds	<u>69,850</u>
 Total current assets	 15,027,661
 Noncurrent assets:	
Restricted cash and cash equivalents and investments:	
Debt Service	1,267,017
Escrow	24,973,615
Reserve	6,195,151
Deferred charges, net of accumulated amortization of \$ 100,886	801,913
Capital assets:	
Land, easements and construction in progress	10,268,795
Capital assets being depreciated, net of accumulated depreciation of \$ 982,245	<u>145,042,665</u>
 Total noncurrent assets	 <u>188,549,156</u>
 Total Assets	 <u><u>\$ 203,576,817</u></u>

The accompanying notes are an integral part of the financial statements.

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 473,103
Retainage payable	2,336,182
Due to partner cities	272,594
Due to other funds	<u>69,850</u>
 Total current liabilities	 3,151,729
 Current liabilities payable from restricted assets:	
Current portion of revenue bonds payable	2,000,000
Accrued interest	<u>1,378,272</u>
Total current liabilities payable from restricted assets	 3,378,272
 Noncurrent liabilities:	
Revenue bonds payable	<u>178,605,000</u>
 Total noncurrent liabilities	 <u>178,605,000</u>
 Total Liabilities	 185,135,001
 Net assets:	
Unrestricted	<u>18,441,816</u>
 Total Net Assets	 <u>18,441,816</u>
 Total Liabilities and Net Assets	 <u><u>\$ 203,576,817</u></u>

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2012

Operating Revenues		\$ 892,950
Operating Expenses		
Accounting services	\$ 65,125	
Audit expense	23,500	
Bank service charges	551	
Chemicals	34,150	
Contract services	3,192	
Depreciation	973,240	
Insurance	24,398	
Investment consultant	26,500	
Legal fees	8,925	
Office supplies	3,412	
Personnel	91,801	
Plant dedication	12,395	
Power	104,844	
Miscellaneous expense	52	
Total Operating Expenses		1,372,085
Operating Loss		(479,135)
Other Income		7,901
Change in net assets		(471,234)
Net assets - beginning of year		10,363,106
Capital contributions from partner cities		9,654,944
Capital distributions to partner cities		(1,105,000)
Net assets - end of year		\$ 18,441,816

The accompanying notes are an integral part of the financial statements.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2012

Cash Flows from Operating Activities	
Service revenues received from partner cities	\$ 884,956
Other income received from third parties	7,901
Payments to partner cities	(100,000)
Payments to suppliers for goods and services	(313,465)
Net cash provided by operating activities	<u>479,392</u>
Cash Flows from Capital and Related Financing Activities	
Construction of capital assets	(19,558,010)
Interest payments	(8,456,563)
Capital contributions from partner cities	9,780,276
Capital distributions to partner cities	(1,105,000)
Net cash used by capital and related financing activities	<u>(19,339,297)</u>
Cash Flows from Investing Activities	
Purchase of investments	(4,156,448)
Proceeds from sales and maturities of investments	12,359,625
Principal payments on bonds	(1,415,000)
Interest income	601,238
Net cash provided by investing activities	<u>7,389,415</u>
Net decrease in cash and cash equivalents	(11,470,490)
Cash and cash equivalents - Beginning of Year	<u>18,360,563</u>
Cash and cash equivalents - End of Year	<u>\$ 6,890,073</u>
Reconciliation of Cash and Cash Equivalents to	
Statement of Net Assets	
Cash and cash equivalents	\$ 6,890,072
Restricted cash and cash equivalents and investments	32,435,783
Less restricted investments	(32,435,783)
Total cash and cash equivalents	<u>\$ 6,890,072</u>
Reconciliation of Operating Loss to	
Net Cash Used by Operating Activities	
Operating loss	\$ (471,234)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	973,240
Increase in accounts receivable	(7,994)
Decrease in due to partner cities	(14,620)
Total Adjustments	<u>950,626</u>
Net cash provided by operating activities	<u>\$ 479,392</u>

The accompanying notes are an integral part of the financial statements.

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BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS

1. Nature of Activities

Brushy Creek Regional Utility Authority, Inc. (the BCRUA) was incorporated in Texas in July 2007 as a local government corporation pursuant to Subchapter D of Chapter 431, Texas Transportation Code. The BCRUA was organized by the Cities of Cedar Park, Leander and Round Rock, Texas (the cities) for the purpose of providing an efficient vehicle for the financing, construction, acquisition, ownership, maintenance, and operation of a regional water and wastewater collection, transmission, treatment, and distribution system on behalf of the cities in performance of their governmental functions.

2. Summary of Significant Accounting Policies

The financial statements of the BCRUA have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity

The BCRUA is a joint venture between the Cities of Cedar Park, Leander and Round Rock, Texas. The BCRUA operates as an enterprise activity. These financial statements present only the BCRUA activities and are not intended to present the financial position, results of operations or cash flows of any of the Cities of Cedar Park, Leander and Round Rock, Texas.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the BCRUA (a proprietary fund) are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities (whether current or noncurrent) are included in the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets present increases (revenues) and decreases (expenses) in total net assets. Revenues are recorded when earned and become measurable and expenses are recorded when a liability is incurred and measurable, regardless of the timing of related cash flows.

The Statement of Revenues, Expenses and Changes in Net Assets distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The proprietary fund follows GAAP prescribed by GASB and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the BCRUA accounts for its proprietary fund as prescribed by the GASB.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

2. Summary of Significant Accounting Policies (continued)

Implementation of New Accounting Principles

For the fiscal year ended September 30, 2012, the GASB issued no pronouncements applicable to the BCRUA's financial reporting.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include demand deposits, investments with investment pools, and other short-term liquid investments with an original maturity of three months or less. Cash and cash equivalents from restricted assets are also included.

Restricted Assets

Restricted funds consist of escrow funds derived from bond proceeds, debt service funds, reserve funds, and revenues that have been designated for specific purposes by the Board, or other funds with legal or contractual constraints. When both restricted and unrestricted resources are available for use, it is BCRUA's policy to use restricted resources first, then unrestricted resources as they are needed.

Bond Issuance Costs

Bond issuance costs are amortized on a straight-line basis over the period of the related debt maturities.

Capital Assets

Capital assets are stated at historical cost. To the extent construction is performed by the BCRUA, the cost includes certain general and administrative expenses. Maintenance and repairs are charged to operations as incurred. Improvements and betterments, which extend the useful lives of assets, are capitalized. Depreciation is recorded on a straight-line basis over estimated service lives ranging from 5-40 years. When capital assets are retired or otherwise disposed of, a gain or loss on disposal of assets is recognized.

Interest is capitalized on construction costs. The amount of interest cost capitalized for assets constructed with tax-exempt borrowings is equal to the cost of borrowing, less interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowings.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

3. Cash and Cash Equivalents and Investments

All BCRUA cash is deposited in accounts that receive interest credit or is invested in permissible securities pursuant to the BCRUA's investment policy. Investments are stated at fair value based on quoted market prices provided by the custodian.

Deposits

At September 30, 2012, the carrying amount of the BCRUA's deposits was \$ 6,294,184 and the bank balance was \$ 6,125,549. The BCRUA's cash deposits at September 30, 2012 were entirely covered by FDIC insurance or by pledged collateral held by the BCRUA's agent bank in the BCRUA's name.

Investments

All investments are presented at fair value. The fair value of the positions in state investment pools is the same as the value of the pool shares.

Cash and cash equivalents and investments are summarized as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Construction funds-		
Cash in banks	\$ 6,294,184	\$ 6,294,184
Municipal coupon securities	5,822,904	5,825,797
Investment in governmental pool	596,096	596,096
Debt service- investment in governmental pool	1,267,017	1,267,017
Escrow Funds-		
Municipal coupon securities	5,403,500	5,424,392
Investment in government pool	19,500,699	19,500,699
Federal agency coupon securities	2,200,000	2,200,486
Reserve fund- investment in government pool	6,195,151	6,195,151
Total cash and cash equivalents and investments	<u>\$ 47,279,551</u>	<u>\$ 47,303,822</u>

A reconciliation of cash and cash equivalents and investments to the presentation on the Statement of Net Assets is as follows:

Statement of Net Assets presentation:	
Cash and cash equivalents	\$ 6,890,072
Investments	7,977,967
Restricted cash and cash equivalents and investments:	
Debt Service	1,267,017
Escrow	24,973,615
Reserve	6,195,151
Total cash and cash equivalents and investments	<u>\$ 47,303,822</u>

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

3. Cash and Cash Equivalents and Investments (continued)

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the BCRUA to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the BCRUA to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the BCRUA to have independent auditors perform test procedures related to investment practices as provided by the Act. The BCRUA is in substantial compliance with the requirements of the Act.

Additional Contractual Provisions governing deposits and investments are as follows:

The funds of the BCRUA must be deposited and invested under the terms of a contract, the contents of which include securities for safekeeping and trust with the BCRUA's agent bank in an amount sufficient to protect BCRUA funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Policies Governing Deposits and Investments

1. Foreign Currency Risk – The BCRUA's deposits and investments are not exposed to foreign currency risk.
2. Custodial Credit Risk – To control custody and safekeeping risk State law and the Brushy Creek Regional Utility Authority's adopted Investment Policy requires collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the BCRUA and held in the City's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 102% and be executed under written agreements. Depository agreements are executed under the terms of FIRREA. The counter-party of each type transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

3. Cash and Cash Equivalents and Investments (continued)

Policies Governing Deposits and Investments (continued)

2. Custodial Credit Risk (continued)

Portfolio disclosure as of September 30, 2012:

- The portfolio contained no fully collateralized or FDIC insured certificates of deposits. All pledged collateral was held by an independent institution outside the bank's holding company.
- The portfolio contained no repurchase agreements.
- The portfolio contained 13.3% in demand deposit accounts that are fully insured by the FDIC.

3. Interest Rate Risk – In order to limit interest and market rate risk from changes in interest rates, the Brushy Creek Regional Utility Authority's adopted Investment Policy sets a maximum stated maturity limit of two years for Operating Funds and three years for Construction funds. The weighted average maturity (WAM) of the total Operating Funds portfolio is restricted to a maximum of twelve months and compared to the 1 year Treasury Bill. There is no maximum weighted average maturity (WAM) for Construction funds.

As of September 30, 2012, the portfolio contained:

- No holding in the portfolio had a stated maturity date beyond 455 days.
- The dollar weighted average of the total portfolio was 62 days.

As of September 30, 2012, the portfolio contained 28.4% in structured (callable) notes which would have been impacted by interest rate risk.

4. Credit Risk – A primary stated objective of the Brushy Creek Regional Utility Authority's adopted Investment Policy is the safety of principal and avoidance of principal loss. Credit risk within the City's portfolio among the authorized investments approved by the City's adopted Investment Policy includes only time and demand deposits, obligations of states and their subdivisions, repurchase agreements and AAA rated SEC registered money market mutual funds. All other investments are rated AAA, or equivalent, by at least one nationally recognized rating agency. Investments are made primarily in obligations of the US Government, its agencies or instrumentalities.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

3. Cash and Cash Equivalents and Investments (continued)

Policies Governing Deposits and Investments (continued)

4. Credit Risk (continued)

State law and the Brushy Creek Regional Utility Authority's adopted Investment Policy restricts both time and demand deposits, including certificates of deposit (CD's) to those banks doing business in the State of Texas and further requires full insurance or collateralization from these depositories (banks only). Certificates of deposit are limited to a stated maturity of one year. Collateral is required at a 102% margin with securities priced at market on a daily basis as a contractual responsibility of the bank. Collateral is restricted to obligations of the US Government, its agencies or instrumentalities or direct obligations of any state, its subdivisions or agencies rated at least A, or equivalent, as to investment quality by two nationally recognized statistical rating agencies. Independent safekeeping is required outside the bank holding company with monthly reporting.

Repurchase agreements are limited to those with defined termination dates with a primary dealer (as defined by the Federal Reserve) and require an industry standard written master repurchase agreement and a minimum 102% margin on collateral as well as delivery versus payment settlement and independent safekeeping. Repurchase agreements may not exceed one year to stated maturity with the exception of flex repurchase agreements with a stated termination date not to exceed the planned completion date of the project(s).

The state law and the City's adopted Investment Policy restricts investment in AAA rated SEC registered mutual funds to money market mutual funds striving to maintain a \$1 net asset value and defined by State law.

Local government investment pools in Texas are required to be rated AAA, or equivalent by at least one nationally recognized rating agency. The BCRUA Policy is restricted to AAA-rated, "2a-7 like" (constant dollar) local government investment pools.

As of September 30, 2012:

- Municipal obligations represented 23.7% of the total portfolio.
- Fully insured or collateralized money market accounts represented 13.3% of the total portfolio.
- Investment in a AAA-rated local government investment pool (TexSTAR) represented 58.3% of the total portfolio, and \$ 27,558,963 was invested in TexSTAR as of September 30, 2012.
- The remainder of the portfolio, 4.7% was in US Government securities rated AAA by two nationally recognized statistical rating agencies.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

3. Cash and Cash Equivalents and Investments (continued)

Policies Governing Deposits and Investments (continued)

5. Concentration Risk - The Brushy Creek Regional Utility Authority recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The City's adopted Investment Policy establishes diversification as a major objective of the investment program and sets diversification limits for all authorized investment types which are monitored on at least a monthly basis. Diversification limits are set by Policy as:

U. S. Obligations	80%
U. S. Agencies/Instrumentalities	75%
State and Local Obligations	20%
Certificates of Deposit	40%
In any one bank	10%
Repurchase Agreements	50%
With any one dealer	20%
FlexRepo with CIP Funds	100%
LGIP	100%
Ownership in pool	10%
Money Market Mutual Funds	100%
Ownership in fund	10%

As of September 30, 2012,

- Holdings in one local government investment pool represented 58.3% of the total portfolio.
- Holdings in State and Local Obligations represented 23.7% of the total portfolio.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

4. Capital Assets

Capital asset activity for the year ended September 30, 2012 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land and easements	\$ 6,107,063	\$ 2,786,262	\$ -	\$ 8,893,325
Construction in Progress	127,485,913	19,689,744	(145,800,187)	1,375,470
Total capital assets, not being depreciated	<u>133,592,976</u>	<u>22,476,006</u>	<u>(145,800,187)</u>	<u>10,268,795</u>
Capital assets, being depreciated:				
Buildings and improvements	-	68,188,731	-	68,188,731
Infrastructure	-	77,611,456	-	77,611,456
Equipment	28,017	196,706	-	224,723
Total capital assets, being depreciated	<u>28,017</u>	<u>145,996,893</u>	<u>-</u>	<u>146,024,910</u>
Less accumulated depreciation for:				
Buildings and improvements	-	426,180	-	426,180
Infrastructure	-	529,585	-	529,585
Equipment	9,005	17,475	-	26,480
Total accumulated depreciation	<u>9,005</u>	<u>973,240</u>	<u>-</u>	<u>982,245</u>
Total capital assets, being depreciated, net	<u>19,012</u>	<u>145,023,653</u>	<u>-</u>	<u>145,042,665</u>
Total capital assets, net	<u>\$ 133,611,988</u>	<u>\$ 167,499,659</u>	<u>\$ (145,800,187)</u>	<u>\$ 155,311,460</u>

5. Long-Term Debt

During 2009, the BCRUA issued contract revenue bonds dated July 6, 2009, totaling \$ 182,020,000. The bonds mature serially beginning August 1, 2012 through August 1, 2038, with coupon rates ranging from 2.254% to 5.084%. Proceeds from the bond issue are restricted for the construction and equipment of the first phase of the BCRUA Regional Water Treatment and Distribution Project. The bonds were issued in three series, one series for each partner city's share of expected project costs. Each bond series is payable solely from and secured, in part, by an assignment of the bond payments made under the Master Contract Agreement dated September 2, 2008 by and between each city. Each city is solely responsible for bond payments on its series of bonds. No city has any liability or responsibility for any bond payment on a series of bonds issued for another city.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

5. Long-Term Debt (continued)

Long-term liability activity for the year ended September 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
Series 2009 Contract Revenue Bonds					
City of Cedar Park	\$ 24,970,000	\$ -	\$ (255,000)	\$ 24,715,000	\$ 280,000
City of Leander	91,180,000	-	-	91,180,000	500,000
City of Round Rock	65,870,000	-	(1,160,000)	64,710,000	1,220,000
Total Bonds Payable	\$ 182,020,000	\$ -	\$ (1,415,000)	\$ 180,605,000	\$ 2,000,000

Debt service requirements are as follows:

Year Ending September 30	Bonds		Total Requirements
	Principal	Interest	
2013	\$ 2,000,000	\$ 8,453,402	\$ 10,453,402
2014	2,580,000	8,400,922	10,980,922
2015	3,140,000	8,327,031	11,467,031
2016	3,580,000	8,229,880	11,809,880
2017	4,270,000	8,111,596	12,381,596
2018-2022	24,945,000	37,977,201	62,922,201
2023-2027	32,225,000	31,971,402	64,196,402
2028-2032	41,620,000	23,335,776	64,955,776
2033-2037	53,740,000	11,651,913	65,391,913
2038	12,505,000	635,754	13,140,754
	\$ 180,605,000	\$ 147,094,877	\$ 327,699,877

Interest is capitalized on construction costs until completion of the project. The amount of interest cost capitalized for assets constructed with tax-exempt borrowings is equal to the cost of borrowing, less interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing. As of September 30, 2012, the amount of capitalized interest cost included in construction in progress was 25,347,535 (net of investment income of \$ 2,075,409).

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

6. Economic Dependency

The BCRUA is dependent on the Cities of Cedar Park, Leander and Round Rock, Texas for the continued funding of its operating activities. The cities annually budget funds for operational and overhead expenses and debt service requirements in accordance with the Master Contract Agreement and the System Operating Agreement between the cities. Fixed operations and maintenance expenses are allocated among the cities based upon each city's reserved capacity in the BCRUA Project components, and variable expenses are allocated based upon the volume of treated water delivered to each city in relation to the total delivered volume. Overhead expenses are paid by each city based upon certain formulas and reserve capacities in the BCRUA Project and/or the quantity of treated water actually delivered to each city. Each city is responsible for bond principal and interest payments due on the bond series issued by BCRUA for each respective city.

7. Subsequent Events

The BCRUA has evaluated subsequent events after the balance sheet date of September 30, 2012 through January 14, 2013, which is the date these financial statements were available to be issued.

SUPPLEMENTARY SCHEDULES

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
COMBINING STATEMENTS OF NET ASSETS
September 30, 2012

	<u>Cedar Park</u>	<u>Leander</u>	<u>Round Rock</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,293,175	\$ 2,817,275	\$ 2,779,622	\$ 6,890,072
Investments	1,139,810	3,969,886	2,868,271	7,977,967
Receivables, net:				
Accounts	(41)	21,698	2,288	23,945
Accrued interest	12,929	27,568	25,330	65,827
Due from other funds	-	5,373	64,477	69,850
Total current assets	<u>2,445,873</u>	<u>6,841,800</u>	<u>5,739,988</u>	<u>15,027,661</u>
Noncurrent assets:				
Restricted cash and cash equivalents and investments:				
Debt Service	212,527	287	1,054,203	1,267,017
Escrow	3,923,048	7,990,353	13,060,214	24,973,615
Reserve	-	6,195,151	-	6,195,151
Deferred charges, net of accumulated amortization of \$ 100,886	132,715	394,261	274,937	801,913
Capital assets:				
Land, easements and construction in progress	1,208,307	5,592,209	3,468,279	10,268,795
Capital assets being depreciated, net of accumulated depreciation of \$ 982,245	<u>21,848,797</u>	<u>69,330,909</u>	<u>53,862,959</u>	<u>145,042,665</u>
Total noncurrent assets	<u>27,325,394</u>	<u>89,503,170</u>	<u>71,720,592</u>	<u>188,549,156</u>
Total Assets	<u><u>\$29,771,267</u></u>	<u><u>\$96,344,970</u></u>	<u><u>\$77,460,580</u></u>	<u><u>\$ 203,576,817</u></u>

See independent auditors' report.

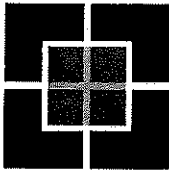
LIABILITIES AND NET ASSETS	<u>Cedar Park</u>	<u>Leander</u>	<u>Round Rock</u>	<u>Total</u>
Current liabilities:				
Accounts payable	\$ 79,629	\$ 280,236	\$ 113,238	\$ 473,103
Retainage payable	426,641	1,099,639	809,902	2,336,182
Due to partner cities	93,427	88,420	90,747	272,594
Due to other funds	69,850	-	-	69,850
Total current liabilities	669,547	1,468,295	1,013,887	3,151,729
Current liabilities payable from restricted assets:				
Current portion of revenue bonds payable	280,000	500,000	1,220,000	2,000,000
Accrued interest	189,600	698,720	489,952	1,378,272
Total current liabilities payable from restricted assets	469,600	1,198,720	1,709,952	3,378,272
Noncurrent liabilities:				
Revenue bonds payable	24,435,000	90,680,000	63,490,000	178,605,000
Total noncurrent liabilities	24,435,000	90,680,000	63,490,000	178,605,000
Total Liabilities	25,574,147	93,347,015	66,213,839	185,135,001
Net assets:				
Unrestricted	4,197,120	2,997,955	11,246,741	18,441,816
Total Net Assets	4,197,120	2,997,955	11,246,741	18,441,816
Total Liabilities and Net Assets	\$29,771,267	\$96,344,970	\$77,460,580	\$203,576,817

See independent auditors' report.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2012

	<u>Cedar Park</u>	<u>Leander</u>	<u>Round Rock</u>	<u>Total</u>
Operating Revenues	\$ 352,462	\$ 418,459	\$ 122,029	\$ 892,950
Operating Expenses				
Accounting services	19,735	30,611	14,779	65,125
Audit expense	3,518	11,092	8,890	23,500
Bank service charges	82	260	209	551
Chemicals	18,068	15,937	145	34,150
Contract services	1,000	1,500	692	3,192
Depreciation	151,654	464,367	357,219	973,240
Insurance	3,652	11,516	9,230	24,398
Investment consultant	3,967	12,508	10,025	26,500
Legal fees	1,336	4,213	3,376	8,925
Office supplies	1,388	1,598	426	3,412
Personnel	42,524	42,925	6,352	91,801
Plant dedication	1,856	5,850	4,689	12,395
Power	55,901	48,943	-	104,844
Miscellaneous expense	15	16	21	52
Total Operating Expenses	<u>304,696</u>	<u>651,336</u>	<u>416,053</u>	<u>1,372,085</u>
Operating Income (Loss)	47,766	(232,877)	(294,024)	(479,135)
Other Income	<u>1,183</u>	<u>3,729</u>	<u>2,989</u>	<u>7,901</u>
Change in net assets	48,949	(229,148)	(291,035)	(471,234)
Net assets - beginning of year	2,641,864	112,546	7,608,696	10,363,106
Capital contributions from partner cities	1,506,307	4,219,557	3,929,080	9,654,944
Capital distributions to partner cities	-	(1,105,000)	-	(1,105,000)
Net assets - end of year	<u>\$ 4,197,120</u>	<u>\$ 2,997,955</u>	<u>\$ 11,246,741</u>	<u>\$ 18,441,816</u>

See independent auditors' report.



BROCKWAY
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NIEMEIER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

The Board of Directors
Brushy Creek Regional Utility Authority, Inc.
Round Rock, Texas

We have audited the financial statements of the business-type activities of the Brushy Creek Regional Utility Authority, Inc. (the BCRUA) as of and for the year ended September 30, 2012, which collectively comprise the BCRUA's basic financial statements as listed in the table of contents, and have issued our report thereon dated January 14, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the BCRUA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BCRUA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the BCRUA's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BCRUA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and partner cities and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young, LLP, Franklin A. Nimsin, P.C.

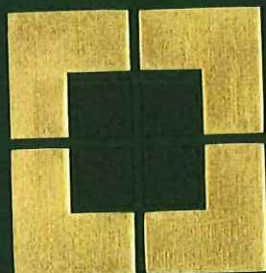
January 14, 2013



**Brushy Creek Regional
Utility Authority, Inc.**

September 30, 2013

**Part C-46 2013 Audit
Financial Statements**



**BROCKWAY
GERSBACH
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NIEMEIER, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.

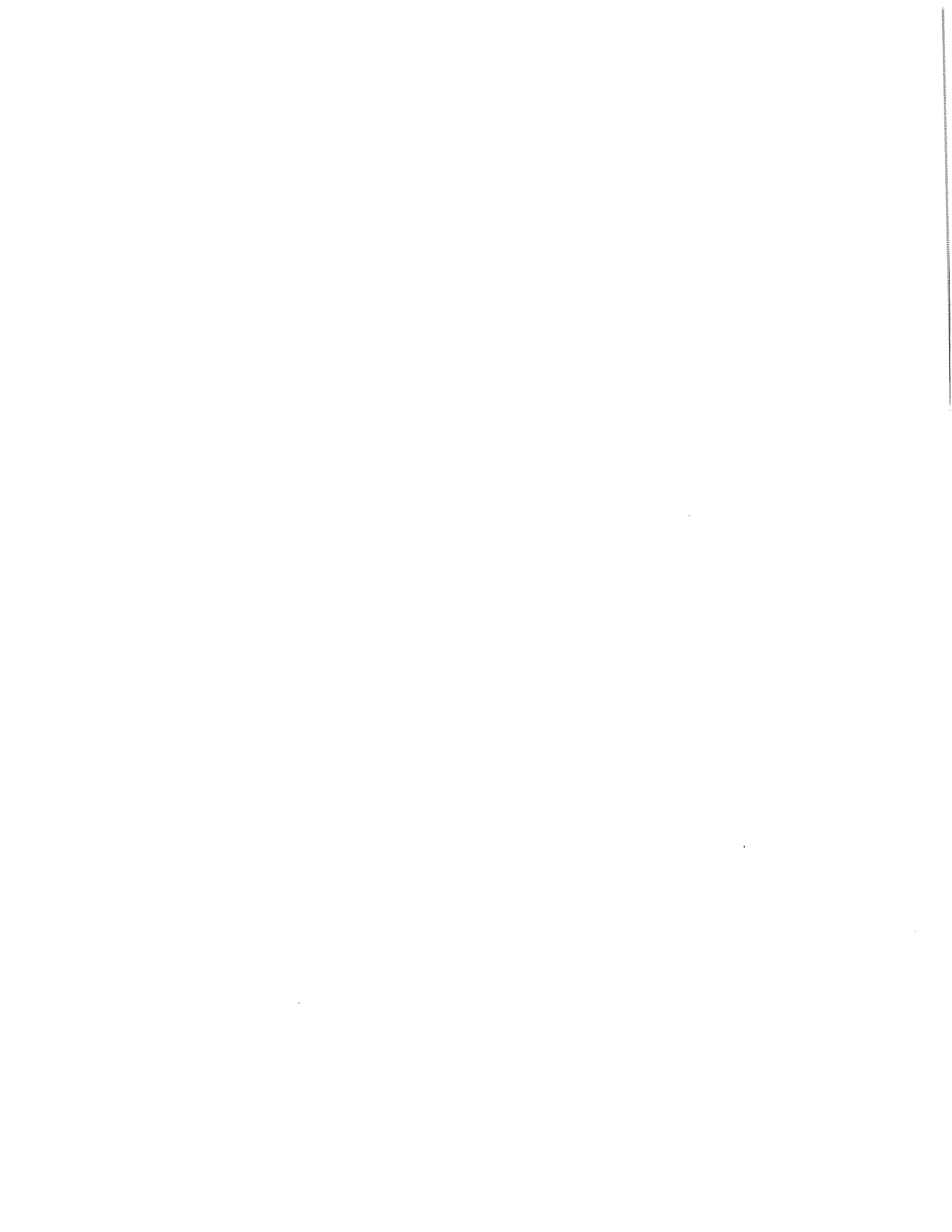
FINANCIAL STATEMENTS AS OF

September 30, 2013

TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON

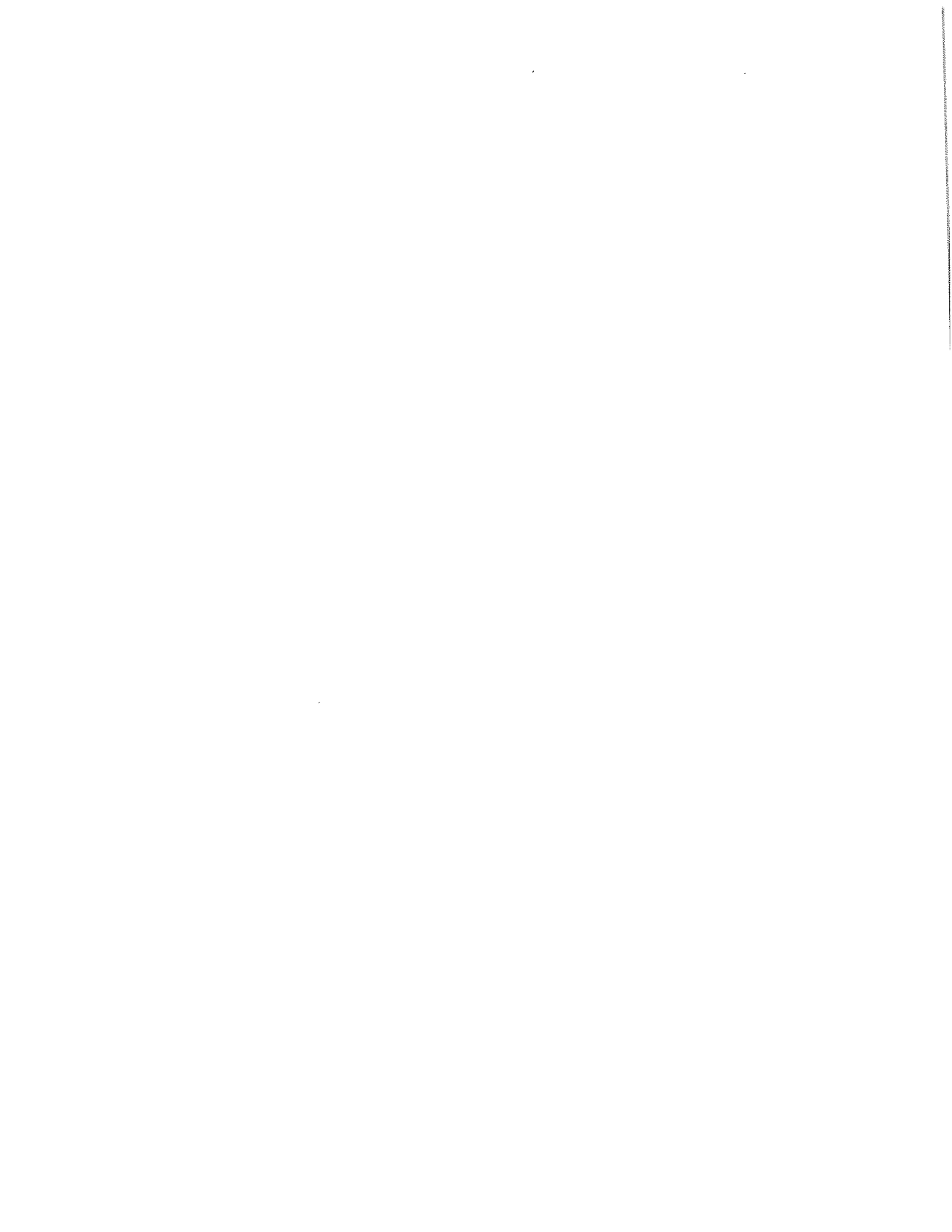
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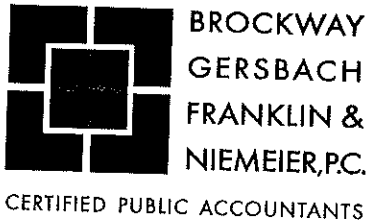
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Brushy Creek Regional Utility Authority, Inc.
Round Rock, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Brushy Creek Regional Utility Authority, Inc. (BCRUA), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the BCRUA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITORS' REPORT
(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the BCRUA, as of September 30, 2013, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BCRUA's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

As discussed in Note 6 to the financial statements, the Brushy Creek Regional Utility Authority, Inc. is dependent on the Cities of Cedar Park, Leander, and Round Rock, Texas for the continued funding of its operating activities. The Cities annually budget funds for operational expenses and debt service requirements of the Brushy Creek Regional Utility Authority, Inc.

INDEPENDENT AUDITORS' REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2014, on our consideration of the BCRUA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BCRUA's internal control over financial reporting and compliance.

Erockney, Dordach, Franklin & Nimmo, P.C.

January 5, 2014

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BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2013

ABOUT BCRUA

The Brushy Creek Regional Utility Authority (BCRUA) is a joint venture between the Cities of Cedar Park, Leander and Round Rock, Texas to design and construct a regional water system that will supply treated water to the three communities.

Cedar Park, Leander and Round Rock are among the fastest growing cities in Texas. Their combined service area population, based on current U.S. census estimates, is over 194,000. It is projected to grow to 609,000 by the year 2040.

This project provides facilities to access, treat and deliver water from Lake Travis to each partner city's customers. When completed, the project will meet the needs of Cedar Park and Round Rock to their ultimate build-out and the needs of Leander for at least the next 20 to 25 years.

The regional concept ensures the responsible use of resources and the least impact on both the environment and neighboring communities. Rather than three communities building three separate water supply projects—with three pipelines, three intakes, and three treatment plants, the BCRUA project streamlines the effort for minimum impact and maximum efficiency. The regional option affords the three cities the opportunity to realize "economy of scale" savings of 30 percent, or more than \$ 90 million.

The regional water treatment plant will have an ultimate capacity of 106 million gallons per day (mgd) and will be built in three phases to better match the capacity with near-term needs. The initial Phase 1 was substantially completed in July 2012 and includes the full sized 106 mgd raw water and treated water pipelines, and a 17 mgd water treatment plant, readily expandable to 42 mgd. Phase 1 operates with an interim 30 mgd floating barge intake on Lake Travis, but a permanent deep water intake with ultimate capacity will be required as part of Phase 2.

Plant operations officially began July 1, 2012. Operations for the project have been divided into three categories: plant staffing; General Manager/administrative support; and, financial support/accounting services, with each city taking responsibility for one of the categories. Plant staffing is provided by Leander consisting of one plant superintendent and three plant operators. The General Manager and administrative support are provided by Round Rock. Finance and Accounting is provided by Cedar Park. While each city maintains responsibility for their own category, the Operations Committee (composed of engineering and finance staff from each city) provides oversight of each city's contribution in order to ensure appropriate controls are in place.

While substantial completion and start-up of the Phase 1 Project occurred in 2012, final project close-out has been delayed, due to several construction related issues that became evident late in the year. The BCRUA has been working with the construction contractor and design engineers to analyze the issues, and make the necessary corrections. Pending elimination of all identified defects, the BCRUA is withholding project construction retainage. Final completion and project close-out is anticipated in early/mid 2014.

With substantial completion of the Phase I Project in 2012, staff began working on planning, environmental studies and real-estate acquisition for Phase II. In 2013, two sites were identified for the permanent deep water intake structure (in the Village of Volente), and the permanent raw water pumping station (in Sandy Creek Park). Purchase negotiations for both parcels are underway and progressing toward completion in 2014. Planning level design of the overall Phase 2 project also progressed during the year, and formal authorization to begin predesign of this multi-year construction project is anticipated to occur in 2014.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2013

The BCRUA Board of Directors is composed of six members, two from each of the city councils of the partnering cities. A General Manager directs the day to day business of the BCRUA, and a Plant Superintendent oversees the operation of the system. The previous General Manager, Chris Lippe, retired in December, 2012. The Board then initiated a national search, and in March, 2013, selected Tom Gallier as the new General Manager.

What follows is a discussion and analysis of BCRUA's financial performance for the fiscal year ended September 30, 2013. Please read it in conjunction with the Independent Auditors' Report on page 1 and the BCRUA's Basic Financial Statements which begin on page 14.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: (1) management's discussion and analysis (this section), (2) basic financial statements, and (3) notes to the financial statements. This report also contains combining statements as supplementary information in addition to the basic financial statements.

The basic financial statements include the Statement of Net Position (pages 14 - 15), the Statement of Revenues, Expenses, and Changes in Net Position (page 16) and the Statement of Cash Flows (page 17). The BCRUA operates as an enterprise activity and consists of one proprietary fund.

The notes to the financial statements (starting on page 19) provide narrative explanations or additional data needed for full disclosure in the basic financial statements.

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to provide readers with a broad overview of the BCRUA's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the BCRUA's assets and liabilities, with the difference between the two reported as net position. The BCRUA's net position provides one measure of the BCRUA's financial health, or financial position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the BCRUA is improving or deteriorating. To fully assess the overall health of the BCRUA, however, you should consider nonfinancial factors as well, such as the condition of assets, and the total economic impact of the entity on the Cities of Cedar Park, Leander and Round Rock, Texas.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the BCRUA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* presents cash receipts, cash disbursements and net changes in cash resulting from operating, financing and investing activities. This statement provides information such as where cash originated, how it was used and the net change in cash balances during the reporting period.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2013

NOTES TO THE FINANCIAL STATEMENTS

The notes provide required disclosures and other additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements present information about the accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. The notes to the financial statements can be found on pages 19 through 28 of this report.

SUPPLEMENTARY INFORMATION

The combining statements are presented for purposes of additional analysis and to provide an overview of the financial position and results of operations related to each partner City. The combining statements can be found on pages 30 through 32 of this report.

FINANCIAL ANALYSIS

FINANCIAL HIGHLIGHTS

- The BCRUA's net position decreased by \$ 12,210,756 as a result of current year operations.
- Partner city contributions to net position for the year ended September 30, 2013 were \$ 10,697,987.
- Total net position at September 30, 2013 was \$ 16,929,047, a decrease of \$ 1,512,769 from September 30, 2012.
- Total capital assets, net of depreciation, were \$ 153,408,693 as of September 30, 2013. This is a decrease of \$ 1,902,767 from the prior year and reflects the completion of Phase 1 of the project and the start up cost for Phase 2.
- Total long-term liabilities were \$ 176,025,000 and \$ 178,605,000 as of September 30, 2013 and 2012, respectively. Principal payments on this debt began in fiscal year 2012.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2013

FINANCIAL ANALYSIS (continued)

FINANCIAL HIGHLIGHTS (continued)

The following condensed financial statements (Tables I and II) provide key financial data as of and for the years ended September 30, 2013 and 2012.

Table I

NET POSITION

	2013	2012
Current assets	\$ 19,646,177	\$ 15,027,661
Restricted assets	26,208,772	32,435,783
Capital assets, net	153,566,942	155,311,460
Other	770,872	801,913
Total assets	200,192,763	203,576,817
Current liabilities	3,130,752	3,151,729
Current liabilities payable from restricted assets	3,949,716	3,378,272
Noncurrent liabilities	176,025,000	178,605,000
Total liabilities	183,105,468	185,135,001
Net position:		
Unrestricted	17,087,295	18,441,816
Total net position	\$ 17,087,295	\$ 18,441,816

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2013

FINANCIAL ANALYSIS (continued)

FINANCIAL HIGHLIGHTS (continued)

Table II

CHANGE IN NET POSITION

	2013	2012
Operating Revenues	\$ 985,682	\$ 892,950
Operating Expenses		
Interest expense	8,336,059	-
Depreciation	3,854,964	973,240
Personnel	393,893	91,801
Power	366,010	104,844
Chemicals	100,642	8,925
Office supplies	33,210	34,150
Accounting services	32,883	3,412
Repairs and maintenance	25,916	65,125
Insurance	25,658	-
Audit expense	23,500	24,398
Investment consultant	20,000	23,500
Miscellaneous expense	14,985	26,500
Legal fees	14,268	52
Bank service charges	5,942	551
Contract services	2,368	3,192
Plant dedication	-	12,395
Total Operating Expenses	13,250,298	1,372,085
Operating Loss	(12,264,616)	(479,135)
Other Income		
Change in net position	212,108	7,901
	(12,052,508)	(471,234)
Net position - beginning of year	18,441,816	10,363,106
Capital contributions from partner cities	10,697,987	9,654,944
Capital distributions to partner cities	-	(1,105,000)
Net position - end of year	\$ 17,087,295	\$ 18,441,816

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2013

FINANCIAL ANALYSIS (continued)

CAPITAL ASSETS

Capital assets at September 30, 2013 amounted to \$ 153,408,693 and consisted of land, easements, buildings, improvements, infrastructure and construction in progress. Construction in progress is made up of costs attributed to Phase 2 of the BCRUA Project and consists primarily of engineering costs. The cost of constructing Phase 1 was closed out of construction in progress during fiscal year 2012 for a total cost of \$ 145,800,187. Capitalized interest of \$ 25,347,535 (net of investment income of \$ 2,075,409) was included in the cost of Phase 1.

The construction phasing and estimated costs for the project are planned as follows:

Phase 1:

- Construction of an interim, floating intake structure near Cedar Park's existing plant on the Sandy Creek arm of Lake Travis
- New raw water pipeline within right-of-way along Trails End Road
- New treatment plant to serve all three cities with an initial capacity of 17 million gallons per day (mgd) and a final Phase 1 capacity of 42 mgd
- Treated water transmission pipeline across the north side of Cedar Park
- Construction began in late 2009 and was substantially complete in July 2012
- Cost to complete the project is approximately \$ 755,000
- The full retainage amount of approximately \$ 2.35 million is also being withheld, pending resolution of outstanding construction issued and final project close-out

Phase 2:

Phase 2a:

- Permanent, deep-water intake structure on Lake Travis and raw water pipeline connecting the intake to the Phase 1 pipeline
- Construction estimated to begin as late as 2016, depending on lake levels
- Cost estimated at approximately \$ 160 million

Phase 2b:

- Expansion of the water treatment plant to 84 mgd
- Cost estimated at approximately \$ 41 million

Total estimated cost for Phase 2: \$ 201 million

Phase 3:

- Final expansion of water treatment plant to 106 mgd.
- Estimated cost: \$ 29 million

Total cost: The total project cost is estimated at \$ 365 million

RESTRICTED ASSETS

Restricted assets at September 30, 2013 were \$ 26,208,772, a decrease from the September 30, 2012 balance of \$ 32,435,783. Restricted assets consist of debt service, escrow and reserve funds arising from the proceeds of long-term debt. The decrease reflects the release of escrow funds to finance current construction and investment purchases.

**BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2013**

FINANCIAL ANALYSIS (continued)

LONG-TERM DEBT

In 2009, the BCRUA issued three series of contract revenue bonds totaling \$ 182,020,000 for construction and other costs related to Phase 1 of the BCRUA Project. Additional information on long-term debt can be found in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The economy in the local area continues to grow, and the service areas which will be supplied by the BCRUA at project completion are positioned for continued customer growth. The BCRUA's board adopted an administrative operating budget for fiscal year 2013 in the amount of \$ 1,596,000, an additional annual reserve of \$ 336,000 in 2013 and a debt service budget for fiscal year 2013 in the amount of \$ 10,453,000.

CONTACTING THE BCRUA'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens of the partner cities, customers and creditors with a general overview of the BCRUA's finances and to show the BCRUA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the BCRUA at 450 Cypress Creek, Bldg 1, Cedar Park, Texas 78613.

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BASIC FINANCIAL STATEMENTS

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
STATEMENT OF NET POSITION
September 30, 2013

ASSETS

Current assets:	\$ 11,200,985
Cash and cash equivalents	7,738,891
Investments	
Receivables, net:	447,161
Accounts	12,515
Accrued interest	246,625
Due from other funds	19,646,177
Total current assets	
Noncurrent assets:	
Restricted cash and cash equivalents	
and investments:	1,269,460
Debt Service	24,873,739
Escrow	65,573
Reserve	770,872
Deferred charges, net of accumulated amortization of \$ 131,928	
Capital assets:	12,344,158
Land, easements and construction in progress	
Capital assets being depreciated, net of accumulated depreciation of \$ 4,837,209	141,222,784
Total noncurrent assets	180,546,586
Total Assets	\$ 200,192,763

The accompanying notes are an integral part of the financial statements.

LIABILITIES

Current liabilities:

Accounts payable	\$ 253,396
Retainage payable	2,345,205
Due to partner cities	285,526
Due to other funds	<u>246,625</u>

Total current liabilities 3,130,752

Current liabilities payable from restricted assets:

Current portion of revenue bonds payable	2,580,000
Accrued interest	<u>1,369,716</u>
Total current liabilities payable from restricted assets	3,949,716

Noncurrent liabilities:

Revenue bonds payable	<u>176,025,000</u>
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Total noncurrent liabilities 176,025,000

Total Liabilities 183,105,468

NET POSITION

Net position:

Unrestricted	<u>17,087,295</u>
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Total Net Position \$ 17,087,295

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended September 30, 2013

Operating Revenues		\$ 985,682
Operating Expenses		
Interest expense	\$ 8,336,059	
Depreciation	3,854,964	
Personnel	393,893	
Power	366,010	
Chemicals	100,642	
Office supplies	33,210	
Accounting services	32,883	
Repairs and maintenance	25,916	
Insurance	25,658	
Audit expense	23,500	
Investment consultant	20,000	
Miscellaneous expense	14,985	
Legal fees	14,268	
Bank service charges	5,942	
Contract services	<u>2,368</u>	
Total Operating Expenses		<u>13,250,298</u>
Operating Loss		<u>(12,264,616)</u>
Other Income		<u>212,108</u>
Change in net position		<u>(12,052,508)</u>
Net position - beginning of year		18,441,816
Capital contributions from partner cities		<u>10,697,987</u>
Net position - end of year		<u><u>\$ 17,087,295</u></u>

The accompanying notes are an integral part of the financial statements.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2013

Cash Flows from Operating Activities	
Service revenues received from partner cities	\$ 1,061,479
Payments to suppliers for goods and services	(9,310,061)
Net cash provided by operating activities	<u>(8,242,595)</u>
Cash Flows from Capital and Related Financing Activities	
Construction of capital assets	5,636,715
Interest payments	(8,453,402)
Capital contributions from partner cities	10,697,987
Net cash used by capital and related financing activities	<u>7,881,300</u>
Cash Flows from Investing Activities	
Purchase of investments	(6,166,458)
Proceeds from sales and maturities of investments	12,632,545
Principal payments on bonds	(2,000,000)
Interest income	206,121
Net cash provided by investing activities	<u>4,672,208</u>
Net decrease in cash and cash equivalents	4,310,913
<u>Cash and cash equivalents - Beginning of Year</u>	<u>6,890,072</u>
<u>Cash and cash equivalents - End of Year</u>	<u>\$ 11,200,985</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets	
Cash and cash equivalents	\$ 11,200,985
Restricted cash and cash equivalents and investments	26,208,771
Less restricted investments	<u>(26,208,771)</u>
Total cash and cash equivalents	<u>\$ 11,200,985</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating loss	\$ (12,052,508)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Interest income to investing activities	(206,121)
Amortization-bond issuance costs	31,041
Depreciation	3,854,964
Increase in accrued interest receivable	53,312
Decrease in accounts payable	(200,253)
Increase in due to partner cities	285,526
Accrued interest payable	(8,556)
Total Adjustments	<u>3,809,913</u>
Net cash used by operating activities	<u>\$ (8,242,595)</u>

The accompanying notes are an integral part of the financial statements.

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BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

1. Nature of Activities

Brushy Creek Regional Utility Authority, Inc. (the BCRUA) was incorporated in Texas in July 2007 as a local government corporation pursuant to Subchapter D of Chapter 431, Texas Transportation Code. The BCRUA was organized by the Cities of Cedar Park, Leander and Round Rock, Texas (the cities) for the purpose of providing an efficient vehicle for the financing, construction, acquisition, ownership, maintenance, and operation of a regional water and wastewater collection, transmission, treatment, and distribution system on behalf of the cities in performance of their governmental functions.

2. Summary of Significant Accounting Policies

The financial statements of the BCRUA have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity

The BCRUA is a joint venture between the Cities of Cedar Park, Leander and Round Rock, Texas. The BCRUA operates as an enterprise activity. These financial statements present only the BCRUA activities and are not intended to present the financial position, results of operations or cash flows of any of the Cities of Cedar Park, Leander and Round Rock, Texas.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the BCRUA (a proprietary fund) are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net assets. Revenues are recorded when earned and become measurable and expenses are recorded when a liability is incurred and measurable, regardless of the timing of related cash flows.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The proprietary fund follows GAAP prescribed by GASB and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the BCRUA accounts for its proprietary fund as prescribed by the GASB.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2013

2. Summary of Significant Accounting Policies (continued)

Implementation of New Accounting Principles

For the fiscal year ended September 30, 2013, the Governmental Accounting Standards Board issued a new pronouncement that the BCRUA has reviewed for application to their accounting and reporting. GASB Statement No. 63, Financial Reporting of Deferred Outflow of Resources, and Net Position, is effective for periods beginning after December 15, 2011. The components of net position were renamed to reflect the requirements of this statement.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include demand deposits, investments with investment pools, and other short-term liquid investments with an original maturity of three months or less. Cash and cash equivalents from restricted assets are also included.

Restricted Assets

Restricted funds consist of escrow funds derived from bond proceeds, debt service funds, reserve funds, and revenues that have been designated for specific purposes by the Board, or other funds with legal or contractual constraints. When both restricted and unrestricted resources are available for use, it is BCRUA's policy to use restricted resources first, then unrestricted resources as they are needed.

Bond Issuance Costs

Bond issuance costs are amortized on a straight-line basis over the period of the related debt maturities.

Capital Assets

Capital assets are stated at historical cost. To the extent construction is performed by the BCRUA, the cost includes certain general and administrative expenses. Maintenance and repairs are charged to operations as incurred. Improvements and betterments, which extend the useful lives of assets, are capitalized. Depreciation is recorded on a straight-line basis over estimated service lives ranging from 5-40 years. When capital assets are retired or otherwise disposed of, a gain or loss on disposal of assets is recognized.

Interest is normally capitalized on construction costs. The amount of interest cost capitalized for assets constructed with tax-exempt borrowings is equal to the cost of borrowing, less interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowings. However, for the current year, interest costs totaling \$ 8,336,059 were expensed rather than capitalized.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2013

3. Cash and Cash Equivalents and Investments

All BCRUA cash is deposited in accounts that receive interest credit or is invested in permissible securities pursuant to the BCRUA's investment policy. Investments are stated at fair value based on quoted market prices provided by the custodian.

Deposits

At September 30, 2013, the carrying amount of the BCRUA's deposits was \$ 6,913,918 and the bank balance was \$ 5,757,011. The BCRUA's cash deposits at September 30, 2013 were entirely covered by FDIC insurance or by pledged collateral held by the BCRUA's agent bank in the BCRUA's name.

Investments

All investments are presented at fair value. The fair value of the positions in state investment pools is the same as the value of the pool shares.

Cash and cash equivalents and investments are summarized as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Construction funds-		
Cash in banks	\$ 6,913,918	\$ 6,913,918
Municipal coupon securities	1,536,071	1,536,060
Investment in governmental pool	4,287,149	4,287,149
Debt service- investment in governmental pool	1,269,459	1,269,459
Escrow Funds-		
Municipal coupon securities	880,771	882,517
Investment in government pool	24,086,522	24,086,522
Reserve fund-		
Municipal coupon securities	6,166,458	6,124,050
Investment in government pool	48,973	48,973
Total cash and cash equivalents and investments	<u>\$ 45,189,321</u>	<u>\$ 45,148,648</u>

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2013

3. Cash and Cash Equivalents and Investments (continued)

A reconciliation of cash and cash equivalents and investments to the presentation on the Statement of Net Position is as follows:

Statement of Net Position presentation:	
Cash and cash equivalents	\$ 11,200,985
Investments	7,738,891
Restricted cash and cash equivalents and investments:	
Debt Service	1,269,460
Escrow	24,873,739
Reserve	<u>65,573</u>
Total cash and cash equivalents and investments	<u>\$ 45,148,648</u>

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the BCRUA to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the BCRUA to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the BCRUA to have independent auditors perform test procedures related to investment practices as provided by the Act. The BCRUA is in substantial compliance with the requirements of the Act.

Additional Contractual Provisions governing deposits and investments are as follows:

The funds of the BCRUA must be deposited and invested under the terms of a contract, the contents of which include securities for safekeeping and trust with the BCRUA's agent bank in an amount sufficient to protect BCRUA funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2013

3. Cash and Cash Equivalents and Investments (continued)

Policies Governing Deposits and Investments

1. Foreign Currency Risk – The BCRUA’s deposits and investments are not exposed to foreign currency risk.
2. Custodial Credit Risk – To control custody and safekeeping risk State law and the Brushy Creek Regional Utility Authority's adopted Investment Policy requires collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the BCRUA and held in the City's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 102% and be executed under written agreements. Depository agreements are executed under the terms of FIRREA. The counter-party of each type transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis.

Portfolio disclosure as of September 30, 2013:

- The portfolio contained no fully collateralized or FDIC insured certificates of deposits. All pledged collateral was held by an independent institution outside the bank’s holding company.
 - The portfolio contained no repurchase agreements.
 - The portfolio contained 13.1% in demand deposit accounts that are fully insured by the FDIC.
3. Interest Rate Risk – In order to limit interest and market rate risk from changes in interest rates, the Brushy Creek Regional Utility Authority's adopted Investment Policy sets a maximum stated maturity limit of two years for Operating Funds and three years for Construction funds. The weighted average maturity (WAM) of the total Operating Funds portfolio is restricted to a maximum of twelve months and compared to the 1 year Treasury Bill. There is no maximum weighted average maturity (WAM) for Construction funds.

As of September 30, 2013, the portfolio contained:

- No holding in the portfolio had a stated maturity date beyond 440 days.
- The dollar weighted average of the total portfolio was 71 days.

As of September 30, 2013, the portfolio contained 19.4% in structured (callable) notes which would have been impacted by interest rate risk.

4. Credit Risk – A primary stated objective of the Brushy Creek Regional Utility Authority's adopted Investment Policy is the safety of principal and avoidance of principal loss. Credit risk within the City’s portfolio among the authorized investments approved by the City’s adopted Investment Policy includes only time and demand deposits, obligations of states and their subdivisions, repurchase agreements and AAA rated SEC registered money market mutual funds. All other investments are rated AAA, or equivalent, by at least one nationally recognized rating agency. Investments are made primarily in obligations of the US Government, its agencies or instrumentalities.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2013

3. Cash and Cash Equivalents and Investments (continued)

Policies Governing Deposits and Investments (continued)

4. Credit Risk (continued)

State law and the Brushy Creek Regional Utility Authority's adopted Investment Policy restricts both time and demand deposits, including certificates of deposit (CD's) to those banks doing business in the State of Texas and further requires full insurance or collateralization from these depositories (banks only). Certificates of deposit are limited to a stated maturity of one year. Collateral is required at a 102% margin with securities priced at market on a daily basis as a contractual responsibility of the bank. Collateral is restricted to obligations of the US Government, its agencies or instrumentalities or direct obligations of any state, its subdivisions or agencies rated at least A, or equivalent, as to investment quality by two nationally recognized statistical rating agencies. Independent safekeeping is required outside the bank holding company with monthly reporting.

Repurchase agreements are limited to those with defined termination dates with a primary dealer (as defined by the Federal Reserve) and require an industry standard written master repurchase agreement and a minimum 102% margin on collateral as well as delivery versus payment settlement and independent safekeeping. Repurchase agreements may not exceed one year to stated maturity with the exception of flex repurchase agreements with a stated termination date not to exceed the planned completion date of the project(s).

The state law and the City's adopted Investment Policy restricts investment in AAA rated SEC registered mutual funds to money market mutual funds striving to maintain a \$1 net asset value and defined by State law.

Local government investment pools in Texas are required to be rated AAA, or equivalent by at least one nationally recognized rating agency. The BCRUA Policy is restricted to AAA-rated, "2a-7 like" (constant dollar) local government investment pools.

As of September 30, 2013:

- Municipal obligations represented 19.4% of the total portfolio.
- Fully insured or collateralized money market accounts represented 13.1% of the total portfolio.
- Investment in a AAA-rated local government investment pool (TexSTAR) represented 67.5% of the total portfolio, and \$ 29,692,103 was invested in TexSTAR as of September 30, 2013.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2013

3. Cash and Cash Equivalents and Investments (continued)

Policies Governing Deposits and Investments (continued)

5. Concentration Risk - The Brushy Creek Regional Utility Authority recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The City's adopted Investment Policy establishes diversification as a major objective of the investment program and sets diversification limits for all authorized investment types which are monitored on at least a monthly basis. Diversification limits are set by Policy as:

U. S. Obligations	80%
U. S. Agencies/Instrumentalities	75%
State and Local Obligations	50%
Certificates of Deposit	40%
In any one bank	10%
Repurchase Agreements	50%
With any one dealer	20%
FlexRepo with CIP Funds	100%
LGIP	100%
Ownership in pool	10%
Money Market Mutual Funds	100%
Ownership in fund	20%

As of September 30, 2013,

- Holdings in one local government investment pool represented 67.5% of the total portfolio.
- Holdings in State and Local Obligations represented 19.4% of the total portfolio.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2013

4. Capital Assets

Capital asset activity for the year ended September 30, 2013 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land and easements	\$ 8,893,325	\$ -	\$ -	\$ 8,893,325
Construction in Progress	1,375,470	2,075,363	-	3,450,833
Total capital assets, not being depreciated	<u>10,268,795</u>	<u>2,075,363</u>	<u>-</u>	<u>12,344,158</u>
Capital assets, being depreciated:				
Buildings and improvements	68,188,731	-	-	68,188,731
Infrastructure	77,611,456	-	-	77,611,456
Equipment	224,723	35,083	-	259,806
Total capital assets, being depreciated	<u>146,024,910</u>	<u>35,083</u>	<u>-</u>	<u>146,059,993</u>
Less accumulated depreciation for:				
Buildings and improvements	426,180	1,704,718	-	2,130,898
Infrastructure	529,585	2,118,343	-	2,647,928
Equipment	26,480	31,903	-	58,383
Total accumulated depreciation	<u>982,245</u>	<u>3,854,964</u>	<u>-</u>	<u>4,837,209</u>
Total capital assets, being depreciated, net	<u>145,042,665</u>	<u>(3,819,881)</u>	<u>-</u>	<u>141,222,784</u>
Total capital assets, net	<u>\$155,311,460</u>	<u>\$(1,744,518)</u>	<u>\$ -</u>	<u>\$153,566,942</u>

5. Long-Term Debt

During 2009, the BCRUA issued contract revenue bonds dated July 6, 2009, totaling \$ 182,020,000. The bonds mature serially beginning August 1, 2012 through August 1, 2038, with coupon rates ranging from 2.254% to 5.084%. Proceeds from the bond issue are restricted for the construction and equipment of the first phase of the BCRUA Regional Water Treatment and Distribution Project. The bonds were issued in three series, one series for each partner city's share of expected project costs. Each bond series is payable solely from and secured, in part, by an assignment of the bond payments made under the Master Contract Agreement dated September 2, 2008 by and between each city. Each city is solely responsible for bond payments on its series of bonds. No city has any liability or responsibility for any bond payment on a series of bonds issued for another city.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2013

5. Long-Term Debt (continued)

Long-term liability activity for the year ended September 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
Series 2009 Contract					
Revenue Bonds					
City of Cedar Park	\$ 24,715,000	\$ -	\$ (280,000)	\$ 24,435,000	\$ 295,000
City of Leander	91,180,000	-	(500,000)	90,680,000	1,000,000
City of Round Rock	64,710,000	-	(1,220,000)	63,490,000	1,285,000
Total Bonds Payable	\$180,605,000	\$ -	\$(2,000,000)	\$178,605,000	\$ 2,580,000

Debt service requirements are as follows:

Year Ending September 30	Bonds		Total Requirements
	Principal	Interest	
2014	\$ 2,580,000	\$ 8,400,922	\$ 10,980,922
2015	3,140,000	8,327,031	11,467,031
2016	3,580,000	8,229,880	11,809,880
2017	4,270,000	8,111,596	12,381,596
2018	4,490,000	7,961,976	12,451,976
2019-2023	26,255,000	36,968,129	63,223,129
2024-2028	33,920,000	30,472,051	64,392,051
2029-2033	43,800,000	21,247,217	65,047,217
2034-2038	56,570,000	8,922,674	65,492,674
	\$ 178,605,000	\$ 138,641,476	\$ 317,246,476

Interest is capitalized on construction costs until completion of the project. The amount of interest cost capitalized for assets constructed with tax-exempt borrowings is equal to the cost of borrowing, less interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing. As of September 30, 2013, the amount of capitalized interest cost included in construction in progress was \$ 33,683,594 (net of investment income of \$ 2,075,409).

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2013

6. Economic Dependency

The BCRUA is dependent on the Cities of Cedar Park, Leander and Round Rock, Texas for the continued funding of its operating activities. The cities annually budget funds for operational and overhead expenses and debt service requirements in accordance with the Master Contract Agreement and the System Operating Agreement between the cities. Fixed operations and maintenance expenses are allocated among the cities based upon each city's reserved capacity in the BCRUA Project components, and variable expenses are allocated based upon the volume of treated water delivered to each city in relation to the total delivered volume. Overhead expenses are paid by each city based upon certain formulas and reserve capacities in the BCRUA Project and/or the quantity of treated water actually delivered to each city. Each city is responsible for bond principal and interest payments due on the bond series issued by BCRUA for each respective city.

7. Contingency

A contract dispute between the BCRUA and the general contractor arose during the inspection of Phase I construction concerning defects in construction of the plant. The BCRUA has retained legal counsel who specializes in construction contract disputes. Furthermore, the BCRUA has withheld payment of retainage due to the general contractor in the amount of \$ 2.35 million until all identified issues have been rectified. Management expects resolution of the dispute before the summer of 2014 and does not expect the dispute to materially affect the BCRUA's financial statements.

8. Subsequent Events

The BCRUA has evaluated subsequent events after the balance sheet date of September 30, 2013 through January 5, 2014, which is the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
COMBINING STATEMENTS OF NET POSITION
September 30, 2013

	<u>Cedar Park</u>	<u>Leander</u>	<u>Round Rock</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,898,094	\$ 5,132,513	\$ 4,170,378	\$ 11,200,985
Investments	264,984	6,890,001	583,906	7,738,891
Receivables, net:				
Accounts	70,948	237,517	138,696	447,161
Accrued interest	1,582	4,443	6,490	12,515
Due from other funds	-	182,148	64,477	246,625
Total current assets	<u>2,235,608</u>	<u>12,446,622</u>	<u>4,963,947</u>	<u>19,646,177</u>
Noncurrent assets:				
Restricted cash and cash equivalents and investments:				
Debt Service	212,917	711	1,055,832	1,269,460
Escrow	3,918,389	7,894,783	13,060,567	24,873,739
Reserve	-	48,973	16,600	65,573
Deferred charges, net of accumulated amortization of \$ 131,928	127,653	379,000	264,219	770,872
Capital assets:				
Land, easements and construction in progress	1,553,943	6,641,025	4,149,190	12,344,158
Capital assets being depreciated, net of accumulated depreciation of \$ 4,837,209	<u>21,248,774</u>	<u>67,533,550</u>	<u>52,440,460</u>	<u>141,222,784</u>
Total noncurrent assets	<u>27,061,676</u>	<u>82,498,042</u>	<u>70,986,868</u>	<u>180,546,586</u>
Total Assets	<u><u>\$29,297,284</u></u>	<u><u>\$94,944,664</u></u>	<u><u>\$75,950,815</u></u>	<u><u>\$ 200,192,763</u></u>

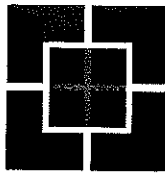
See independent auditors' report.

	<u>Cedar Park</u>	<u>Leander</u>	<u>Round Rock</u>	<u>Total</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 108,767	\$ 104,058	\$ 40,571	\$ 253,396
Retainage payable	431,987	1,103,653	809,565	2,345,205
Due to partner cities	21,958	169,334	94,234	285,526
Due to other funds	117,379	-	129,246	246,625
Total current liabilities	680,091	1,377,045	1,073,616	3,130,752
Current liabilities payable from restricted assets:				
Current portion of revenue bonds payable	295,000	1,000,000	1,285,000	2,580,000
Accrued interest	188,402	696,581	484,733	1,369,716
Total current liabilities payable from restricted assets	483,402	1,696,581	1,769,733	3,949,716
Noncurrent liabilities:				
Revenue bonds payable	24,140,000	89,680,000	62,205,000	176,025,000
Total noncurrent liabilities	24,140,000	89,680,000	62,205,000	176,025,000
Total Liabilities	25,303,493	92,753,626	65,048,349	183,105,468
NET POSITION				
Net position:				
Unrestricted	3,993,791	2,191,038	10,902,466	17,087,295
Total Net Position	\$ 3,993,791	\$ 2,191,038	\$ 10,902,466	\$ 17,087,295

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended September 30, 2013

	<u>Cedar Park</u>	<u>Leander</u>	<u>Round Rock</u>	<u>Total</u>
Operating Revenues	\$ 541,627	\$ 417,465	\$ 26,590	\$ 985,682
Operating Expenses				
Interest expense	1,247,908	3,934,620	3,153,531	8,336,059
Depreciation	603,152	1,816,362	1,435,450	3,854,964
Personnel	165,898	184,413	43,582	393,893
Power	195,007	171,003	-	366,010
Chemicals	53,682	46,960	-	100,642
Office supplies	8,056	15,631	9,523	33,210
Accounting services	13,376	15,402	4,105	32,883
Repairs and maintenance	8,522	9,332	8,062	25,916
Insurance	3,841	12,111	9,706	25,658
Audit expense	3,518	11,092	8,890	23,500
Investment consultant	2,994	9,440	7,566	20,000
Miscellaneous expense	3,255	7,061	4,669	14,985
Legal fees	1,404	6,764	6,100	14,268
Bank service charges	1,796	2,103	2,043	5,942
Contract services	1,263	1,089	16	2,368
Total Operating Expenses	<u>2,313,672</u>	<u>6,243,383</u>	<u>4,693,243</u>	<u>13,250,298</u>
Operating Income (Loss)	(1,772,045)	(5,825,918)	(4,666,653)	(12,264,616)
Other Income	<u>38,467</u>	<u>76,304</u>	<u>97,337</u>	<u>212,108</u>
Change in net assets	(1,733,578)	(5,749,614)	(4,569,316)	(12,052,508)
Net position - beginning of year	4,197,120	2,997,955	11,246,741	18,441,816
Capital contributions from partner cities	<u>1,530,249</u>	<u>4,942,697</u>	<u>4,225,041</u>	<u>10,697,987</u>
Net position - end of year	<u>\$ 3,993,791</u>	<u>\$ 2,191,038</u>	<u>\$ 10,902,466</u>	<u>\$ 17,087,295</u>

See independent auditors' report.



BROCKWAY
GERSBACH
FRANKLIN &
NIEMEIER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Brushy Creek Regional Utility Authority, Inc.
Round Rock, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Brushy Creek Regional Utility Authority, Inc. (BCRUA) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise BCRUA's basic financial statements, and have issued our report thereon dated January 5, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BCRUA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BCRUA's internal control. Accordingly, we do not express an opinion on the effectiveness of BCRUA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BCRUA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

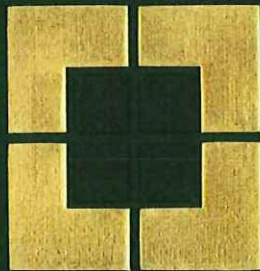
Erockway, Gordonach, Franklin & Nierman, P.C.

January 5, 2014

**Brushy Creek
Regional Utility Authority, Inc.**

September 30, 2014

Financial Statements
Part C-46 2014 Audit



**BROCKWAY
GERSBACH
FRANKLIN &
NIEMEIER, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

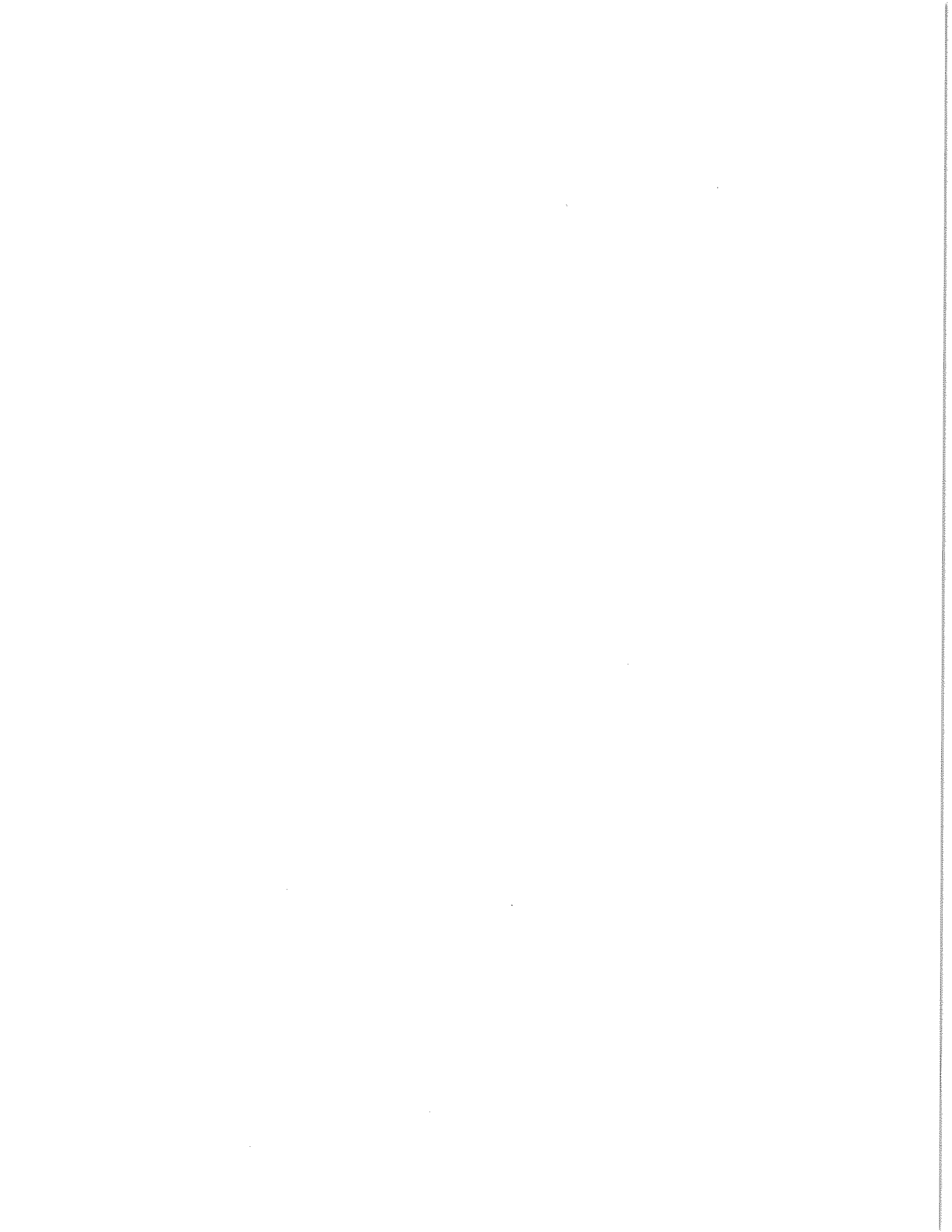
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BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.

FINANCIAL STATEMENTS AS OF

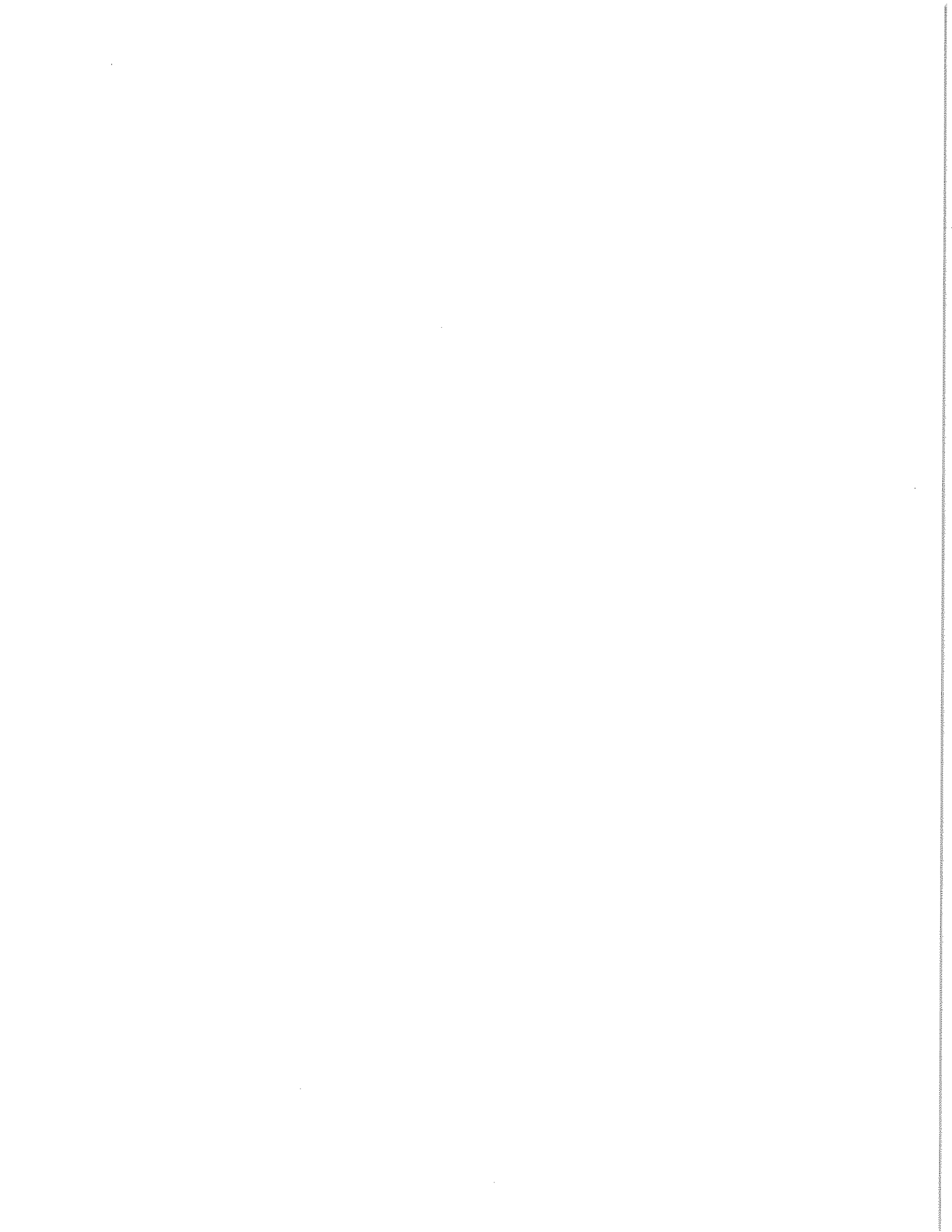
September 30, 2014

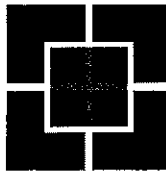
**TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON
AND SUPPLEMENTARY INFORMATION**



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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Brushy Creek Regional Utility Authority, Inc.
Round Rock, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Brushy Creek Regional Utility Authority, Inc. (the BCRUA), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the BCRUA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITORS' REPORT
(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the BCRUA, as of September 30, 2014, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BCRUA's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

As discussed in Note 6 to the financial statements, the BCRUA is dependent on the Cities of Cedar Park, Leander, and Round Rock, Texas for the continued funding of its operating activities. The Cities annually budget funds for operational expenses and debt service requirements of the BCRUA.

INDEPENDENT AUDITORS' REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the BCRUA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BCRUA's internal control over financial reporting and compliance.

Brookmyr, Dondosh, Franklin & Nimmick, P.C.

December 19, 2014

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BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

ABOUT BCRUA

The Brushy Creek Regional Utility Authority (the BCRUA) is a joint venture between the Cities of Cedar Park, Leander and Round Rock, Texas to design and construct a regional water system that will supply treated water to the three communities.

Cedar Park, Leander and Round Rock are among the fastest growing cities in Texas. Their combined service area population, based on current U.S. census estimates, is over 200,000. It is projected to grow to 609,000 by the year 2040.

This project provides facilities to access, treat and deliver water from Lake Travis to each partner city's customers. When completed, the project will meet the needs of Cedar Park and Round Rock to their ultimate build-out and the needs of Leander for at least the next 20 to 25 years.

The regional concept ensures the responsible use of resources and the least impact on both the environment and neighboring communities. Rather than three communities building three separate water supply projects with three pipelines, three intakes, and three treatment plants, the BCRUA project streamlines the effort for minimum impact and maximum efficiency. The regional option affords the three cities the opportunity to realize "economy of scale" savings of 30%, or more than \$ 90 million.

The regional water treatment plant will have an ultimate capacity of 106 million gallons per day (mgd) and will be built in three phases to better match the capacity with near-term needs. The initial Phase 1 was substantially completed in July 2012 and includes the full sized 106 mgd raw water and treated water pipelines, and a 17 mgd water treatment plant, readily expandable to 42 mgd. Phase 1 operates with an interim 30 mgd floating barge intake on Lake Travis, but a permanent deep water intake with ultimate capacity will be required as part of Phase 2.

Plant operations officially began July 1, 2012. Operations for the project have been divided into three categories: plant staffing; General Manager/administrative support; and, financial support/accounting services, with each city taking responsibility for one of the categories. Plant staffing is provided by Leander consisting of one plant superintendent and three plant operators. The General Manager and administrative support are provided by Round Rock. Finance and Accounting is provided by Cedar Park. While each city maintains responsibility for their own category, the Operations Committee (composed of engineering and finance staff from each city) provides oversight of each city's contribution in order to ensure appropriate controls are in place.

While substantial completion and start-up of the Phase 1 Project occurred in 2012, final project close-out has been delayed, due to several construction related issues that became evident late in the year. The BCRUA has been working with the construction contractor and design engineers to analyze the issues, and make the necessary corrections. Pending elimination of all identified defects, the BCRUA is withholding some of the project construction retainage. Final completion and project close-out is anticipated in early/mid 2015.

Operation of the plant was temporarily halted in August 2013, due to low lake levels resulting from an ongoing drought. Mandatory decreased water withdrawals ordered by the Lower Colorado River Authority, and conservation measures imposed by the three partner cities has significantly reduced system demand, which has allowed the BCRUA facilities to remain off-line. Working with the construction general contractor, BCRUA is taking advantage of the off-line period to resolve all remaining construction related issues, and anticipates restarting the plant in early to mid 2015.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2014

ABOUT BCRUA (Continued)

With substantial completion of the Phase I Project in 2012, staff began working on planning, environmental studies and real-estate acquisition for Phase II. In 2013, two sites were identified for the permanent deep water intake structure (in the Village of Volente), and the permanent raw water pumping station (in Sandy Creek Park). Purchase of the Sandy Creek Park site from the Lower Colorado River Authority was finalized in April, 2014. Purchase negotiations for the privately owned parcel were on-going during 2014, and should be complete some time in 2015. A request for proposals (RFP) to initiate preliminary design of the Phase 2 permanent deep water intake and pump station was issued in 2014, leading to Board approval in November of a contract with an engineering design team led by HDR Engineers' Austin office. The pre-design project will begin in early 2015, and will conclude in early/mid 2016. To date, all Phase 2 planning, engineering, and property acquisition costs have been covered by savings recognized from the Phase 1 construction projects. Funding for the Phase 2 final design and construction phases will need to be identified and in place prior to initialization of final design.

The BCRUA Board of Directors is composed of six members, two from each of the city councils of the partnering cities. A General Manager directs the day to day business of the BCRUA, and a Plant Superintendent oversees the operation of the system.

What follows is a discussion and analysis of the BCRUA's financial performance for the fiscal year ended September 30, 2014. Please read it in conjunction with the Independent Auditors' Report on pages 1 through 3 and the BCRUA's Basic Financial Statements which begin on page 14.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: (1) management's discussion and analysis (this section), (2) basic financial statements, and (3) notes to the financial statements. This report also contains combining statements as supplementary information in addition to the basic financial statements.

The basic financial statements include the Statement of Net Position (pages 14 - 15), the Statement of Revenues, Expenses, and Changes in Net Position (page 16) and the Statement of Cash Flows (page 17). The BCRUA operates as an enterprise activity and consists of one proprietary fund.

The notes to the financial statements (starting on page 19) provide narrative explanations or additional data needed for full disclosure in the basic financial statements.

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to provide readers with a broad overview of the BCRUA's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the BCRUA's assets and liabilities, with the difference between the two reported as net position. The BCRUA's net position provides one measure of the BCRUA's financial health, or financial position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the BCRUA is improving or deteriorating. To fully assess the overall health of the BCRUA, however, you should consider nonfinancial factors as well, such as the condition of assets, and the total economic impact of the entity on the Cities of Cedar Park, Leander and Round Rock, Texas.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2014

BASIC FINANCIAL STATEMENTS (Continued)

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the BCRUA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* presents cash receipts, cash disbursements and net changes in cash resulting from operating, financing and investing activities. This statement provides information such as where cash originated, how it was used and the net change in cash balances during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide required disclosures and other additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements present information about the accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. The notes to the financial statements can be found on pages 19 through 29 of this report.

SUPPLEMENTARY INFORMATION

The combining statements are presented for purposes of additional analysis and to provide an overview of the financial position and results of operations related to each partner City. The combining statements can be found on pages 32 through 34 of this report.

FINANCIAL ANALYSIS

FINANCIAL HIGHLIGHTS

- The BCRUA's net position increased by \$ 321,144 as a result of current year operations.
- Partner city contributions to net position for the year ended September 30, 2014 were \$ 9,941,605.
- Total net position at September 30, 2014 was \$ 17,408,439, an increase of \$ 321,144 from September 30, 2014.
- Total capital assets, net of depreciation, were \$ 154,774,267 as of September 30, 2014. This is an increase of \$ 1,207,325 from the prior year and reflects the completion of Phase 1 of the project and the start up cost for Phase 2.
- Total long-term liabilities were \$ 176,025,000 and \$ 178,605,000 as of September 30, 2014 and 2013, respectively. Principal payments on this debt began in fiscal year 2012.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2014

FINANCIAL ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS (Continued)

The following condensed financial statements (Tables I and II) provide key financial data as of and for the years ended September 30, 2014 and 2013.

Table I

NET POSITION

	2014	2013
Current assets	\$ 11,247,680	\$ 11,907,286
Restricted assets	31,436,119	33,947,663
Capital assets, net	154,774,267	153,566,942
Bond issuance costs	-	770,872
Total assets	197,458,066	200,192,763
Current liabilities	2,666,958	3,130,752
Current liabilities payable from restricted assets	4,497,669	3,949,716
Noncurrent liabilities	172,885,000	176,025,000
Total liabilities	180,049,627	183,105,468
Net position:		
Unrestricted	8,580,722	8,776,534
Invested in capital assets, net of related debt	8,827,717	8,310,761
Total net position	\$ 17,408,439	\$ 17,087,295

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2014

FINANCIAL ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS (Continued)

Table II

CHANGE IN NET POSITION

	2014	2013
Operating Revenues	\$ 1,062,130	\$ 985,682
Operating Expenses		
Interest expense	8,400,922	8,336,059
Legal fees	636,257	14,268
Personnel	435,005	393,893
Bad debt expense	167,591	-
Repairs and maintenance	96,837	25,916
Power	66,860	366,010
Audit, investment, banking fees	42,586	23,500
Accounting services	39,865	32,883
Depreciation	38,920	3,854,964
Insurance	30,106	25,658
Office supplies	20,999	33,210
Miscellaneous expense	8,294	14,985
Investment consultant	-	20,000
Chemicals	4,769	100,642
Paying agent fees	4,050	-
Bank service charges	-	5,942
Contract services	1,686	2,368
Total Operating Expenses	9,994,747	13,250,298
Operating Loss	(8,932,617)	(12,264,616)
Other Income	83,027	212,108
Change in net position	(8,849,590)	(12,052,508)
Net position - beginning of year, as restated	16,316,424	18,441,816
Capital contributions from partner cities	9,941,605	10,697,987
Net position - end of year	\$ 17,408,439	\$ 17,087,295

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2014

FINANCIAL ANALYSIS (Continued)

CAPITAL ASSETS

Capital assets at September 30, 2014 amounted to \$ 154,774,267 and consisted of land, easements, buildings, improvements, infrastructure and construction in progress. Construction in progress is made up of costs attributed to Phase 2 of the BCRUA Project and consists primarily of engineering costs. The cost of constructing Phase 1 was closed out of construction in progress during fiscal year 2014 for a total cost of \$ 242,538. Capitalized interest of \$ 25,347,535 (net of investment income of \$ 2,158,436) was included in the cost of Phase 1.

The construction phasing and estimated costs for the project are planned as follows:

Phase 1:

- Construction of an interim, floating intake structure near Cedar Park's existing plant on the Sandy Creek arm of Lake Travis
- New raw water pipeline within right-of-way along Trails End Road
- New treatment plant in Cedar Park to serve all three cities with an initial capacity of 17 million gallons per day (mgd) and a final Phase 1 capacity of 42 mgd
- Treated water transmission pipeline across the north side of Cedar Park, along West New Hope Road
- Construction began in late 2009 and was substantially complete in July 2012
- Cost to complete the project is approximately \$ 755,000
- The full retainage amount of approximately \$ 2.35 million was being withheld in fiscal year 2014, pending resolution of outstanding construction issues and final project close-out
- As the fiscal year-end approached, BCRUA was preparing to issue a partial retainage release to the general contractor, Pepper Lawson Construction, L.P., in the amount of \$762,936, in order to allow PLC to issue final payments to various sub-contractors and suppliers whose work and/or materials were not involved in any outstanding construction issues
- Final completion and resolution of any remaining construction issues is anticipated in early/mid 2015

Phase 2:

Phase 2a:

- Permanent, deep-water intake structure on Lake Travis, a gravity pipeline to transmit the water to a new pump station, and a raw water pipeline connecting the raw water pump station to the Phase 1 raw water pipeline
- Construction estimated to begin upon completion of final design
- Cost estimated at approximately \$ 175 million

Phase 2b:

- Expansion of the water treatment plant to 84 mgd
- Cost estimated at approximately \$ 41 million

Total estimated cost for Phase 2: \$ 216 million

Phase 3:

- Final expansion of water treatment plant to 106 mgd.
- Estimated cost: \$ 29 million

Total cost: The total project cost is estimated at \$ 380 million

**BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2014**

FINANCIAL ANALYSIS (Continued)

RESTRICTED ASSETS

Restricted assets at September 30, 2014 were \$ 31,436,119, a decrease from the September 30, 2013 balance of \$ 33,947,663. Restricted assets consist of debt service, escrow and reserve funds arising from the proceeds of long-term debt. The decrease reflects the release of escrow funds to finance current construction and investment purchases.

LONG-TERM DEBT

In 2009, the BCRUA issued three series of contract revenue bonds totaling \$ 182,020,000 for construction and other costs related to Phase 1 of the BCRUA Project. Additional information on long-term debt can be found in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The economy in the local area continues to grow, and the service areas which will be supplied by the BCRUA at project completion are positioned for continued customer growth. The BCRUA's board adopted an administrative operating budget for fiscal year 2014 in the amount of \$ 1,598,861, an additional annual reserve of \$ 399,715 in 2014 and a debt service budget for fiscal year 2014 in the amount of \$ 11,467,031.

CONTACTING THE BCRUA'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens of the partner cities, customers and creditors with a general overview of the BCRUA's finances and to show the BCRUA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the BCRUA at 450 Cypress Creek, Bldg 1, Cedar Park, Texas 78613.

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BASIC FINANCIAL STATEMENTS

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
STATEMENT OF NET POSITION
September 30, 2014

ASSETS

Current assets:

Cash and cash equivalents	\$ 10,909,447
Receivables, net:	
Accounts	269,109
Accrued interest	127
Due from other funds	68,997
 Total current assets	 11,247,680

Noncurrent assets:

Restricted cash and cash equivalents and investments:	
Debt Service	215,439
Escrow	24,977,891
Reserve	6,242,789
Capital assets:	
Land, easements and construction in progress	13,347,864
Capital assets being depreciated, net of accumulated depreciation of \$ 4,837,209	141,426,403
 Total noncurrent assets	 186,210,386

Total Assets	\$ 197,458,066
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The accompanying notes are an integral part of the financial statements.

LIABILITIES

Current liabilities:

Accounts payable	\$ 887,547
Retainage payable	1,582,268
Due to partner cities	128,146
Due to other funds	68,997
	<hr/>

Total current liabilities 2,666,958

Current liabilities payable from restricted assets:

Current portion of revenue bonds payable	3,140,000
Accrued interest	1,357,669
	<hr/>
Total current liabilities payable from restricted assets	4,497,669

Noncurrent liabilities:

Revenue bonds payable	<hr/> 172,885,000
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Total noncurrent liabilities

172,885,000

Total Liabilities 180,049,627

NET POSITION

Net position:

Unrestricted	8,580,722
Invested in capital assets, net of related debt	8,827,717
	<hr/>

Total Net Position

\$ 17,408,439

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended September 30, 2014

Operating Revenues		\$ 1,062,130
Operating Expenses		
Interest expense	\$ 8,400,922	
Legal fees	636,257	
Personnel	435,005	
Bad debt expense	167,591	
Repairs and maintenance	96,837	
Power	66,860	
Audit, investment, banking fees	42,586	
Accounting services	39,865	
Depreciation	38,920	
Insurance	30,106	
Office supplies	20,999	
Miscellaneous expense	8,294	
Chemicals	4,769	
Paying agent fees	4,050	
Contract services	<u>1,686</u>	
 Total Operating Expenses		 <u>9,994,747</u>
Operating Loss		<u>(8,932,617)</u>
 Other Income		 <u>83,027</u>
Change in net position		<u>(8,849,590)</u>
 Net position - beginning of year, as restated		 16,316,424
Capital contributions from partner cities		<u>9,941,605</u>
 Net position - end of year		 <u><u>\$ 17,408,439</u></u>

The accompanying notes are an integral part of the financial statements.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2014

Cash Flows from Operating Activities	
Service revenues received from partner cities	\$ 1,062,471
Payments to suppliers for goods and services	(9,778,873)
	<hr/>
Net cash used by operating activities	(8,716,402)
Cash Flows from Capital and Related Financing Activities	
Construction of capital assets	6,869,611
Interest payments	(8,400,922)
Capital contributions from partner cities	9,941,604
	<hr/>
Net cash provided by capital and related financing activities	8,410,293
Cash Flows from Investing Activities	
Purchase of investments	2,017,520
Proceeds from sales and maturities of investments	494,024
Principal payments on bonds	(2,580,000)
Interest income	83,027
	<hr/>
Net cash provided by investing activities	14,571
Net decrease in cash and cash equivalents	(291,538)
	<hr/>
Cash and cash equivalents - beginning of year	11,200,985
	<hr/>
Cash and cash equivalents - end of year	\$ 10,909,447
	<hr/> <hr/>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets	
Cash and cash equivalents	\$ 10,909,447
Restricted cash and cash equivalents and investments	31,436,118
Less restricted investments	(31,436,118)
	<hr/>
Total cash and cash equivalents	\$ 10,909,447
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating loss	\$ (8,932,617)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	38,920
Increase in accrued interest receivable	12,388
Decrease in accounts payable	48,808
Increase in due to partner cities	128,146
Accrued interest payable	(12,047)
Total Adjustments	<hr/> 216,215
Net cash used by operating activities	<hr/> \$ (8,716,402)

The accompanying notes are an integral part of the financial statements.

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BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

1. Nature of Activities

Brushy Creek Regional Utility Authority, Inc. (the BCRUA) was incorporated in Texas in July 2007 as a local government corporation pursuant to Subchapter D of Chapter 431, Texas Transportation Code. The BCRUA was organized by the Cities of Cedar Park, Leander and Round Rock, Texas (the cities) for the purpose of providing an efficient vehicle for the financing, construction, acquisition, ownership, maintenance, and operation of a regional water and wastewater collection, transmission, treatment, and distribution system on behalf of the cities in performance of their governmental functions.

2. Summary of Significant Accounting Policies

The financial statements of the BCRUA have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity

The BCRUA is a joint venture between the Cities of Cedar Park, Leander and Round Rock, Texas. The BCRUA operates as an enterprise activity. These financial statements present only the BCRUA activities and are not intended to present the financial position, results of operations or cash flows of any of the Cities of Cedar Park, Leander and Round Rock, Texas.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the BCRUA (a proprietary fund) are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net assets. Revenues are recorded when earned and become measurable and expenses are recorded when a liability is incurred and measurable, regardless of the timing of related cash flows.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The proprietary fund follows GAAP prescribed by GASB and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the BCRUA accounts for its proprietary fund as prescribed by the GASB.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2014

2. Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include demand deposits, investments with investment pools, and other short-term liquid investments with an original maturity of three months or less. Cash and cash equivalents from restricted assets are also included.

Restricted Assets

Restricted funds consist of escrow funds derived from bond proceeds, debt service funds, reserve funds, and revenues that have been designated for specific purposes by the Board, or other funds with legal or contractual constraints. When both restricted and unrestricted resources are available for use, it is BCRUA's policy to use restricted resources first, then unrestricted resources as they are needed.

Capital Assets

Capital assets are stated at historical cost. To the extent construction is performed by the BCRUA, the cost includes certain general and administrative expenses. Maintenance and repairs are charged to operations as incurred. Improvements and betterments, which extend the useful lives of assets, are capitalized. Depreciation is recorded on a straight-line basis over estimated service lives ranging from 5-40 years. When capital assets are retired or otherwise disposed of, a gain or loss on disposal of assets is recognized.

Interest is normally capitalized on construction costs. The amount of interest cost capitalized for assets constructed with tax-exempt borrowings is equal to the cost of borrowing, less interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowings. However, for the current year, interest costs totaling \$ 8,400,922 were expensed rather than capitalized.

New GASB Pronouncements

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, is effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The adoption of GASB Statement No. 65 required debt issuance costs that were previously reported as assets to be shown as an expense. The effects of this statement were applied retroactively by reporting the cumulative effect of the application as a restatement of beginning net position. The change resulted in the restatement of the BCRUA beginning net position by \$ 770,871.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2014

3. Cash and Cash Equivalents and Investments

All BCRUA cash is deposited in accounts that receive interest credit or is invested in permissible securities pursuant to the BCRUA's investment policy. Investments are stated at fair value based on quoted market prices provided by the custodian.

Deposits

At September 30, 2014, the carrying amount of the BCRUA's deposits was \$ 9,887,503 and the bank balance was \$ 5,757,011. The BCRUA's cash deposits at September 30, 2014 were largely covered by FDIC insurance or by pledged collateral held by the BCRUA's agent bank in the BCRUA's name; however, deposits totaling \$ 807,814 were not covered by pledge collateral. By the end of October, 2014, the collateral was increased to cover all deposits.

Investments

All investments are presented at fair value. The fair value of the positions in state investment pools is the same as the value of the pool shares.

Cash and cash equivalents and investments are summarized as follows:

	Carrying Amount	Fair Value
Construction funds-		
Cash in banks	\$ 9,887,503	\$ 9,887,503
Certificates of deposit	1,001,234	1,001,234
Investment in governmental pool	20,710	20,710
Debt service- investment in governmental pool	215,439	215,439
Escrow funds-		
Cash in banks	24,977,341	24,977,341
Investment in government pool	549	549
Reserve funds-		
Municipal coupon securities	6,200,000	6,193,800
Investment in government pool	48,990	48,990
Total cash and cash equivalents and investments	\$ 42,351,766	\$ 42,345,566

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2014

3. Cash and Cash Equivalents and Investments (Continued)

Investments (Continued)

A reconciliation of cash and cash equivalents and investments to the presentation on the Statement of Net Position is as follows:

Statement of Net Position presentation:

Cash and cash equivalents	\$ 10,909,447
Restricted cash and cash equivalents and investments:	
Debt Service	215,439
Escrow	24,977,891
Reserve	<u>6,242,789</u>
Total cash and cash equivalents and investments	<u>\$ 42,345,566</u>

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the BCRUA to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the BCRUA to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the BCRUA to have independent auditors perform test procedures related to investment practices as provided by the Act. The BCRUA is in substantial compliance with the requirements of the Act.

Additional Contractual Provisions governing deposits and investments are as follows:

The funds of the BCRUA must be deposited and invested under the terms of a contract, the contents of which include securities for safekeeping and trust with the BCRUA's agent bank in an amount sufficient to protect BCRUA funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2014

3. Cash and Cash Equivalents and Investments (Continued)

Policies Governing Deposits and Investments

- a. Foreign Currency Risk – The BCRUA’s deposits and investments are not exposed to foreign currency risk.
- b. Custodial Credit Risk – To control custody and safekeeping risk State law and the Brushy Creek Regional Utility Authority's adopted Investment Policy requires collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the BCRUA and held in the City's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 102% and be executed under written agreements. Depository agreements are executed under the terms of FIRREA. The counter-party of each type transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis.

Portfolio disclosure as of September 30, 2014:

- The portfolio contained collateralized or FDIC insured certificates of deposit which represents 2.4% of the total portfolio. All pledged collateral was held by an independent institution outside the bank's holding company.
 - The portfolio contained no repurchase agreements.
 - The portfolio contained demand deposit accounts that are collateralized insured by the FDIC which represents 14.3% of the total portfolio.
 - Total value of demand deposit and time deposit accounts were under collateralized by \$ 807,814.
- c. Interest Rate Risk – In order to limit interest and market rate risk from changes in interest rates, the BCRUA's adopted Investment Policy sets a maximum stated maturity limit of two years for Operating Funds and three years for Construction funds. The weighted average maturity (WAM) of the total Operating Funds portfolio is restricted to a maximum of twelve months and compared to the 1 year Treasury Bill. There is no maximum weighted average maturity (WAM) for Construction funds.

As of September 30, 2014, the portfolio contained:

- No holding in the portfolio had a stated maturity date beyond 75 days.
- The dollar weighted average of the total portfolio was 14 days.

As of September 30, 2014, the portfolio contained 15.1% in structured (callable) notes which would have been impacted by interest rate risk.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2014

3. Cash and Cash Equivalents and Investments (Continued)

Policies Governing Deposits and Investments (Continued)

- d. Credit Risk – A primary stated objective of the BCRUA's adopted Investment Policy is the safety of principal and avoidance of principal loss. Credit risk within the City's portfolio among the authorized investments approved by the City's adopted Investment Policy includes only time and demand deposits, obligations of states and their subdivisions, repurchase agreements and AAA rated SEC registered money market mutual funds. All other investments are rated AAA, or equivalent, by at least one nationally recognized rating agency. Investments are made primarily in obligations of the US Government, its agencies or instrumentalities.

State law and the BCRUA's adopted Investment Policy restricts both time and demand deposits, including certificates of deposit (CD's) to those banks doing business in the State of Texas and further requires full insurance or collateralization from these depositories (banks only). Certificates of deposit are limited to a stated maturity of one year. Collateral is required at a 102% margin with securities priced at market on a daily basis as a contractual responsibility of the bank. Collateral is restricted to obligations of the US Government, its agencies or instrumentalities or direct obligations of any state, its subdivisions or agencies rated at least A, or equivalent, as to investment quality by two nationally recognized statistical rating agencies. Independent safekeeping is required outside the bank holding company with monthly reporting.

Repurchase agreements are limited to those with defined termination dates with a primary dealer (as defined by the Federal Reserve) and require an industry standard written master repurchase agreement and a minimum 102% margin on collateral as well as delivery versus payment settlement and independent safekeeping. Repurchase agreements may not exceed one year to stated maturity with the exception of flex repurchase agreements with a stated termination date not to exceed the planned completion date of the project(s).

The state law and the City's adopted Investment Policy restricts investment in AAA rated SEC registered mutual funds to money market mutual funds striving to maintain a \$1 net asset value and defined by State law.

Local government investment pools in Texas are required to be rated AAA or equivalent by at least one nationally recognized rating agency. The BCRUA Policy is restricted to AAA-rated, "2a-7 like" (constant dollar) local government investment pools.

As of September 30, 2014:

- Municipal obligations represented 15.1% of the total portfolio.
- Insured or collateralized money market, TDA and DDA accounts represented 81.7% of the total portfolio.
- Investment in a AAA-rated local government investment pool (TexSTAR) represented 0.7% of the total portfolio, and \$ 285,259 was invested in TexSTAR as of September 30, 2014.
- Insured or collateralized certificates of deposit represented 2.5% of the total portfolio.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2014

3. Cash and Cash Equivalents and Investments (Continued)

Policies Governing Deposits and Investments (Continued)

e. Concentration of Credit Risk - The BCRUA recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The City's adopted Investment Policy establishes diversification as a major objective of the investment program and sets diversification limits for all authorized investment types which are monitored on at least a monthly basis. Diversification limits are set by Policy as:

U. S. Obligations	80%
U. S. Agencies/Instrumentalities	75%
State and Local Obligations	50%
Certificates of Deposit	40%
In any one bank	10%
Repurchase Agreements	50%
With any one dealer	20%
FlexRepo with CIP Funds	100%
LGIP	100%
Ownership in pool	10%
Money Market Mutual Funds	100%
Ownership in fund	20%

As of September 30, 2014,

- Holdings in money market, TDA and DDA accounts represented 81.7% of the total portfolio.
- Holdings in State and Local Obligations represented 15.1% of the total portfolio.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2014

4. Capital Assets

Capital asset activity for the year ended September 30, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land and easements	\$ 8,893,325	\$ -	\$ -	\$ 8,893,325
Construction in progress	3,450,833	1,003,706	-	4,454,539
Total capital assets, not being depreciated	<u>12,344,158</u>	<u>1,003,706</u>	<u>-</u>	<u>13,347,864</u>
Capital assets, being depreciated:				
Buildings and improvements	68,188,731	-	-	68,188,731
Infrastructure	77,611,456	-	-	77,611,456
Equipment	259,806	242,539	-	502,345
Total capital assets, being depreciated	<u>146,059,993</u>	<u>242,539</u>	<u>-</u>	<u>146,302,532</u>
Less accumulated depreciation for:				
Buildings and improvements	2,130,898	-	-	2,130,898
Infrastructure	2,647,928	-	-	2,647,928
Equipment	58,383	38,920	-	97,303
Total accumulated depreciation	<u>4,837,209</u>	<u>38,920</u>	<u>-</u>	<u>4,876,129</u>
Total capital assets, being depreciated, net	<u>141,222,784</u>	<u>203,619</u>	<u>-</u>	<u>141,426,403</u>
Total capital assets, net	<u>\$153,566,942</u>	<u>\$ 1,207,325</u>	<u>\$ -</u>	<u>\$154,774,267</u>

During 2014, the BCRUA plant was offline while construction defects were being corrected. Consequently, management decided that depreciation should be suspended until the construction defects have been repaired and the plant is brought back online.

5. Long-Term Debt

During 2009, the BCRUA issued contract revenue bonds dated July 6, 2009, totaling \$ 182,020,000. The bonds mature serially beginning August 1, 2012 through August 1, 2038, with coupon rates ranging from 2.254% to 5.084%. Proceeds from the bond issue are restricted for the construction and equipment of the first phase of the BCRUA Regional Water Treatment and Distribution Project. The bonds were issued in three series, one series for each partner city's share of expected project costs. Each bond series is payable solely from and secured, in part, by an assignment of the bond payments made under the Master Contract Agreement dated September 2, 2008 by and between each city. Each city is solely responsible for bond payments on its series of bonds. No city has any liability or responsibility for any bond payment on a series of bonds issued for another city.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2014

5. Long-Term Debt (Continued)

Long-term liability activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
Series 2009 Contract Revenue Bonds					
City of Cedar Park	\$ 24,435,000	\$ -	\$ (295,000)	\$ 24,140,000	\$ 290,000
City of Leander	90,680,000	-	(1,000,000)	89,680,000	1,500,000
City of Round Rock	63,490,000	-	(1,285,000)	62,205,000	1,350,000
Total Bonds Payable	\$178,605,000	\$ -	\$(2,580,000)	\$176,025,000	\$ 3,140,000

Debt service requirements are as follows:

Year Ending September 30	Bonds		Total Requirements
	Principal	Interest	
2015	\$ 3,140,000	\$ 8,327,031	\$ 11,467,031
2016	3,580,000	8,229,880	11,809,880
2017	4,270,000	8,111,596	12,381,596
2018	4,490,000	7,961,976	12,451,976
2019	4,730,000	7,797,462	12,527,462
2020-2024	27,635,000	35,864,601	63,499,601
2025-2029	35,695,000	28,867,788	64,562,788
2030-2034	46,100,000	19,033,565	65,133,565
2035-2038	46,385,000	6,046,655	52,431,655
	\$ 176,025,000	\$ 130,240,554	\$ 306,265,554

Interest is normally capitalized on construction costs until completion of the project; however, interest is being expensed while the plant is offline due to the correction of construction defects further described in Note 7. The amount of interest cost capitalized for assets constructed with tax-exempt borrowings is equal to the cost of borrowing, less interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing. As of September 30, 2014, the amount of capitalized interest cost included in construction in progress was \$ 25,347,535 (net of investment income of \$ 2,075,409).

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2014

6. Economic Dependency

The BCRUA is dependent on the Cities of Cedar Park, Leander and Round Rock, Texas for the continued funding of its operating activities. The cities annually budget funds for operational and overhead expenses and debt service requirements in accordance with the Master Contract Agreement and the System Operating Agreement between the cities. Fixed operations and maintenance expenses are allocated among the cities based upon each city's reserved capacity in the BCRUA Project components, and variable expenses are allocated based upon the volume of treated water delivered to each city in relation to the total delivered volume. Overhead expenses are paid by each city based upon certain formulas and reserve capacities in the BCRUA Project and/or the quantity of treated water actually delivered to each city. Each city is responsible for bond principal and interest payments due on the bond series issued by BCRUA for each respective city.

7. Contingency

A contract dispute between the BCRUA and the general contractor arose in the prior year during the inspection of Phase I construction concerning defects in the construction and design of the plant. The BCRUA has retained legal counsel who specializes in construction contract disputes. During 2014, the BCRUA released retainage in the amount of \$ 762,936 in an agreement with the general contractor to pay subcontractors not involved with the construction and design defects. The remaining retainage balance held by the BCRUA is \$ 1.58 million and management intends to hold this retainage until the identified issues have been rectified and final settlement negotiation have been completed. Additional costs related to the dispute incurred by the BCRUA, such as legal, engineering, and inspection fees, are expected by management to be largely recovered from the general contractor. Total estimated costs through September 30, 2014 which are expected to be reimbursed exceeds \$ 1.75 million, which includes a \$74,000 receivable due from the general contractor. Management expects resolution of the dispute by March 2015 and does not expect the dispute to materially affect the BCRUA's financial statements.

8. Prior-Period Adjustment

Adoption of GASB Statement No. 65 requires that bond issuance costs be recognized as an expense in the period incurred. Accordingly, an adjustment of \$ 770,871 was made to unrestricted net position as of the beginning of the year which serves to recognize the remaining bond issuance costs as expenses in the prior period.

	Cedar Park	Leander	Round Rock	Total
Net position at 9/30/13, as originally reported	\$ 3,993,791	\$ 2,191,038	\$10,902,466	\$17,087,295
Expense bond issuance costs per GASB 65	(128,431)	(381,362)	(261,078)	(770,871)
Net position at 9/30/13, as restated	<u>\$ 3,865,360</u>	<u>\$ 1,809,676</u>	<u>\$10,641,388</u>	<u>\$16,316,424</u>

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2014

9. Subsequent Events

The BRCUA has evaluated subsequent events after the balance sheet date of September 30, 2014 through December 19, 2014, which is the date these financial statements were available to be issued.

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SUPPLEMENTARY INFORMATION

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
COMBINING STATEMENTS OF NET POSITION
September 30, 2014

	<u>Cedar Park</u>	<u>Leander</u>	<u>Round Rock</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,740,451	\$ 4,972,736	\$ 4,196,260	\$ 10,909,447
Receivables, net:				
Accounts	41,295	156,023	71,791	269,109
Accrued interest	16	67	44	127
Due from other funds	-	4,520	64,477	68,997
Total current assets	1,781,762	5,133,346	4,332,572	11,247,680
Noncurrent assets:				
Restricted cash and cash equivalents and investments:				
Debt Service	213,083	1,038	1,318	215,439
Escrow	3,922,028	7,977,487	13,078,376	24,977,891
Reserve	-	6,242,789	-	6,242,789
Capital assets:				
Land, easements and construction in progress	1,745,630	7,224,903	4,377,331	13,347,864
Capital assets being depreciated, net of accumulated depreciation of \$ 4,876,129	21,285,025	67,628,487	52,512,891	141,426,403
Total noncurrent assets	27,165,766	89,074,704	69,969,916	186,210,386
 Total Assets	 \$ 28,947,528	 \$ 94,208,050	 \$ 74,302,488	 \$ 197,458,066

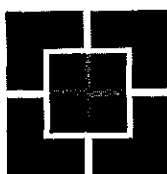
See independent auditors' report.

	Cedar Park	Leander	Round Rock	Total
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 199,010	\$ 423,049	\$ 265,488	\$ 887,547
Retainage payable	291,454	744,615	546,199	1,582,268
Due to partner cities	12,037	83,915	32,194	128,146
Due to other funds	48,834	-	20,163	68,997
Total current liabilities	551,335	1,251,579	864,044	2,666,958
Current liabilities payable from restricted assets:				
Current portion of revenue bonds payable	290,000	1,500,000	1,350,000	3,140,000
Accrued interest	187,025	691,911	478,733	1,357,669
Total current liabilities payable from restricted assets	477,025	2,191,911	1,828,733	4,497,669
Noncurrent liabilities:				
Revenue bonds payable	23,850,000	88,180,000	60,855,000	172,885,000
Total noncurrent liabilities	23,850,000	88,180,000	60,855,000	172,885,000
Total Liabilities	24,878,360	91,623,490	63,547,777	180,049,627
NET POSITION				
Net position:				
Unrestricted	1,230,427	3,881,767	3,468,528	8,580,722
Invested in capital assets, net of related debt	2,838,741	(1,297,207)	7,286,183	8,827,717
Total Net Position	\$ 4,069,168	\$ 2,584,560	\$ 10,754,711	\$ 17,408,439

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended September 30, 2014

	Cedar Park	Leander	Round Rock	Total
Operating Revenues	\$ 303,318	\$ 496,151	\$ 262,661	\$ 1,062,130
Operating Expenses				
Interest expense	1,155,533	4,272,361	2,973,028	8,400,922
Legal fees	95,248	300,313	240,696	636,257
Personnel	170,378	203,841	60,786	435,005
Bad debt expense	23,764	79,204	64,623	167,591
Repairs and maintenance	34,531	45,425	16,881	96,837
Power	35,568	31,292	-	66,860
Audit, investment, banking fees	6,492	20,041	16,053	42,586
Accounting services	16,216	18,672	4,977	39,865
Depreciation	5,566	18,222	15,132	38,920
Insurance	4,507	14,210	11,389	30,106
Office supplies	5,322	9,881	5,796	20,999
Miscellaneous expense	2,949	3,891	1,454	8,294
Chemicals	2,544	2,225	-	4,769
Paying agent fees	1,350	1,350	1,350	4,050
Contract services	899	787	-	1,686
Total Operating Expenses	1,560,867	5,021,715	3,412,165	9,994,747
Operating Income (Loss)	(1,257,549)	(4,525,564)	(3,149,504)	(8,932,617)
Other Income	11,110	27,552	44,365	83,027
Change in net assets	(1,246,439)	(4,498,012)	(3,105,139)	(8,849,590)
Net position - beginning of year, as restated	3,865,360	1,809,676	10,641,388	16,316,424
Capital contributions from partner cities	1,450,247	5,272,896	3,218,462	9,941,605
Net position - end of year	<u>\$ 4,069,168</u>	<u>\$ 2,584,560</u>	<u>\$ 10,754,711</u>	<u>\$ 17,408,439</u>

See independent auditors' report.



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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Brushy Creek Regional Utility Authority, Inc.
Round Rock, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Brushy Creek Regional Utility Authority, Inc. (the BCRUA) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the BCRUA's basic financial statements, and have issued our report thereon dated December 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the BCRUA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BCRUA's internal control. Accordingly, we do not express an opinion on the effectiveness of the BCRUA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BCRUA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

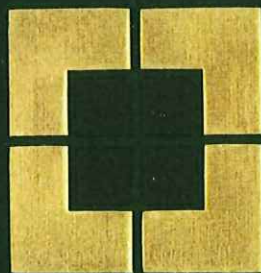
Brookway, Dordrecht, Franklin A. Nijmuis, P.C.

December 19, 2014

**Brushy Creek
Regional Utility Authority, Inc.**

September 30, 2015

Past (2014-2015) Audit
Financial Statements



**BROCKWAY
GERSBACH
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NIEMEIER, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.

FINANCIAL STATEMENTS AS OF

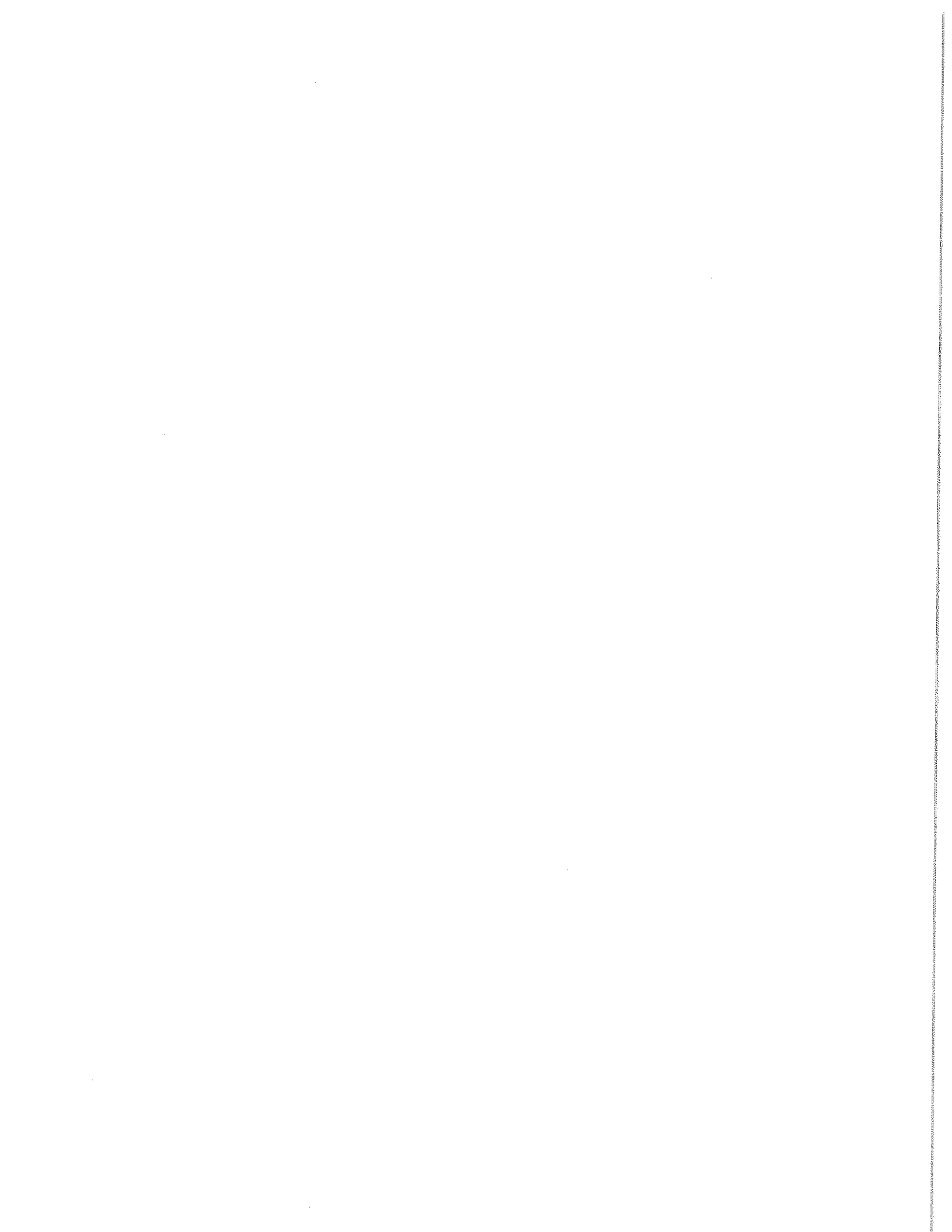
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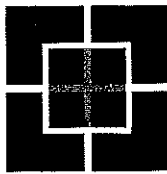
**TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON
AND SUPPLEMENTARY INFORMATION**

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Brushy Creek Regional Utility Authority, Inc.
Round Rock, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Brushy Creek Regional Utility Authority, Inc. (the BCRUA), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the BCRUA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**INDEPENDENT AUDITORS' REPORT
(CONTINUED)**

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the BCRUA, as of September 30, 2015, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BCRUA's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

As discussed in Note 6 to the financial statements, the BCRUA is dependent on the Cities of Cedar Park, Leander, and Round Rock, Texas for the continued funding of its operating activities. The Cities annually budget funds for operational expenses and debt service requirements of the BCRUA.

**INDEPENDENT AUDITORS' REPORT
(CONTINUED)**

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2015, on our consideration of the BCRUA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BCRUA's internal control over financial reporting and compliance.

Ernst & Young, Gordon, Frank & Nierman, P.C.

December 23, 2015

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BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

ABOUT BCRUA

The Brushy Creek Regional Utility Authority (the BCRUA) is a joint venture between the Cities of Cedar Park, Leander and Round Rock, Texas to design and construct a regional water system that will supply treated water to the three communities.

Cedar Park, Leander and Round Rock are among the fastest growing cities in Texas. Their combined population, based on current U.S. census estimates, is over 210,000. It is projected to grow to 600,000 by the year 2040.

This project provides facilities to access, treat and deliver water from Lake Travis to each partner city's customers. When completed, the project will meet the needs of Cedar Park and Round Rock to their ultimate build-out and the needs of Leander for at least the next 20 to 25 years.

The regional concept ensures the responsible use of resources and the least impact on both the environment and neighboring communities. Rather than three communities building three separate water supply projects with three pipelines, three intakes, and three treatment plants, the BCRUA project streamlines the effort for minimum impact and maximum efficiency. The regional option affords the three cities the opportunity to realize "economy of scale" savings of 30%, or more than \$ 90 million.

The regional water treatment plant will have an ultimate capacity of 106 million gallons per day (mgd) and will be built in three phases to better match the capacity with near-term needs. The initial Phase 1 was substantially completed in July 2012 and includes the full sized 106 mgd raw water and treated water pipelines, and a 17 mgd water treatment plant, readily expandable to 42 mgd. Phase 1 operates with an interim floating intake on Lake Travis with an ultimate design capacity of 30 mgd, but a permanent deep water intake with ultimate capacity of 144.7 mgd will be required as part of Phase 2.

Plant operations officially began July 1, 2012. Operations for the project have been divided into three categories: plant staffing; General Manager/administrative support; and, financial support/accounting services, with each city taking responsibility for one of the categories. Plant staffing is provided by Leander consisting of one plant superintendent and three plant operators. The General Manager and administrative support are provided by Round Rock. Finance and Accounting is provided by Cedar Park. While each city maintains responsibility for their own category, the Operations Committee (composed of engineering and finance staff from each city) provides oversight of each city's contribution in order to ensure appropriate controls are in place.

While substantial completion and start-up of the Phase 1 Project occurred in 2012, final project close-out has been delayed, due to several construction related issues that became evident prior to final completion. BCRUA has been working with the construction contractor and design engineers to analyze the issues, and make the necessary corrections. Pending elimination of all identified defects, the BCRUA is withholding some of the project construction retainage. Final completion and project close-out is anticipated in early/mid 2016.

Operation of the plant was temporarily halted in August 2013, due to low lake levels resulting from an ongoing drought. Mandatory decreased water withdrawals ordered by the Lower Colorado River Authority, and conservation measures imposed by the three partner cities significantly reduced system demand, which allowed the BCRUA facilities to remain off-line. Working with the construction general contractor, BCRUA took advantage of the off-line period to resolve most of the remaining construction related issues, prior to restarting the plant in late 2015.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2015

ABOUT BCRUA (Continued)

With substantial completion of the Phase I Project in 2012, staff began working on planning, environmental studies and real-estate acquisition for Phase II. In 2013, two sites were identified for the permanent deep water intake structure (in the Village of Volente), and the permanent raw water pumping station (in Sandy Creek Park). Purchase of the Sandy Creek Park site from the Lower Colorado River Authority was finalized in April, 2014.

Purchase negotiations for the privately owned parcel were on-going during 2015. Acting on BCRUA's behalf, member city Leander initiated formal eminent domain proceedings late in 2014. In early 2015, BCRUA's Board of Directors authorized reimbursement of \$ 1.7 million to the City of Leander, in order to facilitate possession of the property, based on a Travis County Special Commissioner's Award recommendation. Representatives of the City of Leander and the property owners continued negotiations throughout 2015, and should be completed before the end of 2016.

A request for proposals (RFP) to initiate preliminary design of the Phase 2 permanent deep water intake and pump station was issued in 2014, leading to Board approval in November of a contract with an engineering design team led by HDR Engineers' Austin office. The pre-design project began in early 2015, and will conclude in mid-2016. To date, all Phase 2 planning, engineering, and property acquisition costs have been covered by savings recognized from the Phase 1 construction projects. Funding for the Phase 2 final design and construction phases will need to be identified and in place prior to initialization of final design.

The BCRUA Board of Directors is composed of six members, two from each of the city councils of the partnering cities. A General Manager directs the day to day business of the BCRUA, and a Plant Superintendent oversees the operation of the system.

What follows is a discussion and analysis of the BCRUA's financial performance for the fiscal year ended September 30, 2015. Please read it in conjunction with the Independent Auditors' Report on pages 1 through 3 and the BCRUA's Basic Financial Statements which begin on page 14.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: (1) management's discussion and analysis (this section), (2) basic financial statements, and (3) notes to the financial statements. This report also contains combining statements as supplementary information in addition to the basic financial statements.

The basic financial statements include the Statement of Net Position (pages 14 - 15), the Statement of Revenues, Expenses and Changes in Net Position (page 16) and the Statement of Cash Flows (page 17). The BCRUA operates as an enterprise activity and consists of one proprietary fund.

The notes to the financial statements (starting on page 19) provide narrative explanations or additional data needed for full disclosure in the basic financial statements.

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to provide readers with a broad overview of the BCRUA's finances, in a manner similar to a private-sector business.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS (Continued)

The *Statement of Net Position* presents information on all of the BCRUA's assets and liabilities, with the difference between the two reported as net position. The BCRUA's net position provides one measure of the BCRUA's financial health, or financial position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the BCRUA is improving or deteriorating. To fully assess the overall health of the BCRUA, however, you should consider nonfinancial factors as well, such as the condition of assets, and the total economic impact of the entity on the Cities of Cedar Park, Leander and Round Rock, Texas.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the BCRUA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* presents cash receipts, cash disbursements and net changes in cash resulting from operating, financing and investing activities. This statement provides information such as where cash originated, how it was used and the net change in cash balances during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide required disclosures and other additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements present information about the accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. The notes to the financial statements can be found on pages 19 through 28 of this report.

SUPPLEMENTARY INFORMATION

The combining statements are presented for purposes of additional analysis and to provide an overview of the financial position and results of operations related to each partner City. The combining statements can be found on pages 30 through 32 of this report.

FINANCIAL ANALYSIS

FINANCIAL HIGHLIGHTS

- The BCRUA's net position increased by \$ 3,345,433 as a result of current year operations.
- Partner city contributions to net position for the year ended September 30, 2015 were \$ 11,271,265.
- Total net position at September 30, 2015 was \$ 20,753,872, an increase of \$ 3,345,433 from September 30, 2014.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2015

FINANCIAL ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS (Continued)

- Total capital assets, net of depreciation, were \$ 160,746,875 as of September 30, 2015. This is an increase of \$ 5,972,608 from the prior year and reflects additional costs related to the completion of Phase 1 of the project and preliminary engineering costs for Phase 2.
- Total long-term liabilities were \$ 169,305,000 and \$ 172,885,000 as of September 30, 2015 and 2014, respectively. Principal payments on this debt began in fiscal year 2012.

The following condensed financial statements (Tables I and II) provide key financial data as of and for the years ended September 30, 2015 and 2014.

Table I

NET POSITION

	2015	2014
Current assets	\$ 11,670,329	\$ 11,248,532
Restricted assets	25,327,238	31,436,119
Capital assets, net	160,746,875	154,774,267
Total assets	197,744,442	197,458,918
Current liabilities	2,763,742	2,667,810
Current liabilities payable from restricted assets	4,921,828	4,497,669
Noncurrent liabilities	169,305,000	172,885,000
Total liabilities	176,990,570	180,050,479
Net position:		
Unrestricted	8,906,587	8,580,722
Net investment in capital assets	11,847,285	8,827,717
Total Net Position	\$ 20,753,872	\$ 17,408,439

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2015

FINANCIAL ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS (Continued)

Table II

CHANGES IN NET POSITION

	2015	2014
Operating Revenues	\$ 821,883	\$ 1,062,130
Operating Expenses		
Interest expense	8,099,147	8,400,922
Personnel	424,699	435,005
Legal fees	73,975	636,257
Repairs and maintenance	64,024	96,837
Power	51,930	66,860
Office supplies	50,869	20,999
Audit, investment, banking fees	50,143	42,586
Accounting services	36,479	39,865
Depreciation	34,979	38,920
Insurance	28,323	30,106
Chemicals	14,348	4,769
Miscellaneous expense	9,350	8,294
Paying agent fees	2,250	4,050
Contract services	184	1,686
Bad debt expense	-	167,591
Total Operating Expenses	8,940,700	9,994,747
Operating Loss	(8,118,817)	(8,932,617)
Other Income	192,985	83,027
Change in net position	(7,925,832)	(8,849,590)
Net position - beginning of year	17,408,439	16,316,424
Capital contributions from partner cities	11,271,265	9,941,605
Net Position - end of year	\$ 20,753,872	\$ 17,408,439

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2015

FINANCIAL ANALYSIS (Continued)

CAPITAL ASSETS

Capital assets at September 30, 2015 amounted to \$ 160,746,875 and consisted of land, easements, buildings, improvements, infrastructure and construction in progress. Construction in progress is made up of costs attributed to Phase 2 of the BCRUA Project and consists primarily of engineering costs but also includes additional costs incurred regarding the construction defects of the plant and the recommissioning of the floating intake barge.

The construction phasing and estimated costs for the project are planned as follows:

Phase 1:

- Construction of an interim, floating intake structure near Cedar Park's existing plant on the Sandy Creek arm of Lake Travis
- New raw water pipeline within right-of-way along Trails End Road
- New treatment plant in Cedar Park to serve all three cities with an initial capacity of 17 million gallons per day (mgd) and a final Phase 1 capacity of 42 mgd
- Treated water transmission pipeline across the north side of Cedar Park, along West New Hope Road
- Construction began in late 2009 and was substantially complete in July 2012
- Cost to complete the project is approximately \$ 755,000
- Retainage of approximately \$ 1.6 million was being withheld in fiscal year 2015, pending resolution of outstanding construction issues and final project close-out
- Near the end of fiscal year 2014, BCRUA issued a partial retainage release to the general contractor, Pepper Lawson Construction, L.P., in the amount of \$762,936, in order to allow PLC to issue final payments to various sub-contractors and suppliers whose work and/or materials were not involved in any outstanding construction issues
- Final completion and resolution of any remaining construction issues is anticipated in early/mid 2015

Phase 2:

Phase 2a:

- Permanent, deep-water intake structure on Lake Travis, a gravity pipeline to transmit the water to a new pump station, and a raw water pipeline connecting the raw water pump station to the Phase 1 raw water pipeline
- Construction estimated to begin upon completion of final design
- Cost estimated at approximately \$ 175 million

Phase 2b:

- Expansion of the water treatment plant to 84 mgd
- Cost estimated at approximately \$ 41 million

Total estimated cost for Phase 2: \$ 216 million

Phase 3:

- Final expansion of water treatment plant to 106 mgd.
- Estimated cost: \$ 29 million

Total cost: The total project cost is estimated at \$ 380 million

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2015

FINANCIAL ANALYSIS (Continued)

RESTRICTED ASSETS

Restricted assets at September 30, 2015 were \$ 25,327,238, a decrease of \$ 6,108,881 from the September 30, 2014 balance of \$ 31,436,119. Restricted assets consist of debt service, escrow and reserve funds arising from the proceeds of long-term debt. The decrease reflects the release of escrow funds to finance current construction and investment purchases.

LONG-TERM DEBT

In 2009, the BCRUA issued three series of contract revenue bonds totaling \$ 182,020,000 for construction and other costs related to Phase 1 of the BCRUA Project. Additional information on long-term debt can be found in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The economy in the local area continues to grow, and the service areas which will be supplied by the BCRUA at project completion are positioned for continued customer growth. The BCRUA's board adopted an administrative operating budget for fiscal year 2016 in the amount of \$ 1,663,793, an additional annual reserve of \$ 415,948 in 2015 and a debt service budget for fiscal year 2016 in the amount of \$ 11,809,880.

CONTACTING THE BCRUA'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens of the partner cities, customers and creditors with a general overview of the BCRUA's finances and to show the BCRUA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the BCRUA at 450 Cypress Creek, Bldg 1, Cedar Park, Texas 78613.

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BASIC FINANCIAL STATEMENTS

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
STATEMENT OF NET POSITION
September 30, 2015

ASSETS

Current assets:

Cash and cash equivalents	\$ 11,498,844
Receivables, net:	
Accounts	110,768
Accrued interest	4,392
Due from other funds	56,325
	11,670,329
Total Current Assets	11,670,329

Noncurrent assets:

Restricted cash and cash equivalents and investments:	
Debt service	4,655
Escrow	19,075,248
Reserve	6,247,335
Capital assets:	
Land, easements and construction in progress	19,355,451
Capital assets being depreciated, net of accumulated depreciation of \$ 4,911,108	141,391,424
	186,074,113
Total Noncurrent Assets	186,074,113

Total Assets	\$ 197,744,442
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The accompanying notes are an integral part of the financial statements.

LIABILITIES

Current liabilities:

Accounts payable	\$ 991,742
Retainage payable	1,582,268
Due to partner cities	133,407
Due to other funds	<u>56,325</u>

Total Current Liabilities 2,763,742

Current liabilities payable from restricted assets:

Current portion of revenue bonds payable	3,580,000
Accrued interest	<u>1,341,828</u>
Total Current Liabilities Payable from Restricted Assets	4,921,828

Noncurrent liabilities:

Revenue bonds payable	<u>169,305,000</u>
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Total Noncurrent Liabilities 169,305,000

Total Liabilities 176,990,570

NET POSITION

Net position:

Unrestricted	8,906,587
Net investment in capital assets	<u>11,847,285</u>

Total Net Position \$ 20,753,872

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended September 30, 2015

Operating Revenues		\$ 821,883
Operating Expenses		
Interest expense	\$ 8,099,147	
Personnel	424,699	
Legal fees	73,975	
Repairs and maintenance	64,024	
Power	51,930	
Office supplies	50,869	
Audit, investment, banking fees	50,143	
Accounting services	36,479	
Depreciation	34,979	
Insurance	28,323	
Chemicals	14,348	
Miscellaneous expense	9,350	
Paying agent fees	2,250	
Contract services	184	
Total Operating Expenses		8,940,700
Operating Loss		<u>(8,118,817)</u>
Other Income		192,985
Change in net position		<u>(7,925,832)</u>
Net position - beginning of year		17,408,439
Capital contributions from partner cities		<u>11,271,265</u>
Net Position - end of year		<u><u>\$ 20,753,872</u></u>

The accompanying notes are an integral part of the financial statements.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2015

Cash Flows from Operating Activities	
Service revenues received from partner cities	\$ 801,779
Other income received from third parties	102,409
Payments to suppliers for goods and services	<u>(8,886,602)</u>
Net cash used by operating activities	(7,982,414)
Cash Flows from Capital and Related Financing Activities	
Construction of capital assets	(13,858,057)
Interest payments	8,099,147
Capital contributions from partner cities	<u>11,271,265</u>
Net cash provided by capital and related financing activities	5,512,355
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	6,108,880
Principal payments on bonds	(3,140,000)
Interest income	<u>90,576</u>
Net cash provided by investing activities	<u>3,059,456</u>
Net increase in cash and cash equivalents	589,397
<u>Cash and cash equivalents - beginning of year</u>	<u>10,909,447</u>
<u>Cash and cash equivalents - end of year</u>	<u>\$ 11,498,844</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Position	
Cash and cash equivalents	\$ 11,498,844
Restricted cash and cash equivalents and investments	25,327,237
Less restricted investments	<u>(25,327,237)</u>
Total cash and cash equivalents	<u>\$ 11,498,844</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating loss	\$ (8,118,817)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Income from third party	102,409
Depreciation	34,979
Increase in accrued interest receivable	(4,264)
Decrease in accounts payable	13,858
Increase in due to partner cities	5,261
Accrued interest payable	<u>(15,840)</u>
Total adjustments	<u>136,403</u>
Net cash used by operating activities	<u>\$ (7,982,414)</u>

The accompanying notes are an integral part of the financial statements.

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BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

1. Nature of Activities

Brushy Creek Regional Utility Authority, Inc. (the BCRUA) was incorporated in Texas in July 2007 as a local government corporation pursuant to Subchapter D of Chapter 431, Texas Transportation Code. The BCRUA was organized by the Cities of Cedar Park, Leander and Round Rock, Texas (the cities) for the purpose of providing an efficient vehicle for the financing, construction, acquisition, ownership, maintenance and operation of a regional water and wastewater collection, transmission, treatment and distribution system on behalf of the cities in performance of their governmental functions.

2. Summary of Significant Accounting Policies

The financial statements of the BCRUA have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity

The BCRUA is a joint venture between the Cities of Cedar Park, Leander and Round Rock, Texas. The BCRUA operates as an enterprise activity. These financial statements present only the BCRUA activities and are not intended to present the financial position, results of operations or cash flows of any of the Cities of Cedar Park, Leander and Round Rock, Texas.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the BCRUA (a proprietary fund) are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net assets. Revenues are recorded when earned and become measurable and expenses are recorded when a liability is incurred and measurable, regardless of the timing of related cash flows.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The proprietary fund follows GAAP prescribed by GASB and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the BCRUA accounts for its proprietary fund as prescribed by the GASB.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2015

2. Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include demand deposits, investments with investment pools, and other short-term liquid investments with an original maturity of three months or less. Cash and cash equivalents from restricted assets are also included.

Restricted Assets

Restricted funds consist of escrow funds derived from bond proceeds, debt service funds, reserve funds, and revenues that have been designated for specific purposes by the Board, or other funds with legal or contractual constraints. When both restricted and unrestricted resources are available for use, it is BCRUA's policy to use restricted resources first, then unrestricted resources as they are needed.

Capital Assets

Capital assets are stated at historical cost. To the extent construction is performed by the BCRUA, the cost includes certain general and administrative expenses. Maintenance and repairs are charged to operations as incurred. Improvements and betterments, which extend the useful lives of assets, are capitalized. Depreciation is recorded on a straight-line basis over estimated service lives ranging from 5-40 years. When capital assets are retired or otherwise disposed of, a gain or loss on disposal of assets is recognized.

Interest is normally capitalized on construction costs. The amount of interest cost capitalized for assets constructed with tax-exempt borrowings is equal to the cost of borrowing, less interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowings. However, for the current year, interest costs totaling \$ 8,099,147 were expensed rather than capitalized.

3. Cash and Cash Equivalents and Investments

All BCRUA cash is deposited in accounts that receive interest credit or is invested in permissible securities pursuant to the BCRUA's investment policy. Investments are stated at fair value based on quoted market prices provided by the custodian.

Deposits

At September 30, 2015, the carrying amount of the BCRUA's deposits was \$ 18,285,819 and the bank balance was \$ 10,285,819. The BCRUA's cash deposits at September 30, 2015 were covered by FDIC insurance or by pledged collateral held by the BCRUA's agent bank in the BCRUA's name.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2015

3. Cash and Cash Equivalents and Investments (Continued)

Investments

All investments are presented at fair value. The fair value of the positions in state investment pools is the same as the value of the pool shares.

Cash and cash equivalents and investments are summarized as follows:

	Carrying Amount	Fair Value
Construction funds-		
Cash in banks	\$ 10,285,819	\$ 10,285,819
Investment in governmental pool	1,213,025	1,213,025
Debt service- investment in governmental pool	4,655	4,655
Escrow funds-		
Cash in banks	19,074,699	19,074,699
Investment in government pool	549	549
Reserve funds-		
Federal agency coupon securities	6,200,000	6,198,314
Investment in government pool	49,021	49,021
Total cash and cash equivalents and investments	\$ 36,827,768	\$ 36,826,082

A reconciliation of cash and cash equivalents and investments to the presentation on the Statement of Net Position is as follows:

Statement of Net Position Presentation:	
Cash and cash equivalents	\$ 11,498,844
Restricted cash and cash equivalents and investments:	
Debt service	4,655
Escrow	19,075,248
Reserve	6,247,335
Total cash and cash equivalents and investments	\$ 36,826,082

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2015

3. Cash and Cash Equivalents and Investments (Continued)

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the BCRUA to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the BCRUA to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the BCRUA to have independent auditors perform test procedures related to investment practices as provided by the Act. The BCRUA is in substantial compliance with the requirements of the Act.

Additional Contractual Provisions governing deposits and investments are as follows:

The funds of the BCRUA must be deposited and invested under the terms of a contract, the contents of which include securities for safekeeping and trust with the BCRUA's agent bank in an amount sufficient to protect BCRUA funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Policies Governing Deposits and Investments

- a. Foreign Currency Risk – The BCRUA's deposits and investments are not exposed to foreign currency risk.
- b. Custodial Credit Risk – To control custody and safekeeping risk State law and the Brushy Creek Regional Utility Authority's adopted Investment Policy requires collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the BCRUA and held in BCRUA's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 102% and be executed under written agreements. Depository agreements are executed under the terms of FIRREA. The counter-party of each type transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2015

3. Cash and Cash Equivalents and Investments (Continued)

Portfolio disclosure as of September 30, 2015:

- The portfolio contained no repurchase agreements.
 - The portfolio contained demand deposit accounts that are collateralized insured by the FDIC which represents 0.1% of the total portfolio.
- c. Interest Rate Risk – In order to limit interest and market rate risk from changes in interest rates, the BCRUA's adopted Investment Policy sets a maximum stated maturity limit of two years for Operating Funds and three years for Construction Funds. For Escrow Funds, the maximum maturity shall not exceed three years and each fund's weighted average maturity shall not exceed one year. The weighted average maturity (WAM) of the total Operating Funds portfolio is restricted to a maximum of twelve months and compared to the 1 year Treasury Bill. There is no maximum weighted average maturity (WAM) for Construction funds.

	Carrying Amount	Fair Value	Weighted Average Maturity (Days)
Federal agency coupon securities	\$ 6,200,000	\$ 6,198,314	515
Investment in governmental pool	1,267,250	1,267,250	1
Cash in banks	29,360,518	29,360,518	1
	\$ 36,827,768	\$ 36,826,082	
Portfolio weighted average maturity			92

As of September 30, 2015, the portfolio contained 17.8% in structured (callable) notes which would have been impacted by interest rate risk.

- d. Credit Risk – A primary stated objective of the BCRUA's adopted Investment Policy is the safety of principal and avoidance of principal loss. Credit risk within the City's portfolio among the authorized investments approved by the City's adopted Investment Policy includes only time and demand deposits, obligations of states and their subdivisions, repurchase agreements and AAA rated SEC registered money market mutual funds. All other investments are rated AAA, or equivalent, by at least one nationally recognized rating agency. Investments are made primarily in obligations of the US Government, its agencies or instrumentalities.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2015

3. Cash and Cash Equivalents and Investments (Continued)

State law and the BCRUA's adopted Investment Policy restricts both time and demand deposits, including certificates of deposit (CD's) to those banks doing business in the State of Texas and further requires full insurance or collateralization from these depositories (banks only). Certificates of deposit are limited to a stated maturity of one year. Collateral is required at a 102% margin with securities priced at market on a daily basis as a contractual responsibility of the bank. Collateral is restricted to obligations of the US Government, its agencies or instrumentalities or direct obligations of any state, its subdivisions or agencies rated at least A, or equivalent, as to investment quality by two nationally recognized statistical rating agencies. Independent safekeeping is required outside the bank holding company with monthly reporting.

Repurchase agreements are limited to those with defined termination dates with a primary dealer (as defined by the Federal Reserve) and require an industry standard written master repurchase agreement and a minimum 102% margin on collateral as well as delivery versus payment settlement and independent safekeeping. Repurchase agreements may not exceed one year to stated maturity with the exception of flex repurchase agreements with a stated termination date not to exceed the planned completion date of the project(s).

The state law and the City's adopted Investment Policy restricts investment in AAA rated SEC registered mutual funds to money market mutual funds striving to maintain a \$1 net asset value and defined by State law.

Local government investment pools in Texas are required to be rated AAA or equivalent by at least one nationally recognized rating agency. The BCRUA Policy is restricted to AAA-rated, "2a-7 like" (constant dollar) local government investment pools.

As of September 30, 2015:

- Federal Agency Coupon Securities represented 17.8% of the total portfolio.
- Insured or collateralized money market, TDA and DDA accounts represented 78.6% of the total portfolio.
- Investment in a AAA-rated local government investment pool (TexSTAR) represented 3.63% of the total portfolio, and \$ 1,266,785 was invested in TexSTAR as of September 30, 2015.

TexSTAR has been established for governmental entities pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexSTAR's governing body is a five-member Board consisting of three representatives of participants and one member designated by each of the co-administrators. The Board holds legal title to all money, investments, and assets and has the authority to employ personnel, contract of services, and engage in other administrative activities necessary or convenient to accomplish the objectives of TexSTAR. Board oversight of TexSTAR is maintained through daily, weekly, and monthly reporting requirements. TexSTAR is rated AAA by Standard & Poor's. The City's fair value position is stated at the value of the position upon withdrawal.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2015

3. Cash and Cash Equivalents and Investments (Continued)

e. Concentration of Credit Risk - The BCRUA recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The City's adopted Investment Policy establishes diversification as a major objective of the investment program and sets diversification limits for all authorized investment types which are monitored on at least a monthly basis. Diversification limits are set by Policy as:

U. S. Obligations	80%
U. S. Agencies/Instrumentalities	75%
State and Local Obligations	50%
Certificates of Deposit	40%
In any one bank	10%
Repurchase Agreements	50%
With any one dealer	20%
FlexRepo with CIP Funds	100%
LGIP	100%
Ownership in pool	10%
Money Market Mutual Funds	100%
Ownership in fund	20%

Policies Governing Deposits and Investments (Continued)

As of September 30, 2015,

- Holdings in money market, TDA and DDA accounts represented 78.6% of the total portfolio.
- Holdings in U. S. Agencies/Instrumentalities represented 17.8% of the total portfolio.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2015

4. Capital Assets

Capital asset activity for the year ended September 30, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land and easements	\$ 8,893,325	\$ -	\$ -	\$ 8,893,325
Construction in progress	4,454,539	6,007,587	-	10,462,126
Total capital assets, not being depreciated	13,347,864	6,007,587	-	19,355,451
Capital assets, being depreciated:				
Buildings and improvements	68,348,586	-	-	68,348,586
Infrastructure	77,694,140	-	-	77,694,140
Equipment	259,806	-	-	259,806
Total capital assets, being depreciated	146,302,532	-	-	146,302,532
Less accumulated depreciation for:				
Buildings and improvements	2,130,898	-	-	2,130,898
Infrastructure	2,647,928	-	-	2,647,928
Equipment	97,303	34,979	-	132,282
Total accumulated depreciation	4,876,129	34,979	-	4,911,108
Total capital assets, being depreciated, net	141,426,403	(34,979)	-	141,391,424
Total capital assets, net	\$ 154,774,267	\$ 5,972,608	\$ -	\$ 160,746,875

During 2015, the BCRUA plant was offline while construction defects were being corrected. Consequently, management decided that depreciation of the plant should be suspended until the construction defects have been repaired and the plant is brought back online.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2015

5. Long-Term Debt

During 2009, the BCRUA issued contract revenue bonds dated July 6, 2009, totaling \$ 182,020,000. The bonds mature serially beginning August 1, 2012 through August 1, 2038, with coupon rates ranging from 2.254% to 5.084%. Proceeds from the bond issue are restricted for the construction and equipment of the first phase of the BCRUA Regional Water Treatment and Distribution Project. The bonds were issued in three series, one series for each partner city's share of expected project costs. Each bond series is payable solely from and secured, in part, by an assignment of the bond payments made under the Master Contract Agreement dated September 2, 2008 by and between each city. Each city is solely responsible for bond payments on its series of bonds. No city has any liability or responsibility for any bond payment on a series of bonds issued for another city.

Long-term liability activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
Series 2009 Contract Revenue Bonds					
City of Cedar Park	\$ 24,140,000	\$ -	\$ (290,000)	\$ 23,850,000	\$ 305,000
City of Leander	89,680,000	-	(1,500,000)	88,180,000	1,850,000
City of Round Rock	62,205,000	-	(1,350,000)	60,855,000	1,425,000
Total Bonds Payable	\$ 176,025,000	\$ -	\$ (3,140,000)	\$ 172,885,000	\$ 3,580,000

Debt service requirements are as follows:

Year Ending September 30	Bonds		Total Requirements
	Principal	Interest	
2016	\$ 3,580,000	\$ 8,229,880	\$ 11,809,880
2017	4,270,000	8,111,596	12,381,596
2018	4,490,000	7,961,976	12,451,976
2019	4,730,000	7,797,462	12,527,462
2020	4,975,000	7,613,843	12,588,843
2021-2025	29,090,000	34,665,587	63,755,587
2026-2030	37,570,000	27,144,122	64,714,122
2031-2035	48,515,000	16,700,615	65,215,615
2036-2038	35,665,000	3,688,442	39,353,442
	\$ 172,885,000	\$ 121,913,523	\$ 294,798,523

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2015

5. Long-Term Debt (Continued)

Interest is normally capitalized on construction costs until completion of the project; however, interest is being expensed while the plant is offline due to the correction of construction defects further described in Note 7. The amount of interest cost capitalized for assets constructed with tax-exempt borrowings is equal to the cost of borrowing, less interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing. As of September 30, 2015, the amount of capitalized interest cost included in construction in progress was \$ 25,347,535 (net of investment income of \$ 2,125,223).

6. Economic Dependency

The BCRUA is dependent on the Cities of Cedar Park, Leander and Round Rock, Texas for the continued funding of its operating activities. The cities annually budget funds for operational and overhead expenses and debt service requirements in accordance with the Master Contract Agreement and the System Operating Agreement between the cities. Fixed operations and maintenance expenses are allocated among the cities based upon each city's reserved capacity in the BCRUA Project components, and variable expenses are allocated based upon the volume of treated water delivered to each city in relation to the total delivered volume. Overhead expenses are paid by each city based upon certain formulas and reserve capacities in the BCRUA Project and/or the quantity of treated water actually delivered to each city. Each city is responsible for bond principal and interest payments due on the bond series issued by BCRUA for each respective city.

7. Contingency

A contract dispute between the BCRUA and the general contractor arose in fiscal year 2013 during the inspection of Phase I construction concerning defects in the construction and design of the plant. The BCRUA has retained legal counsel who specializes in construction contract disputes. The retainage balance held by the BCRUA is \$ 1.58 million and management intends to hold this retainage until the identified issues have been rectified and final settlement negotiation have been completed. Additional costs related to the dispute incurred by the BCRUA, such as legal, engineering, and inspection fees, are expected by management to be largely recovered from the general contractor. Total estimated costs through September 30, 2015 which are expected to be reimbursed exceeds \$ 2 million, which includes \$ 79,000 in receivables due from the general contractor. Management expects the final settlement negotiations to begin by March 2016 and does not expect the dispute to materially affect the BCRUA's financial statements.

8. Subsequent Events

The BCRUA has evaluated subsequent events after the balance sheet date of September 30, 2015 through December 23, 2015, which is the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
COMBINING STATEMENTS OF NET POSITION
September 30, 2015

ASSETS	<u>Cedar Park</u>	<u>Leander</u>	<u>Round Rock</u>	<u>Total</u>
Current assets:				
Cash and cash equivalents	\$ 1,845,981	\$ 5,209,316	\$ 4,443,547	\$ 11,498,844
Receivables, net:				
Accounts	18,503	81,202	11,063	110,768
Accrued interest	-	4,392	-	4,392
Due from other funds	-	5,341	50,984	56,325
Total Current Assets	<u>1,864,484</u>	<u>5,300,251</u>	<u>4,505,594</u>	<u>11,670,329</u>
Noncurrent assets:				
Restricted cash and cash equivalents and investments:				
Debt Service	1,258	1,650	1,747	4,655
Escrow	2,295,911	5,388,613	11,390,724	19,075,248
Reserve	-	6,247,335	-	6,247,335
Capital assets:				
Land, easements and construction in progress	3,300,501	9,902,830	6,152,120	19,355,451
Capital assets being depreciated, net of accumulated depreciation of \$ 4,911,108	21,280,023	67,612,110	52,499,291	141,391,424
Total Noncurrent Assets	<u>26,877,693</u>	<u>89,152,538</u>	<u>70,043,882</u>	<u>186,074,113</u>
 Total Assets	 <u><u>\$ 28,742,177</u></u>	 <u><u>\$ 94,452,789</u></u>	 <u><u>\$ 74,549,476</u></u>	 <u><u>\$ 197,744,442</u></u>

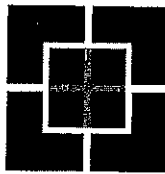
See independent auditors' report.

	<u>Cedar Park</u>	<u>Leander</u>	<u>Round Rock</u>	<u>Total</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 270,890	\$ 446,902	\$ 273,950	\$ 991,742
Retainage payable	291,454	747,830	542,984	1,582,268
Due to partner cities	11,338	97,030	25,039	133,407
Due to other funds	56,325	-	-	56,325
Total Current Liabilities	630,007	1,291,762	841,973	2,763,742
Current liabilities payable from restricted assets:				
Current portion of revenue bonds payable	305,000	1,850,000	1,425,000	3,580,000
Accrued interest	185,562	684,344	471,922	1,341,828
Total Current Liabilities Payable from Restricted Assets	490,562	2,534,344	1,896,922	4,921,828
Noncurrent liabilities:				
Revenue bonds payable	23,545,000	86,330,000	59,430,000	169,305,000
Total Noncurrent Liabilities	23,545,000	86,330,000	59,430,000	169,305,000
Total Liabilities	24,665,569	90,156,106	62,168,895	176,990,570
NET POSITION				
Net position:				
Unrestricted	1,234,477	4,008,489	3,663,621	8,906,587
Net investment in capital assets	2,842,131	288,194	8,716,960	11,847,285
Total Net Position	\$ 4,076,608	\$ 4,296,683	\$ 12,380,581	\$ 20,753,872

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended September 30, 2015

	<u>Cedar Park</u>	<u>Leander</u>	<u>Round Rock</u>	<u>Total</u>
Operating Revenues	\$ 184,562	\$ 384,850	\$ 252,471	\$ 821,883
Operating Expenses				
Interest expense	1,115,692	4,127,584	2,855,871	8,099,147
Personnel	171,717	198,936	54,046	424,699
Legal fees	13,192	34,830	25,953	73,975
Repairs and maintenance	20,907	30,060	13,057	64,024
Power	27,617	24,313	-	51,930
Office supplies	17,932	23,865	9,072	50,869
Audit, investment, banking fees	7,283	25,409	17,451	50,143
Accounting services	14,839	17,086	4,554	36,479
Depreciation	5,002	16,377	13,600	34,979
Insurance	4,240	13,368	10,715	28,323
Chemicals	7,653	6,695	-	14,348
Miscellaneous expense	2,783	4,393	2,174	9,350
Paying agent fees	750	750	750	2,250
Contract services	98	86	-	184
Total Operating Expenses	<u>1,409,705</u>	<u>4,523,752</u>	<u>3,007,243</u>	<u>8,940,700</u>
Operating Loss	(1,225,143)	(4,138,902)	(2,754,772)	(8,118,817)
Other Income	<u>23,381</u>	<u>98,805</u>	<u>70,799</u>	<u>192,985</u>
Change in net assets	<u>(1,201,762)</u>	<u>(4,040,097)</u>	<u>(2,683,973)</u>	<u>(7,925,832)</u>
Net position - beginning of year	4,047,421	2,585,442	10,775,576	17,408,439
Capital contributions from partner cities	1,230,949	5,751,338	4,288,978	11,271,265
Net Position - end of year	<u>\$ 4,076,608</u>	<u>\$ 4,296,683</u>	<u>\$ 12,380,581</u>	<u>\$ 20,753,872</u>

See independent auditors' report.



BROCKWAY
GERSBACH
FRANKLIN &
NIEMEIER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Brushy Creek Regional Utility Authority, Inc.
Round Rock, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Brushy Creek Regional Utility Authority, Inc. (the BCRUA) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the BCRUA's basic financial statements, and have issued our report thereon dated December 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the BCRUA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BCRUA's internal control. Accordingly, we do not express an opinion on the effectiveness of the BCRUA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BCRUA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young Global Limited, Franklin A. Nimmo, P.C.

December 23, 2015

Part C-416 2016 Audit

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.

FINANCIAL REPORT

SEPTEMBER 30, 2016

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Brushy Creek Regional Utility Authority, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Brushy Creek Regional Utility Authority, Inc. (the BCRUA) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the BCRUA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Brushy Creek Regional Utility Authority, Inc.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the BCRUA as of September 30, 2016, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BCRUA's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors
Brushy Creek Regional Utility Authority, Inc.

Emphasis-of-Matter

As discussed in Note 6 to the financial statements, the BCRUA is dependent on the Cities of Cedar Park, Leander, and Round Rock, Texas for the continued funding of its operating activities. The Cities annually budget funds for operational expenses and debt service requirements of the BCRUA. Our opinion is not modified with respect to this matter.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2017, on our consideration of the BCRUA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with government auditing standards in considering BCRUA's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
January 18, 2017

**BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

ABOUT BCRUA

The Brushy Creek Regional Utility Authority (the BCRUA) is a joint venture between the Cities of Cedar Park, Leander and Round Rock, Texas to design and construct a regional water system that will supply treated water to the three communities.

Cedar Park, Leander and Round Rock are among the fastest growing cities in Texas. Their combined population, based on 2016 U.S. census estimates, is over 231,000. By 2040, their population is projected to exceed 600,000. In addition, the three cities serve a variety of external subdivisions and municipal utility districts.

This project provides facilities to access, treat and deliver water from Lake Travis to each partner city's customers. When completed, the project will meet the needs of Cedar Park and Round Rock to their ultimate build-out and the needs of Leander for at least the next 20 to 25 years.

The regional concept ensures the responsible use of resources and the least impact on both the environment and neighboring communities. Rather than three communities building three separate water supply projects with three pipelines, three intakes, and three treatment plants, the BCRUA project streamlines the effort for minimum impact and maximum efficiency. The regional option affords the three cities the opportunity to realize "economy of scale" savings of approximately 30%, or more than \$90 million.

The regional water treatment plant will have an ultimate capacity of 106 million gallons per day (mgd) and will be built in three phases to better match the capacity with near-term needs. The initial Phase 1 was substantially completed in July 2012 and includes the full sized 106 mgd raw water and treated water pipelines, and a 17 mgd water treatment plant, readily expandable to 42 mgd. Phase 1 operates with an interim floating intake on Lake Travis with an ultimate design capacity of 30 mgd, but a permanent deep water intake with an ultimate capacity of 144.7 mgd will be required as part of Phase 2.

Plant operations officially began July 1, 2012. Operations for the project have been divided into three categories: plant staffing; General Manager/administrative support; and, financial support/accounting services, with each city taking responsibility for one of the categories. Plant staffing is provided by Leander consisting of one plant superintendent and three plant operators. The General Manager and administrative support are provided by Round Rock. Finance and Accounting is provided by Cedar Park. While each city maintains responsibility for their own category, the Operations Committee (composed of engineering and finance staff from each city) provides oversight of each city's contribution in order to ensure appropriate controls are in place.

While substantial completion and start-up of the Phase 1 Project occurred in 2012, final project closeout has been delayed, due to several construction related issues that became evident prior to final completion. BCRUA has been working with the construction contractor and design engineers to analyze the issues, and make the necessary corrections.

Operation of the plant was temporarily halted in August 2013, due to low lake levels resulting from an ongoing drought. Mandatory decreased water withdrawals ordered by the Lower Colorado River Authority, and conservation measures imposed by the three partner cities significantly reduced system demand, which allowed the BCRUA facilities to remain off-line.

**BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2016**

ABOUT BCRUA (Continued)

Working with the construction general contractor, BCRUA took advantage of the off-line period to resolve most of the remaining construction related issues, prior to restarting the plant.

Plant operations resumed with the end of the drought, in the fall of 2015. The plant has remained in continuous operation since that time, operating approximately 8-10 hours per day, seven days per week. Budgeting for fiscal year 2016-2017 includes expanding operational staffing to allow for 24/7 operations, prior to the 2017 summer peak demand period.

With substantial completion of the Phase I Project in 2012, staff began working on planning, environmental studies and real-estate acquisition for Phase II. In 2013, two sites were identified for the permanent deep water intake structure (in the Village of Volente), and the permanent raw water pumping station (in Sandy Creek Park). Purchase of the Sandy Creek Park site from the Lower Colorado River Authority was finalized in April 2014. Purchase of the privately owned parcel in the Village of Volente was completed in 2016.

A request for proposals (RFP) to initiate preliminary design of the Phase 2 permanent deep water intake and pump station was issued in 2014, leading to Board approval in November of a contract with an engineering design team led by HDR Engineers' Austin office. The pre-design project began in early 2015, and was concluded in mid-2016. To date, all Phase 2 planning, engineering, and property acquisition costs have been covered by savings recognized from the Phase 1A construction projects. Funding for the Phase 2 final design and construction phases will need to be identified and in place prior to initialization of final design. Phase 1A savings have been authorized for funding of acquisition of Phase 2 related pipeline and electrical easements, and Volente land use negotiations.

In August of 2016, the Leander City Council passed a resolution supporting expansion of the regional plant, and floating intake to 30 MGD (Phase 1C), and delaying any decision on Phase 2 final design and construction funding until July of 2017. Design of the Phase 1C expansion can be covered by remaining savings from the Phase 1A construction project. Construction funding will be requested through the Texas Water Development Board's SWIFT Loan program, in 2017.

The BCRUA Board of Directors is composed of six members, two from each of the city councils of the partnering cities. A General Manager directs the day-to-day business of the BCRUA, and a Plant Superintendent oversees the operation of the system.

What follows is a discussion and analysis of the BCRUA's financial performance for the fiscal year ended September 30, 2016. Please read it in conjunction with the Independent Auditors' Report on pages 1 through 3 and the BCRUA's Basic Financial Statements, which begin on page 11.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: (1) management's discussion and analysis (this section), (2) basic financial statements, and (3) notes to the financial statements. This report also contains combining statements as supplementary information in addition to the basic financial statements.

**BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2016**

BASIC FINANCIAL STATEMENTS

The basic financial statements include the Statement of Net Position (pages 11 - 12), the Statement of Revenues, Expenses, and Changes in Net Position (page 13) and the Statement of Cash Flows (page 14). The BCRUA operates as an enterprise activity and consists of one proprietary fund.

The notes to the financial statements (starting on page 15) provide narrative explanations or additional data needed for full disclosure in the basic financial statements.

The basic financial statements are designed to provide readers with a broad overview of the BCRUA's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the BCRUA's assets and liabilities, with the difference between the two reported as net position. The BCRUA's net position provides one measure of the BCRUA's financial health, or financial position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the BCRUA is improving or deteriorating. To fully assess the overall health of the BCRUA, however, you should consider nonfinancial factors as well, such as the condition of assets, and the total economic impact of the entity on the Cities of Cedar Park, Leander and Round Rock, Texas.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the BCRUA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* presents cash receipts, cash disbursements and net changes in cash resulting from operating, financing and investing activities. This statement provides information such as where cash originated, how it was used and the net change in cash balances during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide required disclosures and other additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements present information about the accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. The notes to the financial statements can be found on pages 15 through 24 of this report.

SUPPLEMENTARY INFORMATION

The combining statements are presented for purposes of additional analysis and to provide an overview of the financial position and results of operations related to each partner City. The combining statements can be found on pages 25 through 27 of this report.

**BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2016**

FINANCIAL ANALYSIS

FINANCIAL HIGHLIGHTS

- The BCRUA's net position decreased by \$13,080,218 as a result of current year operations.
- Partner city contributions to net position for the year ended September 30, 2016 were \$11,797,599.
- Total net position at September 30, 2016 was \$19,471,253, a decrease of \$1,282,619 from September 30, 2015.
- Total capital assets, net of depreciation, were \$161,800,202 as of September 30, 2016. This is an increase of \$1,053,327 from the prior year.
- Total noncurrent liabilities were \$174,361,559 and \$169,305,000 as of September 30, 2016 and 2015, respectively. Principal payments on this debt began in fiscal year 2012.

The following condensed financial statements (Tables I and II) provide key financial data as of and for the years ended September 30, 2016 and 2015.

**Table I
NET POSITION**

	2016	2015
Current assets	\$ 6,063,095	\$ 11,670,329
Restricted assets	24,537,787	25,327,238
Capital assets, net	161,800,202	160,746,875
Total assets	192,401,084	197,744,442
Deferred outflows of resources	8,871,232	-
Current liabilities	1,880,374	2,763,742
Current liabilities payable from restricted assets	5,559,130	4,921,828
Noncurrent liabilities	174,361,559	169,305,000
Total liabilities	181,801,063	176,990,570
Net position		
Unrestricted	7,644,992	8,906,587
Net investment in capital assets	11,826,261	11,847,285
Total net position	\$ 19,471,253	\$ 20,753,872

**BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2016**

FINANCIAL ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS (Continued)

Table II

CHANGE IN NET POSITION

	2016	2015
Operating Revenues	\$ 688,730	\$ 821,883
Operating Expenses		
Interest expense	7,665,566	8,099,147
Personnel	473,578	424,699
Legal fees	74,237	73,975
Repairs and maintenance	104,551	64,024
Power	367,200	51,930
Office supplies	57,717	50,869
Audit, investment, banking fees	43,442	50,143
Accounting services	31,970	36,479
Depreciation	3,873,310	34,979
Insurance	27,944	28,323
Chemicals	205,537	14,348
Miscellaneous expense	13,228	9,350
Paying agent fees	2,250	2,250
Contract services	5,614	184
Total Operating Expenses	12,946,144	8,940,700
Operating Loss	(12,257,414)	(8,118,817)
Other Income (Expense)	(822,804)	192,985
Change in net position	(13,080,218)	(7,925,832)
Net position - beginning of year	20,753,872	17,408,439
Capital contributions from partner cities	11,797,599	11,271,265
Net position - end of year	\$ 19,471,253	\$ 20,753,872

**BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2016**

FINANCIAL ANALYSIS (Continued)

CAPITAL ASSETS

Capital assets at September 30, 2016 amounted to \$161,800,202 and consisted of land, easements, buildings, improvements, infrastructure and construction in progress. Construction in progress is made up of costs attributed to Phase 2 of the BCRUA Project and consists primarily of engineering costs.

The construction phasing and estimated costs for the project are planned as follows:

Phase 1:

Phase 1a:

- Construction of an interim, floating intake structure near Cedar Park's existing plant on the Sandy Creek arm of Lake Travis
- New raw water pipeline within right-of-way along Trails End Road
- New treatment plant in Cedar Park to serve all three cities with an initial capacity of 17 million gallons per day (mgd) and a final Phase 1 capacity of 42 mgd
- Treated water transmission pipeline across the north side of Cedar Park, along West New Hope Road
- Construction began in late 2009 and was substantially complete in July 2012
- Cost to complete the project is approximately \$ 755,000
- The full retainage amount of approximately \$ 2.35 million was being withheld in fiscal year 2015, pending resolution of outstanding construction issues and final project close-out
- In August 2016, the construction contractor made a claim against BCRUA, and joined it to existing legal claims it holds against several of its sub-contractors on the project. The primary focus of the claims revolve around allegations of structural design defects made by the design engineer, and its structural engineering sub-consultant. BCRUA has rejected the claims, but has enjoined the design engineer to the litigation, and holds the position that any potential judicial award related to design defects would be the responsibility of the design engineer
- Final resolution of any remaining construction/design litigation is anticipated by the end of 2017

Phase 1b:

- Rerating the capacity of treatment facilities by engineering analysis and plant operational testing, with completion expected in mid-late 2017

Phase 1c:

- Expansion of the floating intake and treatment facilities to 30 million gallons per day. Design costs will be covered by Phase 1A savings, and will occur during calendar year 2017. Construction funding will be through a Texas Water Development Board SWIFT Loan, and is projected to run from early 2018 through mid-2019.

**BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2016**

FINANCIAL ANALYSIS (Continued)

CAPITAL ASSETS (Continued)

Phase 2:

Phase 2a:

- Permanent, deep-water intake structure on Lake Travis, a gravity pipeline to transmit the water to a new pump station, and a raw water pipeline connecting the raw water pump station to the Phase 1 raw water pipeline, and expansion of the treatment plant to 42 million gallons per day
- Construction estimated to begin upon completion of final design
- Cost estimated at approximately \$ 180 million (subject to ENR/inflation adjustments)

Phase 2b:

- Expansion of the water treatment plant to 84 mgd
- Cost estimated at approximately \$ 41 million (subject to ENR/inflation adjustments)

Total estimated cost for Phase 2: \$ 221 million (subject to ENR/inflation adjustments)

Phase 3:

- Final expansion of water treatment plant to 106 mgd.
- Estimated cost: \$ 29 million (subject to ENR/inflation adjustments)

Total cost: The total project cost is estimated at \$ 380 million
(subject to ENR/inflation adjustments)

RESTRICTED ASSETS

Restricted assets at September 30, 2016 were \$24,537,787, a decrease from the September 30, 2015 balance of \$25,327,238. Restricted assets consist of debt service, escrow and reserve funds arising from the proceeds of long-term debt. The decrease reflects the release of escrow funds to finance current construction and investment purchases.

LONG-TERM DEBT

In 2009, the BCRUA issued three series of contract revenue bonds totaling \$ 182,020,000 for construction and other costs related to Phase 1A of the BCRUA Project. Additionally, two refunding issuances were made in 2016, to reduce the total debt costs on two of the previously issued series. Additional information on long-term debt can be found in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The economy in the local area continues to grow, and the service areas which will be supplied by the BCRUA at project completion are positioned for continued customer growth. The BCRUA's board adopted an administrative operating budget for fiscal year 2017 in the amount of approximately \$2,164,533, a reduction of reserves of approximately \$403,000 in 2017 and a debt service budget for fiscal year 2017 in the amount of approximately \$12,382,000.

**BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2016**

CONTACTING THE BCRUA'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens of the partner cities, customers and creditors with a general overview of the BCRUA's finances and to show the BCRUA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the BCRUA at 450 Cypress Creek, Bldg 1, Cedar Park, Texas 78613.

BASIC FINANCIAL STATEMENTS

**BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 5,936,436
Receivables, net	
Accounts	122,267
Accrued interest	4,392
	4,392

Total current assets 6,063,095

NONCURRENT ASSETS

Restricted cash and cash equivalents and investments	
Debt Service	11,300
Escrow	18,179,398
Reserve	6,347,089
Capital assets	
Land, easements and construction in progress	20,810,115
Capital assets being depreciated, net of accumulated depreciation of \$8,784,418	140,990,087
	140,990,087

Total noncurrent assets 186,337,989

TOTAL ASSETS 192,401,084

DEFERRED OUTFLOWS OF RESOURCES - REFUNDING 8,871,232

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES \$ 201,272,316

The Notes to Financial Statements are an integral part of this statement.

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 147,632
Retainage payable	1,582,268
Due to partner cities	<u>150,474</u>

Total current liabilities 1,880,374

Current liabilities payable from restricted assets	
Current portion of revenue bonds payable	4,780,000
Accrued interest	<u>779,130</u>

Total current liabilities payable from restricted assets 5,559,130

NONCURRENT LIABILITIES

Revenue bonds payable	<u>174,361,559</u>
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Total noncurrent liabilities 174,361,559

TOTAL LIABILITIES 181,801,063

NET POSITION

Unrestricted	7,644,992
Net investment in capital assets	<u>11,826,261</u>

TOTAL NET POSITION \$ 19,471,253

**BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2016**

OPERATING REVENUES	\$	688,730
OPERATING EXPENSES		
Interest expense		7,665,566
Personnel		473,578
Legal fees		74,237
Repairs and maintenance		104,551
Power		367,200
Office supplies		57,717
Audit, investment, banking fees		43,442
Accounting services		31,970
Depreciation		3,873,310
Insurance		27,944
Chemicals		205,537
Miscellaneous expense		13,228
Paying agent fees		2,250
Contract services		5,614
		<hr/>
Total operating expenses		12,946,144
		<hr/>
OPERATING LOSS		(12,257,414)
OTHER INCOME (EXPENSE)		
Other income		138,696
Bond issuance costs		(961,500)
		<hr/>
Total other income (expense)		(822,804)
		<hr/>
Change in net position		(13,080,218)
NET POSITION, beginning of year		20,753,872
CAPITAL CONTRIBUTIONS FROM PARTNER CITIES		11,797,599
		<hr/>
NET POSITION, end of year	\$	<u>19,471,253</u>

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Service revenues received from partner cities	\$ 694,298
Other income received from third parties	138,696
Payments to suppliers for goods and services	<u>(9,916,944)</u>
Net cash used in operating activities	(9,083,950)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Construction of capital assets	(4,926,637)
Interest payments	(558,871)
Principal payments on bonds	(3,580,000)
Capital contributions from partner cities	<u>11,797,599</u>
Net cash provided by capital and related financing activities	2,732,091
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	<u>6,200,000</u>
Net cash provided by investing activities	<u>6,200,000</u>
Net change in cash and cash equivalents	(151,859)
CASH AND CASH EQUIVALENTS, beginning of year	<u>30,626,082</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 30,474,223</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION	
Cash and cash equivalents	\$ 5,936,436
Restricted cash and cash equivalents and investments	<u>24,537,787</u>
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 30,474,223</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (12,257,414)
Adjustments to reconcile operating loss to net cash used by operating activities	
Income from third party	138,696
Depreciation	3,873,310
Change in accounts receivable	(11,499)
Change in accounts payable	(844,110)
Change in due to partner cities	<u>17,067</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (9,083,950)</u></u>

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1. NATURE OF ACTIVITIES

Brushy Creek Regional Utility Authority, Inc. (BCRUA) was incorporated in Texas in July 2007 as a local government corporation pursuant to Subchapter D of Chapter 431, Texas Transportation Code. The BCRUA was organized by the Cities of Cedar Park, Leander and Round Rock, Texas (the cities) for the purpose of providing an efficient vehicle for the financing, construction, acquisition, ownership, maintenance and operation of a regional water and wastewater collection, transmission, treatment and distribution system on behalf of the cities in performance of their governmental functions.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of BCRUA have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental entities. The more significant of these accounting policies are described below.

Reporting Entity

BCRUA is a joint venture between the Cities of Cedar Park, Leander and Round Rock, Texas. The BCRUA operates as an enterprise activity. These financial statements present only BCRUA's activities and are not intended to present the financial position, results of operations or cash flows of any of the Cities of Cedar Park, Leander and Round Rock, Texas.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of BCRUA are reported using the economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Revenues are recorded when earned and become measurable and expenses are recorded when a liability is incurred and measurable, regardless of the timing of related cash flows.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with BCRUA's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES– CONTINUED

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include demand deposits, investments with investment pools, and other short-term liquid investments with an original maturity of three months or less, regardless of whether restricted or unrestricted.

Cash and cash equivalents held in money market accounts and investment pools (which determine their net asset value based on fair value) are recorded at fair value.

Restricted Assets

Restricted funds consist of escrow funds derived from bond proceeds, debt service funds, reserve funds, and revenues that have been designated for specific purposes by the Board, or other funds with legal or contractual constraints. When both restricted and unrestricted resources are available for use, it is BCRUA's policy to use restricted resources first, then unrestricted resources as they are needed.

Capital Assets

Capital assets are stated at historical cost. To the extent construction is performed by the BCRUA, the cost includes certain general and administrative expenses. Maintenance and repairs are charged to operations as incurred. Improvements and betterments, which extend the useful lives of assets, are capitalized. Depreciation is recorded on a straight-line basis over estimated service lives ranging from 5 to 40 years. When capital assets are retired or otherwise disposed of, a gain or loss on disposal of assets is recognized.

Interest is normally capitalized on construction costs. The amount of interest cost capitalized for assets constructed with tax-exempt borrowings is equal to the cost of borrowing, less interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowings. No interest was capitalized during the year ended September 30, 2016.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash Deposits. BCRUA's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Public Funds Investment Act (the Act). The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the depository banks' agent bank. The pledged securities are in an amount sufficient to protect BCRUA's funds on a day-to-day basis during the period of the contract. The pledge of securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At September 30, 2016, the carrying amount of the BCRUA's deposits was \$ 25,166,526 and the bank balance was \$ 25,200,999. The BCRUA's cash deposits at September 30, 2016 were covered by FDIC insurance or by pledged collateral held by the BCRUA's agent bank in the BCRUA's name.

Investments. The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the BCRUA to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the BCRUA to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the BCRUA to have independent auditors perform test procedures related to investment practices as provided by the Act. The BCRUA is in substantial compliance with the requirements of the Act.

TexSTAR has been established for governmental entities pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexSTAR's governing body is a five-member Board consisting of three representatives of participants and one member designated by each of the co-administrators. The Board holds legal title to all money, investments, and assets and has the authority to employ personnel, contract of services, and engage in other administrative activities necessary or convenient to accomplish the objectives of TexSTAR. TexSTAR's strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. BCRUA has no unfunded commitments related to the investment pool. TexSTAR has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity. TexSTAR's fair value is reported by BCRUA using the pool's net asset value (NAV).

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

US Corporate Bonds are carried at amortized cost, when the period to maturity is less than one year at the date the instrument is acquired.

Fair Value. BCRUA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement. BCRUA's positions recorded at fair value are all determined using NAV, and are therefore exempt from presentation in the fair value hierarchy.

BCRUA's portfolio balances were as follows at September 30, 2016:

	Carrying Amount	Level One	Level Two	Level Three	Net Asset Value
Cash in banks	\$ 25,166,526	\$ -	\$ -	\$ -	\$ -
TexSTAR	2,309,383	-	-	-	2,160,382
US Corporate Bonds	2,998,314	-	-	-	-
Total	\$ 30,474,223	\$ -	\$ -	\$ -	\$ 2,160,382

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

A reconciliation of cash and cash equivalents and investments to the presentation on the Statement of Net Position is as follows:

Statement of net position presentation:	
Cash and cash equivalents	\$ 5,936,436
Restricted cash and cash equivalents and investments:	
Debt service	11,300
Escrow	18,179,398
Reserve	<u>6,347,089</u>
Total cash and cash equivalents and investments	<u>\$ 30,474,223</u>

Credit risk and custodial credit risk. A primary stated objective of the BCRUA's adopted Investment Policy is the safety of principal and avoidance of principal loss. Credit risk within BCRUA's portfolio among the authorized investments approved by BCRUA's adopted Investment Policy includes only time and demand deposits, obligations of states and their subdivisions, repurchase agreements and AAA rated SEC registered money market mutual funds. All other investments are rated AAA, or equivalent, by at least one nationally recognized rating agency. Investments are made primarily in obligations of the US Government, its agencies or instrumentalities.

State law and the BCRUA's adopted Investment Policy restricts both time and demand deposits, including certificates of deposit (CD's) to those banks doing business in the State of Texas and further requires full insurance or collateralization from these depositories (banks only). Certificates of deposit are limited to a stated maturity of one year. Collateral is required at a 102% margin with securities priced at market on a daily basis as a contractual responsibility of the bank. Collateral is restricted to obligations of the US Government, its agencies or instrumentalities or direct obligations of any state, its subdivisions or agencies rated at least A, or equivalent, as to investment quality by two nationally recognized statistical rating agencies. Independent safekeeping is required outside the bank holding company with monthly reporting.

Repurchase agreements are limited to those with defined termination dates with a primary dealer (as defined by the Federal Reserve) and require an industry standard written master repurchase agreement and a minimum 102% margin on collateral as well as delivery versus payment settlement and independent safekeeping. Repurchase agreements may not exceed one year to stated maturity with the exception of flex repurchase agreements with a stated termination date not to exceed the planned completion date of the project(s).

TexStar is rated AAAM by Standard & Poor's, and the US Corporate Bonds are rated AAA.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

Interest rate risk. In order to limit interest and market rate risk from changes in interest rates, the BCRUA's adopted Investment Policy sets a maximum stated maturity limit of two years for Operating Funds and three years for Construction Funds. For Escrow Funds, the maximum maturity shall not exceed three years and each fund's weighted average maturity (WAM) shall not exceed one year. The WAM of the total Operating Funds portfolio is restricted to a maximum of twelve months and compared to the one-year Treasury Bill. There is no maximum WAM for Construction funds. WAM of BCRUA's portfolio at September 30, 2016 was as follows:

	Carrying Amount	Weighted Average Maturity (Days)
US Corporate Bonds	\$ 2,998,314	31
TexSTAR	2,309,383	1
Cash in banks	25,166,526	1
	\$ 30,474,223	
Portfolio weighted average maturity		4

Concentration of credit risk. The BCRUA recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. BCRUA's adopted Investment Policy establishes diversification as a major objective of the investment program and sets diversification limits for all authorized investment types which are monitored on at least a monthly basis. Diversification limits are set by Policy as:

U. S. Obligations	80%
U. S. Agencies/Instrumentalities	75%
State and Local Obligations	50%
Certificates of Deposit	40%
In any one bank	10%
Repurchase Agreements	50%
With any one dealer	20%
FlexRepo with CIP Funds	100%
LGIP	100%
Ownership in pool	10%
Money Market Mutual Funds	100%
Ownership in fund	20%

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated				
Land and easements	\$ 8,893,325	\$ -	\$ -	\$ 8,893,325
Construction in progress	10,462,126	4,979,389	(3,524,725)	11,916,790
Total capital assets, not being depreciated	<u>19,355,451</u>	<u>4,979,389</u>	<u>(3,524,725)</u>	<u>20,810,115</u>
Capital assets, being depreciated				
Buildings and improvements	68,348,586	2,832,600	-	71,181,186
Infrastructure	77,694,140	639,372	-	78,333,512
Equipment	259,807	-	-	259,807
Total capital assets, being depreciated	<u>146,302,533</u>	<u>3,471,972</u>	<u>-</u>	<u>149,774,505</u>
Less accumulated depreciation for:				
Buildings and improvements	2,130,898	1,715,459	-	3,846,357
Infrastructure	2,647,928	2,124,009	-	4,771,937
Equipment	132,282	33,842	-	166,124
Total accumulated depreciation	<u>4,911,108</u>	<u>3,873,310</u>	<u>-</u>	<u>8,784,418</u>
Total capital assets, being depreciated, net	<u>141,391,425</u>	<u>(401,338)</u>	<u>-</u>	<u>140,990,087</u>
Total capital assets, net	<u>\$ 160,746,876</u>	<u>\$ 4,578,051</u>	<u>\$ (3,524,725)</u>	<u>\$ 161,800,202</u>

NOTE 5. LONG-TERM DEBT

During the year ended September 30, 2016, BCRUA issued contract revenue refunding bonds dated August 15, 2016, totaling \$75,890,000. The bonds mature in 2017 through 2038, with coupon rates ranging from 2.0% to 5.0%. The bonds were issued in two series, to refund bonds outstanding for two of the partner cities. Each bond series is payable solely from and secured, in part, by an assignment of the bond payments made under the Master Contract Agreement dated September 2, 2008, as amended, by and between each city. Each city is solely responsible for bond payments on its series of bonds. No city has any liability or responsibility for any bond payment on a series of bonds issued for another city. The refunding reduced BCRUA's total debt service payments over the next 22 years by \$17,433,680 and generated an economic gain of \$10,922,929 and an accounting loss of \$8,881,242.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5. LONG-TERM DEBT – CONTINUED

During the year ended September 30, 2009, BCRUA issued contract revenue bonds dated July 6, 2009, totaling \$182,020,000. The bonds mature serially beginning August 1, 2012 through August 1, 2038, with coupon rates ranging from 2.254% to 5.084%. Proceeds from the bond issue are restricted for the construction and equipment of the first phase of the BCRUA Regional Water Treatment and Distribution Project. The bonds were issued in three series, one series for each partner city's share of expected project costs. Each bond series is payable solely from and secured, in part, by an assignment of the bond payments made under the Master Contract Agreement dated September 2, 2008 by and between each city. Each city is solely responsible for bond payments on its series of bonds. No city has any liability or responsibility for any bond payment on a series of bonds issued for another city.

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Series 2009 contract					
Revenue bonds					
City of Cedar Park	\$ 23,850,000	\$ -	\$ 21,970,000	\$ 1,880,000	\$ 595,000
City of Leander	88,180,000	-	1,850,000	86,330,000	2,175,000
City of Round Rock	60,855,000	-	56,120,000	4,735,000	1,500,000
Series 2016 contract				-	
Revenue bonds				-	
City of Cedar Park	-	21,935,000	-	21,935,000	180,000
City of Round Rock	-	53,955,000	-	53,955,000	330,000
Total principal	172,885,000	75,890,000	79,940,000	168,835,000	4,780,000
Issuance premiums	-	10,318,192	11,633	10,306,559	-
Total bonds payable	<u>\$ 172,885,000</u>	<u>\$ 86,208,192</u>	<u>\$ 79,951,633</u>	<u>\$ 179,141,559</u>	<u>\$ 4,780,000</u>

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5. LONG-TERM DEBT – CONTINUED

Debt service requirements are as follows:

<u>Year ended September 30,</u>	<u>Bonds</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 4,780,000	\$ 6,947,583	\$ 11,727,583
2018	4,490,000	7,201,594	11,691,594
2019	4,730,000	7,037,082	11,767,082
2020	5,085,000	6,853,464	11,938,464
2021	5,355,000	6,646,042	12,001,042
2022-2026	31,025,000	29,713,310	60,738,310
2027-2031	39,740,000	21,838,612	61,578,612
2032-2036	50,170,000	11,873,742	62,043,742
2037-2038	23,460,000	1,494,298	24,954,298
	<u>\$ 168,835,000</u>	<u>\$ 99,605,727</u>	<u>\$ 268,440,727</u>

NOTE 6. ECONOMIC DEPENDENCY

The BCRUA is dependent on the Cities of Cedar Park, Leander and Round Rock, Texas for the continued funding of its operating activities. The cities annually budget funds for operational and overhead expenses and debt service requirements in accordance with the Master Contract Agreement and the System Operating Agreement between the cities. Fixed operations and maintenance expenses are allocated among the cities based upon each city's reserved capacity in the BCRUA Project components, and variable expenses are allocated based upon the volume of treated water delivered to each city in relation to the total delivered volume. Overhead expenses are paid by each city based upon certain formulas and reserve capacities in the BCRUA Project and/or the quantity of treated water actually delivered to each city. Each city is responsible for bond principal and interest payments due on the bond series issued by BCRUA for each respective city.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 7. CONTINGENCY

A contract dispute between the BCRUA and the general contractor arose during the year ended September 30, 2013, during the inspection of Phase I construction concerning defects in the construction and design of the plant. The BCRUA has retained legal counsel who specializes in construction contract disputes. The retainage balance held by BCRUA is approximately \$1,580,000 million and management intends to hold this retainage until the identified issues have been rectified and final settlement negotiation have been completed. Additional costs related to the dispute incurred by the BCRUA, such as legal, engineering, and inspection fees, are expected by management to be largely recovered from the general contractor. Management is still disputing this with the general contractor and has not made final settlement negotiations as of September 30, 2016. Management does not expect the dispute to materially affect BCRUA's financial statements.

NOTE 8. SUBSEQUENT EVENTS

The BCRUA has evaluated subsequent events after the balance sheet date of September 30, 2016 through January 18, 2017, the date these financial statements were available to be issued.

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SUPPLEMENTARY INFORMATION

**BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
COMBINING STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

	<u>Cedar Park</u>	<u>Leander</u>	<u>Round Rock</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
Current assets					
Cash and cash equivalents	\$ 152,054	\$ 2,704,564	\$ 3,079,818	\$ -	\$ 5,936,436
Receivables, net					
Accounts	20,224	86,630	15,413	-	122,267
Accrued interest	-	4,392	-	-	4,392
Due from other funds	-	5,341	50,984	(56,325)	-
Total current assets	172,278	2,800,927	3,146,215	(56,325)	6,063,095
Noncurrent assets					
Restricted cash and cash equivalents and investments:					
Debt Service	1,952	5,205	4,143	-	11,300
Escrow	2,041,503	4,983,792	11,154,103	-	18,179,398
Reserve	-	6,347,089	-	-	6,347,089
Capital assets					
Land, easements and construction in progress	3,955,340	10,468,806	6,385,969	-	20,810,115
Capital assets being depreciated, net of accumulated depreciation of \$8,784,418	21,345,955	67,385,362	52,258,770	-	140,990,087
Total noncurrent assets	27,344,750	89,190,254	69,802,985	-	186,337,989
TOTAL ASSETS	27,517,028	91,991,181	72,949,200	(56,325)	192,401,084
DEFERRED OUTFLOWS OF RESOURCES - REFUNDING	2,517,926	-	6,353,306	-	8,871,232
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 30,034,954	\$ 91,991,181	\$ 79,302,506	\$ (56,325)	\$ 201,272,316

	<u>Cedar Park</u>	<u>Leander</u>	<u>Round Rock</u>	<u>Eliminations</u>	<u>Total</u>
LIABILITIES					
Current liabilities					
Accounts payable	\$ 28,955	\$ 86,520	\$ 32,157	\$ -	\$ 147,632
Retainage payable	291,454	744,615	546,199	-	1,582,268
Due to partner cities	67,242	83,232	-	-	150,474
Due to other funds	56,325	-	-	(56,325)	-
Total current liabilities	443,976	914,367	578,356	(56,325)	1,880,374
Current liabilities payable from restricted assets					
Current portion of revenue bonds payable	775,000	2,175,000	1,830,000	-	4,780,000
Accrued interest	28,874	674,378	75,878	-	779,130
Total current liabilities payable from restricted assets	803,874	2,849,378	1,905,878	-	5,559,130
Noncurrent liabilities					
Revenue bonds payable	25,590,659	84,155,000	64,615,900	-	174,361,559
Total noncurrent liabilities	25,590,659	84,155,000	64,615,900	-	174,361,559
TOTAL LIABILITIES	26,838,509	87,918,745	67,100,134	(56,325)	181,801,063
NET POSITION					
Unrestricted	2,153,374	(855,975)	6,347,593	-	7,644,992
Net investment in capital assets	1,043,071	4,928,411	5,854,779	-	11,826,261
TOTAL NET POSITION	\$ 3,196,445	\$ 4,072,436	\$ 12,202,372	\$ -	\$ 19,471,253

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2016

	<u>Cedar Park</u>	<u>Leander</u>	<u>Round Rock</u>	<u>Total</u>
OPERATING REVENUES	\$ 144,281	\$ 324,302	\$ 220,147	\$ 688,730
OPERATING EXPENSES				
Interest expense	981,424	4,185,729	2,498,413	7,665,566
Personnel	194,363	222,141	57,074	473,578
Legal fees	12,811	34,976	26,450	74,237
Repairs and maintenance	24,093	49,229	31,229	104,551
Power	195,839	171,361	-	367,200
Office supplies	22,675	27,045	7,997	57,717
Audit, investment, banking fees	6,606	20,737	16,099	43,442
Accounting services	13,005	14,974	3,991	31,970
Depreciation	606,242	1,824,996	1,442,072	3,873,310
Insurance	4,183	13,190	10,571	27,944
Chemicals	109,634	95,903	-	205,537
Miscellaneous expense	3,883	6,217	3,128	13,228
Paying agent fees	750	750	750	2,250
Contract services	2,995	2,619	-	5,614
Total operating expenses	<u>2,178,503</u>	<u>6,669,867</u>	<u>4,097,774</u>	<u>12,946,144</u>
OPERATING LOSS	(2,034,222)	(6,345,565)	(3,877,627)	(12,257,414)
OTHER INCOME (EXPENSE)				
Other income	10,363	80,107	48,226	138,696
Bond issuance costs	(297,322)	-	(664,178)	(961,500)
Total other income (expense)	<u>(286,959)</u>	<u>80,107</u>	<u>(615,952)</u>	<u>(822,804)</u>
Change in net position	(2,321,181)	(6,265,458)	(4,493,579)	(13,080,218)
NET POSITION, beginning of year	4,076,608	4,296,683	12,380,581	20,753,872
CAPITAL CONTRIBUTIONS FROM PARTNER CITIES	<u>1,441,018</u>	<u>6,041,211</u>	<u>4,315,370</u>	<u>11,797,599</u>
NET POSITION, end of year	<u>\$ 3,196,445</u>	<u>\$ 4,072,436</u>	<u>\$ 12,202,372</u>	<u>\$ 19,471,253</u>



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Brushy Creek Regional Utility Authority, Inc.

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Brushy Creek Regional Utility Authority, Inc. (the BCRUA) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the BCRUA's basic financial statements, and have issued our report thereon dated January 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the BCRUA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BCRUA's internal control. Accordingly, we do not express an opinion on the effectiveness of the BCRUA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Board of Directors
Brushy Creek Regional Utility Authority, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BCRUA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
January 18, 2017

Part C- 46 Statement of Operations

Brushy Creek Regional Utility Authority, Inc.

Statement of Historical Operations

	Unaudited YTD Through 4/27/2017	Audited				
		2016	2015	2014	2013	2012
Operating Revenues	\$ 1,726,999	\$ 688,566	\$ 821,883	\$ 1,062,130	\$ 985,682	\$ 892,950
Capital Contributions from Partner Cities (Net)	-	11,797,599	11,271,265	9,941,605	10,697,987	8,549,944
Other Revenue	-	138,696	-	-	-	-
Gross System Revenue	\$ 1,726,999	\$ 12,624,861	\$ 12,093,148	\$ 11,003,735	\$ 11,683,669	\$ 9,442,894
Personnel	\$ 137,789	\$ 473,578	\$ 424,699	\$ 435,005	\$ 393,893	\$ 91,801
Power Costs	161,586	367,200	51,930	66,860	366,010	104,844
Chemicals	101,212	205,537	14,348	4,769	100,642	8,925
Other Expenses	147,266	460,953	315,597	1,048,271	198,730	193,275
Total Operating Costs (1)	\$ 547,853	\$ 1,507,268	\$ 806,574	\$ 1,554,905	\$ 1,059,275	\$ 398,845
Net Operating Profit (1)	\$ 1,179,146	\$ 11,117,593	\$ 11,286,574	\$ 9,448,830	\$ 10,624,394	\$ 9,044,049

(1) Excludes depreciation and amortization, bond principal and interest expense.

Note: Net position draws are being used to fund any deficits between net operating profit and annual debt service annually, as needed.

Part C-46 Unaudited Financial Statements as of April 27, 2017

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04/27/17

Accrual Basis

Brushy Creek Regional Utility Authority

Summary Balance Sheet

As of April 30, 2017

	<u>Apr 30, 17</u>
ASSETS	
Current Assets	
Checking/Savings	12,018,856.84
Accounts Receivable	3,629,829.29
Other Current Assets	36,270,378.24
Total Current Assets	<u>51,919,064.37</u>
Fixed Assets	149,883,409.77
Other Assets	-1,454,488.41
TOTAL ASSETS	<u><u>200,347,985.73</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	283,185.44
Other Current Liabilities	7,141,398.16
Total Current Liabilities	<u>7,424,583.60</u>
Long Term Liabilities	164,055,000.00
Total Liabilities	<u>171,479,583.60</u>
Equity	<u>28,868,402.13</u>
TOTAL LIABILITIES & EQUITY	<u><u>200,347,985.73</u></u>

This page is a placeholder for information submitted with the application that may contain confidential information.

Please contact Cindy Deprato at 512 463-8420 to request reviewing this information.

This page is a placeholder for information submitted with the application that may contain confidential information.

Please contact Cindy Deprato at 512 463-8420 to request reviewing this information.

Part D-49 Debt Service

Final

Brushy Creek Regional Utility Authority

Existing Contract Revenue Bonds

Cedar Park Portion

Aggregate Debt Service

Date	Principal	Interest	Total P+I
09/30/2015	-	-	-
09/30/2016	305,000.00	79,447.20	384,447.20
09/30/2017	775,000.00	763,547.08	1,538,547.08
09/30/2018	625,000.00	853,671.20	1,478,671.20
09/30/2019	660,000.00	830,771.20	1,490,771.20
09/30/2020	760,000.00	805,150.00	1,565,150.00
09/30/2021	790,000.00	789,950.00	1,579,950.00
09/30/2022	815,000.00	766,250.00	1,581,250.00
09/30/2023	840,000.00	749,950.00	1,589,950.00
09/30/2024	885,000.00	716,350.00	1,601,350.00
09/30/2025	935,000.00	672,100.00	1,607,100.00
09/30/2026	985,000.00	625,350.00	1,610,350.00
09/30/2027	1,040,000.00	576,100.00	1,616,100.00
09/30/2028	1,095,000.00	524,100.00	1,619,100.00
09/30/2029	1,140,000.00	480,300.00	1,620,300.00
09/30/2030	1,190,000.00	434,700.00	1,624,700.00
09/30/2031	1,230,000.00	399,000.00	1,629,000.00
09/30/2032	1,280,000.00	349,800.00	1,629,800.00
09/30/2033	1,330,000.00	298,600.00	1,628,600.00
09/30/2034	1,385,000.00	245,400.00	1,630,400.00
09/30/2035	1,430,000.00	203,850.00	1,633,850.00
09/30/2036	1,480,000.00	160,950.00	1,640,950.00
09/30/2037	1,545,000.00	94,350.00	1,639,350.00
09/30/2038	1,600,000.00	48,000.00	1,648,000.00
Total	\$24,120,000.00	\$11,467,686.68	\$35,587,686.68

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculations	1/15/2016
Average Life	13.565 Years
Average Coupon	3.6634666%

Par Amounts Of Selected Issues

16 BCRUA (CP) ref (8/24) FINAL	21,935,000.00
09 \$182.02mm (6/29) - after ref -Cedar Park	2,185,000.00
TOTAL	24,120,000.00

Aggregate | 4/10/2017 | 9:52 AM

Brushy Creek Regional Utility Authority

\$80,505,000 Contract Revenue Refunding Bonds, Series 2017

Leander Portion Only (closed 4/19/17)

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
09/30/2017	2,490,000.00	2.000%	939,097.71	3,429,097.71
09/30/2018	2,270,000.00	3.000%	3,264,662.50	5,534,662.50
09/30/2019	2,375,000.00	3.000%	3,196,562.50	5,571,562.50
09/30/2020	2,485,000.00	3.000%	3,125,312.50	5,610,312.50
09/30/2021	2,585,000.00	3.000%	3,050,762.50	5,635,762.50
09/30/2022	2,690,000.00	3.000%	2,973,212.50	5,663,212.50
09/30/2023	2,800,000.00	5.000%	2,892,512.50	5,692,512.50
09/30/2024	2,965,000.00	5.000%	2,752,512.50	5,717,512.50
09/30/2025	3,135,000.00	5.000%	2,604,262.50	5,739,262.50
09/30/2026	3,305,000.00	5.000%	2,447,512.50	5,752,512.50
09/30/2027	3,490,000.00	5.000%	2,282,262.50	5,772,262.50
09/30/2028	3,680,000.00	3.000%	2,107,762.50	5,787,762.50
09/30/2029	3,805,000.00	3.000%	1,997,362.50	5,802,362.50
09/30/2030	3,930,000.00	4.000%	1,883,212.50	5,813,212.50
09/30/2031	4,095,000.00	4.000%	1,726,012.50	5,821,012.50
09/30/2032	4,265,000.00	4.000%	1,562,212.50	5,827,212.50
09/30/2033	4,445,000.00	4.000%	1,391,612.50	5,836,612.50
09/30/2034	4,635,000.00	5.000%	1,213,812.50	5,848,812.50
09/30/2035	4,870,000.00	5.000%	982,062.50	5,852,062.50
09/30/2036	5,125,000.00	5.000%	738,562.50	5,863,562.50
09/30/2037	5,390,000.00	5.000%	482,312.50	5,872,312.50
09/30/2038	5,675,000.00	3.750%	212,812.50	5,887,812.50
Total	\$80,505,000.00	-	\$43,826,410.21	\$124,331,410.21

Yield Statistics

Bond Year Dollars	\$1,008,814.75
Average Life	12.531 Years
Average Coupon	4.3443467%
Net Interest Cost (NIC)	4.3443467%
True Interest Cost (TIC)	4.3248039%
Bond Yield for Arbitrage Purposes	4.3248039%
All Inclusive Cost (AIC)	4.3248039%

IRS Form 8038

Net Interest Cost	4.3443467%
Weighted Average Maturity	12.531 Years

Note: FY2016 debt service: \$6,047,311.

Final

Brushy Creek Regional Utility Authority

Existing Contract Revenue Bonds

Round Rock Portion

Aggregate Debt Service

Date	Principal	Interest	Total P+I
09/30/2015	-	-	-
09/30/2016	1,425,000.00	221,791.20	1,646,791.20
09/30/2017	1,830,000.00	2,047,850.03	3,877,850.03
09/30/2018	1,575,000.00	2,287,949.20	3,862,949.20
09/30/2019	1,660,000.00	2,230,241.20	3,890,241.20
09/30/2020	1,785,000.00	2,165,800.00	3,950,800.00
09/30/2021	1,895,000.00	2,076,550.00	3,971,550.00
09/30/2022	1,990,000.00	2,000,750.00	3,990,750.00
09/30/2023	2,085,000.00	1,921,150.00	4,006,150.00
09/30/2024	2,190,000.00	1,837,750.00	4,027,750.00
09/30/2025	2,290,000.00	1,750,150.00	4,040,150.00
09/30/2026	2,395,000.00	1,658,550.00	4,053,550.00
09/30/2027	2,500,000.00	1,562,750.00	4,062,750.00
09/30/2028	2,635,000.00	1,437,750.00	4,072,750.00
09/30/2029	2,780,000.00	1,306,000.00	4,086,000.00
09/30/2030	2,925,000.00	1,167,000.00	4,092,000.00
09/30/2031	3,045,000.00	1,050,000.00	4,095,000.00
09/30/2032	3,175,000.00	928,200.00	4,103,200.00
09/30/2033	3,305,000.00	801,200.00	4,106,200.00
09/30/2034	3,445,000.00	669,000.00	4,114,000.00
09/30/2035	3,595,000.00	531,200.00	4,126,200.00
09/30/2036	3,705,000.00	423,350.00	4,128,350.00
09/30/2037	3,860,000.00	275,150.00	4,135,150.00
09/30/2038	4,025,000.00	120,750.00	4,145,750.00
Total	\$60,115,000.00	\$30,470,881.63	\$90,585,881.63

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculations	1/15/2016
Average Life	13.488 Years
Average Coupon	3.9302643%

Par Amounts Of Selected Issues

16 BCRUA (RR) ref (8/24) FINAL	53,955,000.00
09 \$182.02mm (6/29) - after ref -Round Rock	6,160,000.00
TOTAL	60,115,000.00

Aggregate | 4/10/2017 | 9:50 AM

This page is a placeholder for information submitted with the application that may contain confidential information.

Please contact Cindy Deprato at 512 463-8420 to request reviewing this information.

Part D-56

**PROPOSED
IMPROVEMENTS
TO EXISTING
TREATED WATER
TRANSMISSION MAIN**

**PROPOSED
BCRUA
WTP
EXPANSION**

**PROPOSED
FLOATING
INTAKE
EXPANSION**

TRAILS END RD.

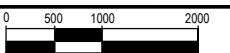
FM 1431

HUR INDUSTRIAL
BLVD.

LIME CREEK RD.

CEDAR PARK

N. LAKELINE BLVD.



GRAPHIC SCALE (FEET)

REV.	DESCRIPTION	DATE



BCRUA

**PHASE 1C
PART D-56**

OVERALL PROJECT LAYOUT

**PRELIMINARY
FOR REVIEW ONLY**

THIS DOCUMENT IS
RELEASED FOR THE PURPOSE
OF INTERIM REVIEW UNDER
THE AUTHORITY OF
PROFESSIONAL ENGINEER
AARON D. ARCHER
#100967
ON THE DATE SHOWN ON THE
DATE STAMP, IT IS NOT TO BE
USED FOR CONSTRUCTION,
BIDDING, OR PERMIT PURPOSES.

DESIGNED	ADA
DRAFTED	TFG
CHECKED	J
PROJECT NO.	3-00619

DRAWING NO.
FIG. 1

A1 OVERALL PROJECT LAYOUT

NTS

G:\PROJECTS\3-00619\2 DESIGN\2.0 CAD\PART-D-56\3-00619 OVERALL.DWG, FIGURE 1, 4/25/2017 1:35:59 PM, tptleske

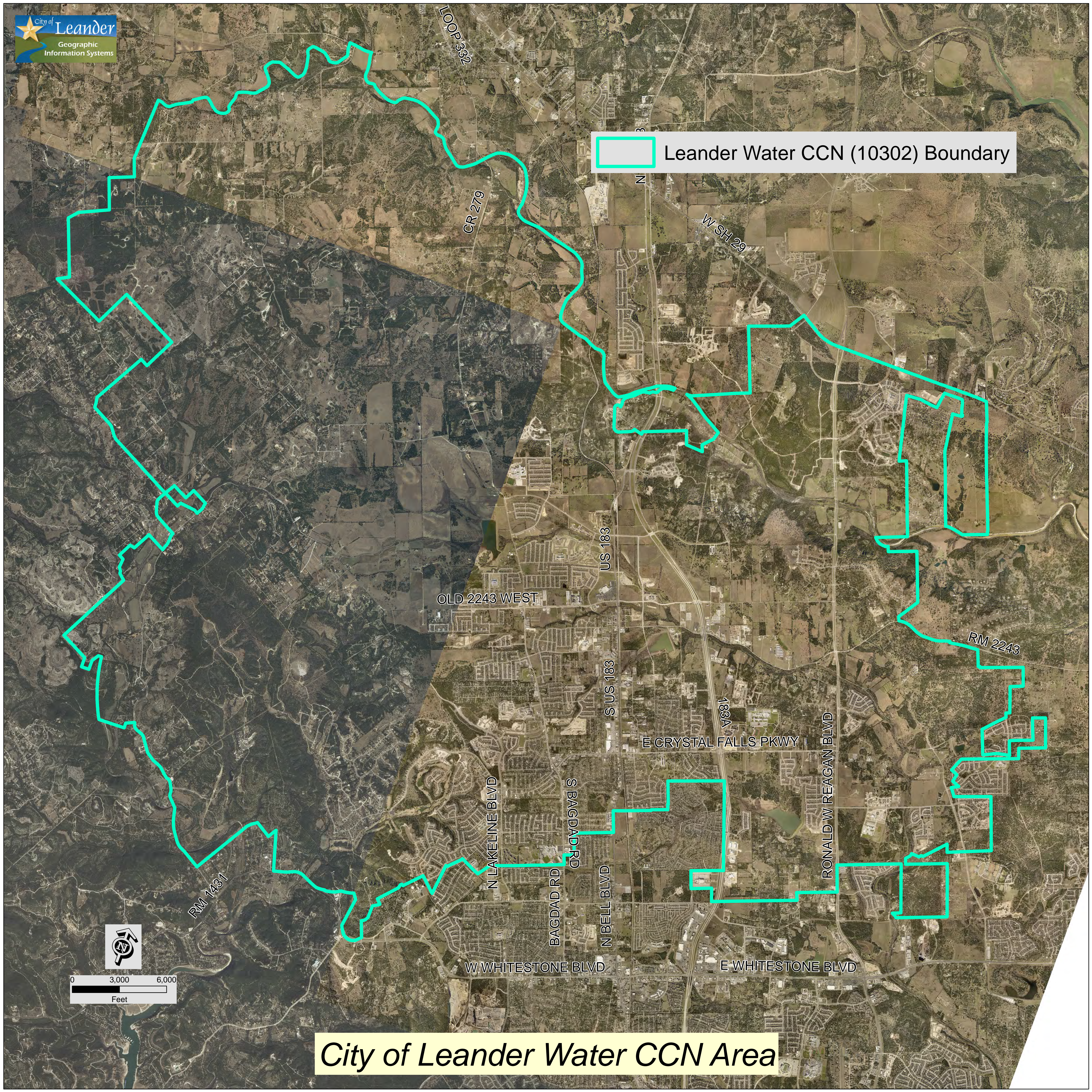
CITY OF CEDAR PARK CEDAR PARK SERVICE AREA

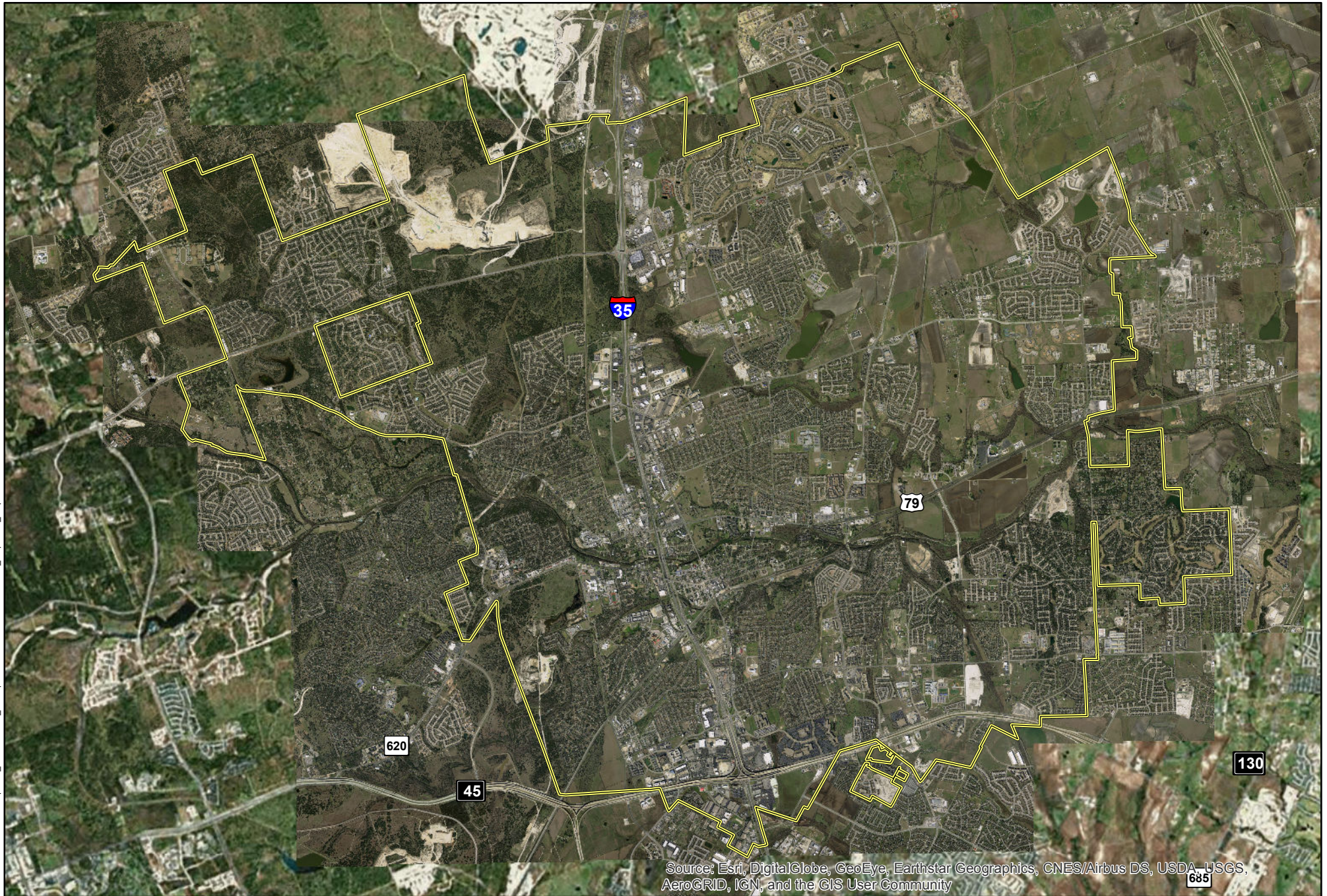


Leander Water CCN (10302) Boundary



City of Leander Water CCN Area





Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA - USGS, AeroGRID, IGN, and the GIS User Community

Date: 4/25/2017



City of Round Rock WATER SERVICE AREA



Part D-59

Year	Population				Projected Peak Day Water Use (MGD)			
	Cedar Park	Round Rock	Leander	Total	Cedar Park	Round Rock	Leander	Total
2017	89,806	117,160	49,033	255,999	27.4	45.4	13.7	86
2018	91,377	120,440	54,774	266,591	27.9	46.6	15.3	90
2019	92,976	123,812	60,144	276,932	28.4	47.6	16.8	93
2020	94,371	127,279	65,514	287,164	28.8	48.6	18.3	96
2021	95,787	130,461	71,242	297,490	29.2	49.6	19.9	99
2022	97,224	133,723	76,254	307,201	29.7	50.8	21.3	102
2023	98,682	137,066	81,624	317,372	30.1	52.0	22.8	105
2024	100,162	140,492	86,636	327,290	30.5	53.4	24.2	108
2025	101,414	143,302	92,006	336,722	30.9	54.8	25.7	111
2026	102,682	146,168	97,018	345,868	31.3	56.2	27.1	115
2027	103,966	149,092	102,030	355,088	31.7	57.6	28.5	118
2028	105,265	152,073	106,684	364,022	32.1	59.0	29.8	121
2029	106,581	155,155	111,696	373,432	32.5	60.4	31.2	124
2030	107,647	158,217	116,350	382,214	32.8	62.0	32.5	127
2031	108,723	160,590	121,004	390,318	33.2	63.2	33.8	130
2032	109,811	162,999	125,658	398,468	33.5	64.4	35.1	133
2033	110,909	165,444	129,954	406,307	33.8	65.6	36.3	136
2034	112,018	167,926	134,608	414,552	34.2	66.8	37.6	139
2035	113,138	170,445	138,904	422,487	34.5	68.0	38.8	141
2036	114,269	173,001	143,200	430,471	34.9	69.2	40.0	144
2037	115,412	175,596	147,496	438,504	35.2	70.4	41.2	147
2038	116,566	178,230	151,792	446,588	35.6	71.6	42.4	150
2039	117,732	180,904	155,730	454,366	35.9	72.8	43.5	152
2040	118,909	183,617	159,668	462,194	36.3	74.0	44.6	155
2041	118,909	186,372	163,606	468,887	36.3	75.2	45.7	157
2042	118,909	189,167	167,544	475,620	36.3	76.4	46.8	159
2043	118,909	192,005	171,482	482,396	36.3	77.6	47.9	162
2044	118,909	194,885	175,062	488,856	36.3	78.8	48.9	164
2045	118,909	197,808	178,642	495,359	36.3	80.0	49.9	166
2046	118,909	200,775	182,222	501,906	36.3	81.2	50.9	168
2047	118,909	203,787	185,802	508,498	36.3	82.4	51.9	171
2048	118,909	206,844	189,382	515,135	36.3	83.6	52.9	173
2049	118,909	209,946	192,604	521,459	36.3	84.8	53.8	175
2050	118,909	213,095	196,184	528,188	36.3	86.0	54.8	177

Part D-60 Project Cost Estimate

TWDB-1201
Revised 04/17

PROJECT BUDGET - Brushy Creek RUA Water Supply - Phase 1						
Uses	TWDB Funds Series 1	TWDB Funds Series 2	TWDB Funds Series 3	Total TWDB Cost	Other Funds	Total Cost
Construction						
Construction	\$15,620,000	\$0	\$0	\$15,620,000	\$0	\$15,620,000
Subtotal Construction	\$15,620,000	\$0	\$0	\$15,620,000	\$0	\$15,620,000
Basic Engineering Fees						
Planning +	\$0	\$0	\$0	\$0	\$0	\$0
Design	\$0	\$0	\$0	\$0	\$0	\$0
Construction Engineering	\$780,000	\$0	\$0	\$780,000	\$0	\$780,000
Basic Engineering Other **	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Basic Engineering Fees	\$780,000	\$0	\$0	\$780,000	\$0	\$780,000
Special Services						
Application	\$0	\$0	\$0	\$0	\$0	\$0
Environmental	\$0	\$0	\$0	\$0	\$0	\$0
Water Conservation Plan	\$0	\$0	\$0	\$0	\$0	\$0
I/I Studies/Sewer Evaluation	\$0	\$0	\$0	\$0	\$0	\$0
Surveying	\$0	\$0	\$0	\$0	\$0	\$0
Geotechnical	\$0	\$0	\$0	\$0	\$0	\$0
Testing	\$0	\$0	\$0	\$0	\$0	\$0
Permits	\$0	\$0	\$0	\$0	\$0	\$0
Inspection	\$0	\$0	\$0	\$0	\$0	\$0
O&M Manual	\$0	\$0	\$0	\$0	\$0	\$0
Project Management (by engineer)	\$0	\$0	\$0	\$0	\$0	\$0
Pilot Testing	\$0	\$0	\$0	\$0	\$0	\$0
Water Distribution Modeling	\$0	\$0	\$0	\$0	\$0	\$0
Special Services Other **	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Special Services	\$0	\$0	\$0	\$0	\$0	\$0
Other						
Administration	\$0	\$0	\$0	\$0	\$0	\$0
Land/Easements Acquisition	\$0	\$0	\$0	\$0	\$0	\$0
Water Rights Purchase (If Applicable)	\$0	\$0	\$0	\$0	\$0	\$0
Capacity Buy-In (If Applicable)	\$0	\$0	\$0	\$0	\$0	\$0
Project Legal Expenses	\$0	\$0	\$0	\$0	\$0	\$0
Other **	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Other Services	\$0	\$0	\$0	\$0	\$0	\$0
Fiscal Services						
Financial Advisor	\$38,239	\$0	\$0	\$38,239	\$0	\$38,239
Bond Counsel	\$61,490	\$0	\$0	\$61,490	\$0	\$61,490
Issuance Cost	\$25,000	\$0	\$0	\$25,000	\$0	\$25,000
Bond Insurance/Surety	\$0	\$0	\$0	\$0	\$0	\$0
Fiscal/Legal	\$5,000	\$0	\$0	\$5,000	\$0	\$5,000
Capitalized Interest	\$0	\$0	\$0	\$0	\$0	\$0
Bond Reserve Fund	\$0	\$0	\$0	\$0	\$0	\$0
Loan Origination Fee	\$0	\$0	\$0	\$0	\$0	\$0
Other ** AG Fee	\$9,500	\$0	\$0	\$9,500	\$0	\$9,500
Subtotal Fiscal Services	\$139,229	\$0	\$0	\$139,229	\$0	\$139,229
Contingency						
Contingency	\$455,771	\$0	\$0	\$455,771	\$0	\$455,771
Subtotal Contingency	\$455,771	\$0	\$0	\$455,771	\$0	\$455,771
TOTAL COSTS	\$16,995,000	\$0	\$0	\$16,995,000	\$0	\$16,995,000
Other ** description must be entered						
+ For Planning applications under the EDAP Program, please break down Planning costs as follows:						
Category A						0
Category B						0
Category C						0
Category D						0
Total Planning Costs				0	0	0

Part D-61

WRD-253d
03/16/2016

Texas Water Development Board Water Project Information							
A. Project Name		B. Project No.			C. County		D. Regional Planning Group (A-P)
E. Program(s)		F. Loan <input type="checkbox"/> : \$ _____ Principal Forgiveness <input type="checkbox"/> : \$ _____ Grant <input type="checkbox"/> : \$ _____			G. Loan Term: 30		
H. Water Project Description: (Multiphase project, new or expansion; plant, well, storage, pump station, distribution system, etc)							
Attach map of service area affected by Project or other documentation. Provided as attachment D-56							
I. Is an Inter Basin Transfer potentially involved? No <input type="checkbox"/> IBT involved				J. Is project located in a Groundwater District (If yes, identify District by name)? Yes <input type="checkbox"/> _____ No <input type="checkbox"/>			
K. Service Area Projected Population for at least a 20 year period: (if different from Planning Area, discuss in separate attachment)	Current Population		Projected Population				
	Year:	2017	2020	2025	2030	2035	2040
	Population:						
Project Design Year: (Year for which project will be sized)		20		Design Population: (Population served by project on the design year)			
L. Is the proposed project included in a current Regional Water Plan? Yes <input type="checkbox"/> No <input type="checkbox"/> Don't Know <input type="checkbox"/> (If Yes, please specify on what page in the Regional Water Plan - Regional Water Plan Page Number: _____)							
M. What type of water source is associated directly with the proposed project? Surface Water <input type="checkbox"/> Groundwater <input type="checkbox"/> Reuse <input type="checkbox"/>							
N. Will the project increase the volume of water supply? Yes <input type="checkbox"/> No <input type="checkbox"/>							
O. What volume of water is the project anticipated to deliver/ treat per year? _____ Acre-Feet/Year							
P. Current Water Supply Information							
Surface Water Supply Source / Provider Names		Certificate No. <small>Water right permits for member cities provided with Form WRD-208A</small>		Source County		Annual Volume and Unit <small>Water right permits for member cities provided with Form WRD-208A</small>	
Groundwater Source Aquifer		Well Field location		Source County		Annual Volume and Unit	
Q. Proposed Water Supply Associated Directly with the Proposed Project							
Surface Water Supply Source / Provider Names		Certificate No. <small>Water right permits for member cities provided with Form WRD-208A</small>		Source County		Annual Volume and Unit <small>Water right permits for member cities provided with Form WRD-208A</small>	
Groundwater Source Aquifer		Well Field location:		Source County		Annual Volume and Unit	
R. Consulting Engineer Name				Telephone No.		E-mail address	
S. Applicant Contact Name, Title				Telephone No.		E-mail address	

STATE OF TEXAS §
COUNTY OF WILLIAMSON §
§

SURFACE WATER AFFIDAVIT

Before me, the undersigned notary, on this day personally appeared a person William Thomas Gallier whose identity is known to me. After I administered an oath to him/her, upon his/her oath he/she said:

1. I am over 18 years of age, of sound mind, and capable of making this affidavit. The facts stated in this affidavit are within my personal knowledge and are true and correct.
2. I am an authorized representative of Brushy Creek Regional Utility Authority, Inc., an entity that has filed an application for financial assistance with the Texas Water Development Board for a project that proposes the development of a new surface water supply source.
3. Does the applicant possess a Certificate of Adjudication and/or Water Rights Permit(s) issued by the Texas Commission on Environmental Quality or a predecessor agency authorizing the appropriation and use of the surface water needed for the Project?

Yes No

Please attach a copy of the Certificate(s) of Adjudication and Water Rights Permit(s).

Item attached: Yes No

4. Does the applicant have the contractual right to use the surface water from an entity that enjoys the right to appropriate and use the surface water needed for the project?

Yes No

Please attach a copy of any draft or executed water supply contract, lease or other legal instrument providing contractual authorization to use the surface water needed for the Project.

Item attached: Yes No

Please identify the Certificate of Adjudication(s) and Water Rights Permit(s) possessed by the wholesale water provider pursuant to which the contract, lease or other legal instrument has been or will be executed.

Certificate of Adjudications: Lower Colorado River Authority

Item attached: Yes No

Water Rights Permit(s): See Phase 1A Loan Files for three cities' LCRA water contracts

Item attached: Yes No

Signed the day of April 26, 2017

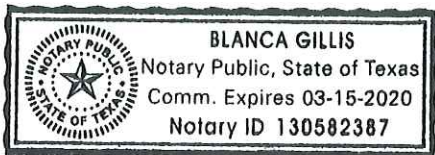
Name: William Thomas Gallis

Title: General Manager

Sworn to and subscribed before me by Blanca Gillis on April 26, 2017

Blanca Gillis

Notary Public in and for the State of Texas



[SEAL]

My Commission expires: 03-15-2020

STATE OF TEXAS

§

COUNTY OF WILLIAMSON

§

§

**SITE
CERTIFICATE**

Before me, the undersigned notary, on this day personally appeared William Thomas (Tom) Gallier, a person whose identity is known to me or who has presented to me a satisfactory proof of identity. After I administered an oath, this person swore to the following:

- (1) My name is William Thomas (Tom) Gallier. I am over 18 years of age and I am of sound mind, and capable of swearing to the facts contained in this Site Certificate. The facts stated in this certificate are within my personal knowledge and are true and correct.
- (2) I am an authorized representative of Brushy Creek Regional Utility Authority, Inc., an entity that has filed an application for financial assistance with the Texas Water Development Board for a (water) (wastewater) project.

Please complete only those sections that apply to your project:

LEGAL CERTIFICATION – LEASE/CONTRACT

I certify that: Brushy Creek Regional Utility Authority, Inc.
(Legal Name of Applicant, i.e., City, District, etc.)

has executed a written lease or other contractual agreement to use the property needed for this (water)(wastewater) project that extends through (See Phase 1A Loan File) (date), the life of the Texas Water Development Board loan or grant that will be used to finance this project, either in whole or in part. A copy of this lease or agreement is attached hereto.

LEGAL CERTIFICATION – PROPERTY EASEMENT

I certify that: Brushy Creek Regional Utility Authority, Inc.
(Legal Name of Applicant, i.e., City, District, etc.)

has executed an express easement to use the property needed for this (water) (wastewater) project that extends through the life of the Texas Water Development Board loan or grant that will be used to finance this project, either in whole or in part. The express easement to use the property needed for this (water) (wastewater) project extends through (See Phase 1A) (date). A copy of the express easement agreement is attached hereto.

LEGAL CERTIFICATION – OWNERSHIP INTEREST

I certify that Brushy Creek Regional Utility Authority, Inc.
(Legal Name of Applicant, e.g. City, District, etc.)

Option A: has acquired the necessary real property interest, as evidenced by fee simple purchase, deed, fully executed earnest money contracts, or completion of eminent domain proceedings; that such acquisition will guarantee access and egress; and such interest will contain the necessary easements, rights of way, or unrestricted use as is required for the project being financed by the Texas Water Development Board. The legal description is referenced below.

Option B: is in the process of acquiring the necessary real property interest, as evidenced by earnest money contracts, contracts for sale, firm option agreements to purchase the subject property, or the initiation of eminent domain procedures; that such acquisition will guarantee access and egress; and such interest will contain the necessary easements, rights of way, or unrestricted use as is required for the project being financed by the Texas Water Development Board. The legal description is referenced below. The anticipated date of acquisition is:

The property has been/will be acquired with the use of eminent domain: True False

Location and Description of Property Interests acquired for Project:
(See Phase 1A Loan File)

Any deeds or other instruments required to be recorded to protect the title(s) held by Brushy Creek Regional Utility Authority, Inc. (Legal Name of Applicant) have been recorded or filed for the record in the County deed records or other required location. The following documents are attached hereto:

(See Phase 1A Loan File)

Description of documents that were used or will be used to acquire the property:
(See Phase 1A Loan File)

EXECUTED this _____ day of _____, 20_____.

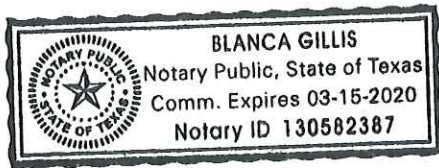
William Thomas Gallier (Signature)

William Thomas Gallier (Print Name)

General Manager (Title)

Sworn to and subscribed before me by Blanca Gillis on this 26 day
of April, 2017.

Blanca Gillis (Notary Public in and for the State of Texas)



[SEAL]



May 31, 2017

Caaren Skrobarczyk
Regional Manager, Brazos Region
Texas Water Development Board
1700 N. Congress Avenue
Austin, TX 78711

Re: Brushy Creek Regional Utility Authority SWIFT 51049

Dear Ms. Skrobarczyk,

Per your letter of May 19, 2017, please find enclosed BCRUA's responses and additional supporting materials.

Please contact me if there are any additional questions or concerns. I have also enclosed a USB drive with a full electronic submission of the attachments.

Thanks again for your assistance on the important project.

Sincerely,

Tom Gallier, General Manager

attachments

**BRUSHY CREEK REGIONAL UTILITY AUTHORITY
RESPONSE TO TEXAS WATER DEVELOPMENT BOARD
SWIFT APPLICATION (51049) COMMENTS**

Brushy Creek Regional Utility Authority
Phase 1 Water Treatment Plant Expansion and
Phase 2 Land Rights and Stakeholder Coordination

TWDB Comments: May 19, 2017
BCRUA Responses: May 31, 2017

The following responses address initial review comments provided by Texas Water Development Board (TWDB) staff on May 19, 2017 pertaining to the Brushy Creek Regional Utility Authority (BCRUA) State Water Implementation Fund for Texas (SWIFT) application.

Engineering Technical Review Request for Additional Information

TWDB, Comment 1: What is the status of Phase 1B, the re-rating of the water treatment plant? Has TCEQ accepted the outcome of the proposed re-rating? What is the re-rated capacity?

BCRUA Response: *The Phase 1B re-rate is currently ongoing. A Draft Full-Scale Demonstration Test Protocol has been prepared and was submitted to TCEQ for review and comment on March 9, 2017. It is anticipated that the 30-day full-scale demonstration test will commence in July. It is anticipated that the capacity of the existing floating raw water intake and water treatment plant will be re-rated to approximately 20.5 to 22 million gallons per day (MGD), depending on the final results of the demonstration test. A report documenting the results of the demonstration test will be submitted to TCEQ in August. It is estimated that the re-rate will be approved in late 2017 pending TCEQ's review and acceptance of the test results.*

TWDB, Comment 2: Please provide some background information on the reasoning behind reducing the initial water treatment plant (funded under DFund project 21600) size down from 30 mgd to 17 mgd.

BCRUA Response: *Due to budget constraints driven by escalating project costs (prior to the recession) and re-rates to the existing WTPs of the member cities that provided supplemental capacity, BCRUA commenced with constructing Phase 1 as four separate sub-phases (Phases 1A, 1B, 1C, and 1D). Phase 1A is the original project. Under Phase 1A, a treatment capacity of 17 MGD was constructed. Raw water and finished water pipelines were constructed to ultimate capacity. Phase 1B is a re-rate of the existing facilities to approximately 20.5 to 22 MGD. Phase 1C expands the raw water and treatment capacity of the system to approximately 30 MGD. Phase 1D will be constructed concurrently with Phase 2 to increase treatment capacity to approximately 42 MGD.*

TWDB, Comment 3: What is the status of design for the additional treatment train and appurtenances? How long after closing of the SWIFT funding do you anticipate before the design is finalized and ready to bid?

BCRUA Response: Walker Partners is currently under contract to design the additional treatment train and appurtenances under Phase 1C. Design is anticipated to require approximately 12 months. The current project schedule estimates advertisement for bids at the beginning June 2018.

TWDB, Comment 4: What improvements will be required at the Water Treatment Facility to meet any new rule requirements that may have become effective since the initial construction?

BCRUA Response: The existing water treatment processes are sufficient to meet current regulations.

TWDB, Comment 5: Has Texas Commission on Environmental Quality (TCEQ) reviewed and approved the plans and specifications for the addition of the new treatment train and improvements?

BCRUA Response: Plans and specifications for the Phase 1C project will be submitted to TCEQ for plan review in Spring 2018. BCRUA will schedule a meeting with TCEQ this summer to inform TCEQ staff of the project and the project schedule.

TWDB, Comment 6: Are the proposed raw water pump station improvements an expansion of the existing Twin Creeks Intake floating barge? The original preliminary engineering feasibility report (pages 4-5 and 4-6) detail the capability of the floating intake to expand to 33 million gallons per day.

BCRUA Response: During design of the raw water pump station, two bid alternatives were provided to contractors. Bid Alternative #1 consisted of an expansion and modifications to the existing Twin Creeks Intake floating barge. Bid Alternative #2 consisted of a new intake barge. Due to the extensive modifications required to retrofit the Twin Creeks barge under Bid Alternative #1, contractor bids for procuring a new barge under Bid Alternative #2 were more economical. BCRUA elected to award Bid Alternative #2 to reduce project costs and construction complexity.

Water Rights Questions/Concerns

TWDB, Comment 7: Please provide a copy of the amended inter-basin transfer permit 5677, authorizing the diversion of more than 6,400 acre feet per year by LCRA to benefit the City of Leander.

BCRUA Response: Please find attached the amended Water Use Permit No. 5677B, dated November 29, 2012, which increases Leander's diversion right from 6,400 AFY to 24,000 AFY.

TWDB, Comment 8: Please provide copies of any other inter-basin transfer permits applicable to the water to be used for the project.

Engineer Response: Please find attached Water Use Permit 5730, which approves LCRA's transfer of 25,000 AFY to the Brazos River Authority (BRA) for use in Williamson County service areas of BRA. Also attached are the three complete approved agreements between the City of Round Rock and BRA, which grants to Round Rock a total of 20,928 AFY of BRA's LCRA allocation.

Finally, please find attached a copy of Cedar Park's amended Water Use Permit No.4007C, dated June 13, 2001, which increases Cedar Park's diversion right from 16,500 AFY to 18,000 AFY.

TWDB, Comment 9: Per information submitted with DFund project 21600, Cedar Park has a 23 mgd wtp on Lake Travis. Does the 18,000 acre feet / year agreement between LCRA and Cedar Park include partial raw water for this plant? Does the City have additional raw water supplies within Lake Travis?

BCRUA Response: *Cedar Park's water treatment plant (WTP) has now been rerated by TCEQ to a capacity of 26 MGD (see attached TCEQ documentation). Cedar Park's 18,000 AFY Lake Travis supply will be sufficient to meet the needs of Cedar Park's 26 MGD WTP, and its post BCRUA Phase 1C capacity ownership. Any additional BCRUA treatment capacity in Phase 1D or later will require an additional supply from LCRA. Cedar Park reports that it is currently working on an application with LCRA to increase its contracted raw water supply from 18,000 AFY to 23,000 AFY.*

TWDB, Comment 10: Does the LCRA & Leander agreement include raw water supply for Sandy Creek WTP? Or does the City have additional raw water rights for their existing water treatment plants?

BCRUA Response: *Leander's current 24,000 AFY LCRA supply is sufficient for both its Sandy Creek WTP, and it's current and projected BCRUA Regional WTP capacity. Leander projects that its current LCRA raw water supply should be sufficient for a population of up to 200,000.*

Legal request for additional information

TWDB, Comment 11: No Litigation Certificate for Brushy Creek Regional Utility Authority

BCRUA Response: *N/A at this time, per communication with TWDB staff.*

TWDB, Comment 12: Bickerstaff Engagement Letter/Contract

BCRUA Response: *Please see the attached BCRUA bond counsel engagement letter with Bickerstaff.*

TWDB, Comment 13: Hilltop Securities Engagement Letter/Contract

BCRUA Response: *Please see the attached BCRUA Bond Financial Advisor engagement letter/contract with Hilltop Securities (First Southwest).*

Submitted by:

Tom Gallier, BCRUA General Manager

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



THE STATE OF TEXAS
COUNTY OF TRAVIS

I hereby certify that this is a true and correct copy of a
Texas Commission on Environmental Quality document,
which is filed in the permanent records of the Commission.
Given under my hand and the seal of office on

AMENDMENT TO
A WATER USE PERMIT

Bridget C. Bohac NOV 29 2012

Bridget C. Bohac, Chief Clerk
Texas Commission on Environmental Quality

PERMIT NO. 5677B

APPLICATION NO. 5677B

TYPE: 11.122, 11.085

Permittee:	Lower Colorado River Authority	Address:	3700 Lake Austin Blvd. Austin, Texas 78703
Filed:	August 22, 2012	Granted:	November 16, 2012
Purposes:	Municipal	Counties:	Travis and Williamson
Watercourse:	Colorado River	Watershed:	Colorado and Brazos River Basins

WHEREAS, Water Use Permit No. 5677 authorizes the Lower Colorado River Authority (LCRA or Permittee) an exempt interbasin transfer of 6,400 acre-feet of water per year diverted from Lake Travis on the Colorado River, Colorado River Basin, Travis County for municipal use within the service area of the City of Leander in Travis and Williamson Counties within the Colorado and Brazos River Basins; and

WHEREAS, the time priority of this right is February 2, 2000; and

WHEREAS, LCRA seeks to amend Water Use Permit No. 5677 to increase the amount of water authorized for exempt interbasin transfer from 6,400 acre-feet to 24,000 acre-feet of water per year, and specify that the water may come from any source of supply available for use in Travis County, including Certificates of Adjudication Nos. 14-5478 and 14-5482; and

WHEREAS, the Texas Commission on Environmental Quality (Commission) finds that jurisdiction over the application is established; and

WHEREAS, the Executive Director recommends that special conditions should be included in the amendment; and

WHEREAS, no requests for a contested case hearing were received for this application; and

WHEREAS, the Commission has complied with the requirements of the Texas Water Code and Rules of the Texas Commission on Environmental Quality in issuing this amendment;

NOW, THEREFORE, this amendment to Water Use Permit No. 5677, designated Water Use Permit No. 5677B, is issued to Lower Colorado River Authority subject to the following terms and conditions:

1. USE

In lieu of the previous authorization to transfer 6,400 acre-feet of water per year from Lake Travis, Colorado River Basin, under Permittee's Certificates of Adjudication Nos. 14-5478 and 14-5482, Permittee is now authorized to transfer 24,000 acre-feet of water per year from Lake Travis for municipal use within the service area of the City of Leander in Travis and Williamson counties within the Colorado and Brazos River Basins. The 24,000 acre-feet authorized for transfer under this permit may be water authorized in LCRA's Certificates of Adjudication Nos. 14-5478 and 14-5482, or any water rights or authorizations LCRA has obtained at the time of this permit or in the future.

2. CONSERVATION

Permittee shall implement water conservation plans that provide for the utilization of those practices, techniques, and technologies that reduce or maintain the consumption of water, prevent or reduce the loss or waste of water, maintain or improve the efficiency in the use of water, increase the recycling and reuse of water, or prevent the pollution of water, so that a water supply is made available for future or alternative uses. Such plans shall include a requirement that in every water supply contract entered into, on or after the effective date of this amendment, including any contract extension or renewal, that each successive wholesale customer develop and implement conservation measures. If the customer intends to resell the water, then the contract for resale of the water shall have water conservation requirements so that each successive customer in the resale of the water will be required to implement water conservation measures.

3. SPECIAL CONDITION

Prior to the diversion and use of other sources of water legally available to the Permittee, for municipal use within the service area of the City of Leander in Travis and Williamson Counties within the Brazos River Basin, under the terms and conditions of this amendment, Permittee must apply for and be granted the necessary authorization for those sources pursuant to TWC §11.085.

This amendment is issued subject to all terms, conditions and provisions contained in Water Use Permit No. 5677, as amended, except as specifically amended herein.

This amendment is issued subject to all superior and senior water rights in the Colorado River Basin.

Permittee agrees to be bound by the terms, conditions and provisions contained herein and such agreement is a condition precedent to the granting of this amendment.

All other matters requested in the application which are not specifically granted by this amendment are denied.

This amendment is issued subject to the Rules of the Texas Commission on Environmental Quality and to the right of continuing supervision of State water resources exercised by the Commission.



For the Commission

ISSUED: November 16, 2012

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION



THE STATE OF TEXAS
COUNTY OF TRAVIS
I hereby certify that this is a true and correct copy of a Texas Natural
Resource Conservation Commission document, which is filed in the
permanent records of the Commission.
Given under my hand and the seal of office on

Ladonna Castañuela SEP 25 2001
Ladonna Castañuela, Chief Clerk
Texas Natural Resource
Conservation Commission

PERMIT TO USE STATE WATER

APPLICATION NO. 5730	PERMIT NO. 5730	TYPE: §11.085
Permittee: Brazos River Authority	Address: P. O. Box 7555 Waco, Texas 76714	
Filed: February 12, 2001	Granted: AUG 22 2001	
Purpose: Municipal, Industrial, and Irrigation	County: Williamson	
Watercourse: Colorado River	Basin: Colorado River Basin and Brazos River Basin	

WHEREAS, pursuant to S.B. 1879, Acts 1997, Texas Legislature, Regular Session Chapter 154, the enabling statute of the Lower Colorado River Authority (LCRA) was amended to allow LCRA to provide water service in Williamson County within the service area of the BRA (Brazos River Authority) in the Brazos River Basin; and

WHEREAS, on January 26, 1998, the Board of Directors of the BRA adopted a resolution consenting to LCRA providing water service in Williamson County within the service area of the BRA in the Brazos River Basin; and

WHEREAS, pursuant to H. B. 1437, Acts 1999, Texas Legislature, Regular Session, Chapter 214, the enabling statute of the LCRA was amended to allow the LCRA to provide water service to additional areas in Williamson County; and

WHEREAS, on October 9, 2000, LCRA and BRA entered into a Water Sale Contract wherein LCRA, pursuant to its Certificate of Adjudication Nos. 14-5478, as amended, and 14-5482, as amended, will provide water service in the amount of 25,000 acre-feet of water per annum for municipal, industrial, and irrigation use by the BRA within its Williamson County service area; and

WHEREAS, the water may be diverted from the perimeter of Lake Travis as authorized in its Certificate of Adjudication No. 14-5482, as amended, and from the Colorado River at three diversion points located downstream of Lake Travis; and

WHEREAS, the BRA seeks authorization to allow use of the aforesaid 25,000 acre-feet of water per annum for municipal, industrial, and irrigation purposes within its service area in Williamson County; and

WHEREAS, the BRA also seeks authorization to reuse all of the wastewater effluent and return water created per annum by the use of the aforesaid 25,000 acre-feet for municipal, industrial, and irrigation purposes within the areas of use authorized for the initial uses, and as may be authorized by future amendments of the permit, in Williamson County; and

WHEREAS, the requested reuse authorization can be granted at this time, but additional future authorization must be obtained pursuant to Texas Water Code § 11.042 in order to use the bed and banks of state watercourses to deliver water for reuse, and this authorization cannot be obtained until discharge and diversion points have been identified by applicant and all statutory requirements satisfied; and

WHEREAS, the Commission will use the new Brazos River Basin Water Availability Model for future permitting, and water rights permitting recommendations from the Commission are based on a determination of available unappropriated waters and do not include wastewater effluent in the determination of available water; and

WHEREAS, pursuant to S.B. 1, Acts 1997, Texas Legislature, Regular Session, Chapter 1010, and Section § 11.085(v)(4), of the Texas Water Code, the Commission is authorized to grant an interbasin transfer permit if the proposed transfer is from a basin to a county that is partially within the basin for use in that part of the county not within the basin; and

WHEREAS, pursuant to S.B. 1, Acts 1997, Texas Legislature, Regular Session, Chapter 1010, and Texas Natural Resource Conservation Commission Rules 30 TAC § 295.155 (d), the requested authorization is an exempt interbasin transfer included under § 11.085 (v) not requiring notice; and

WHEREAS, the Texas Natural Resource Conservation Commission finds that jurisdiction over the application is established;

NOW THEREFORE, this permit is issued to the Brazos River Authority subject to the following terms and conditions:

1. USE

- A. Pursuant to a October 9, 2000 Water Sale Contract between LCRA and BRA and LCRA's Certificate of Adjudication Nos. 14-5478, as amended, and 14-5482, as amended, permittee is authorized to use water provided from storage from Lake Buchanan, Colorado River Basin, Llano and Burnet Counties and/or from Lake Travis, Colorado River Basin, Travis County, in an amount not to exceed 25,000 acre-feet of water for municipal, industrial, and irrigation use within the service area of the BRA in Williamson County within the Brazos River Basin.
- B. Permittee is authorized to reuse water authorized by this permit subject to obtaining future authorizations, after identifying specific points of discharge and diversion and satisfying the requirements of Texas Water Code § 11.042, for use of bed and banks for delivery.

2. DIVERSION POINTS

- A. From a point on the perimeter of Lake Travis
- B. From three points on the Colorado River located downstream of Lake Travis being as follows:
 - 1. Latitude 30.2964° N, Longitude 97.7878° W
 - 2. Latitude 30.2647° N, Longitude 97.7525° W
 - 3. Latitude 30.2307° N, Longitude 97.5203° W

3. WATER CONSERVATION

Water authorized for use under this permit shall be in accordance with the Water Conservation Plans and Drought Contingency Plans filed by the LCRA and BRA and approved by the Texas Natural Resource Conservation Commission.

4. TIME PRIORITY

The time priority for the impoundment of water in Lake Buchanan and Lake Travis is March, 29, 1926. The time priority for the diversion and use of water for all other purposes authorized herein is March 7, 1938.

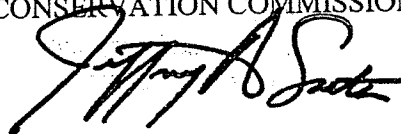
Permittee agrees to be bound by the terms, conditions and provisions contained herein and such agreement is a condition precedent to the granting of this permit.

All other matters requested in the application which are not specifically granted by this permit are denied.

This permit is issued subject to all superior and senior water rights in the Colorado River Basin.

This permit is issued subject to the Rules of the Texas Natural Resource Conservation Commission and to the right of continuing supervision of State water resources exercised by the Commission.

TEXAS NATURAL RESOURCE
CONSERVATION COMMISSION



For the Commission

DATE ISSUED:

AUG 22 2001

FILED AND RECORDED
OFFICIAL PUBLIC RECORDS

Nancy E. Rister

10-01-2001 08:44 AM 2001072067
ANDERSON \$15.00
NANCY E. RISTER, COUNTY CLERK
WILLIAMSON COUNTY, TEXAS

②

**Bickerstaff, Heath,
Smiley, Pollan, Keever & McDaniel, L.L.P.**

1700 Frost Bank Plaza 816 Congress Avenue
Austin, Texas 78701-2443

Att: *Bruce WASINGER*

SYSTEM WATER AVAILABILITY AGREEMENT
FOR COLORADO RIVER BASIN WATER
BETWEEN
BRAZOS RIVER AUTHORITY
AND
CITY OF ROUND ROCK

AGREEMENT made and entered into this the 4th day of October 2001, by and between BRAZOS RIVER AUTHORITY ("Authority"), a river authority of the State of Texas, and CITY OF ROUND ROCK ("Purchaser") of Williamson County, Texas.

1. RECITALS. Authority owns and operates various lakes in the Brazos River Basin. Authority also has entered into contracts with the United States of America by virtue of which it has obtained the right to utilize for water supply purposes a portion of the usable storage space in various lakes owned and operated by the United States Army Corps of Engineers. Authority is authorized by the State of Texas to store State waters in the lakes owned by Authority and various lakes owned and operated by the United States Army Corps of Engineers in the Brazos River Basin, hereinafter collectively called the "System", and to make such stored waters available for beneficial use.

Authority is authorized to operate the System as a hydrologic unit pursuant to an order of the Texas Water Commission (now Texas Natural Resource Conservation Commission "TNRCC") issued on July 23, 1964 ("System Operation Order"). The Final Determination of All Claims of Water Rights in the Brazos River Basin and the San Jacinto-Brazos Coastal Basin Maintained by the Brazos River Authority, Fort Bend County W.C.I.D. No. 1 and Galveston County Water Authority ("Final Determination") issued on June 26, 1985, by TNRCC clarified and amplified the System Operation Order. Under the System Operation Order as adjudicated by the Final Determination, Authority is authorized to operate the System as a hydrologic unit to more efficiently utilize the reservoirs that make up the System to make water available to meet the needs of Authority's customers.

Authority and Purchaser have entered into certain raw water contracts (System Water Availability Agreement Between Brazos River Authority And City of Round Rock - Lake Georgetown and System Water Availability Agreement Between Brazos River Authority And City of Round Rock - Lake Stillhouse Hollow) dated contemporaneously herewith pursuant to which Authority has agreed to make available a total of 24,854 acre-feet of water per Fiscal Year from the System.

Authority has also acquired the right to divert and use 25,000 acre-feet of water per year from the Colorado River Basin made available from the Lower

R-01-09-13-15F12

Colorado River Authority (LCRA) under the "Water Sale Contract by and between Lower Colorado River Authority and Brazos River Authority Purchaser", dated October 2000 (LCRA Contract) pursuant to the terms of House Bill 1437 of the 76th Texas Legislative Session and codified under Section 27 of the LCRA Enabling Act. It is from the 25,000 acre-foot of water per year from the Colorado River Basin (the "LCRA" Water") that Purchaser now wishes to contract for Authority to make available 6,944 acre-feet of water per Calendar Year under the terms and conditions herein provided.

2. DEFINITIONS.

- a) The term "Agreement" means this agreement.
- b) The term "Agreement Rates" means the "Agreement Water Rate", the "Agreement Reserved Water Charge", and the "Agreement Inverted Block Rate" for water purchased pursuant to this Agreement as more fully described in Section 5, PRICING STRUCTURE, and in Section 7, UNCONDITIONAL NATURE OF PAYMENT OBLIGATION; PRICE, below.
- c) The term "Area of Use" means that certain area in Williamson County that lies outside of the watershed of the Colorado River, but excludes those municipalities which were customers of the Lower Colorado River Authority as of May 20, 1997, and who are located in watersheds of both the Colorado and Brazos Rivers.
- d) The term "Authority" shall mean Brazos River Authority.
- e) The term "Board" shall mean the Board of Directors of Brazos River Authority.
- f) The term "Credit for System Rate Recovery" or "CSRR" means the credit described in Section 7. (c) of this Agreement.
- g) The term "Cost Recovery Fee" or "CRF" means the fee described in Section 7. (b) (3) of this Agreement.
- h) The term "Federal Contracts" shall mean those contracts with the United States of America whereby Authority has acquired, is acquiring, or may acquire conservation storage capacity in Federal Reservoirs.
- i) The term "Federal Reservoirs" shall include the following:
 - Aquilla Dam and Reservoir
 - Belton Dam and Reservoir
 - Georgetown Dam and Reservoir
 - Granger Dam and Reservoir
 - Proctor Dam and Reservoir
 - Somerville Dam and Reservoir
 - Stillhouse Hollow Dam and Reservoir
 - Whitney Dam and Reservoir
- j) The term "Fiscal Year" shall mean Authority's fiscal year from September 1 through August 31, or such other annual fiscal year period as Authority may later determine.
- k) The term "Highest Lawful Rate" shall mean the maximum rate which Authority may charge on obligations payable under this Agreement without

violation of any applicable law or any applicable lawful regulation of any agency of the State of Texas or of the United States having jurisdiction of the matter.

l) The term "Industrial Use" shall mean the use of water in processes designed to convert materials of a lower order of value into forms having greater usability and commercial value, including commercial feedlot operations, commercial fish production, and the development of power by means other than hydroelectric.

m) The term "Irrigation Use" shall mean the use of water for the irrigation of crops, trees, and pastureland, including, but not limited to, golf courses and parks which do not receive water through a municipal distribution system.

n) The term "LCRA" means Lower Colorado River Authority.

o) The term "LCRA Contract" means the "Water Sale Contract by and between Lower Colorado River Authority and Brazos River Authority, Purchaser" dated October 2000.

p) The term "LCRA Rates" means the LCRA rates and charges for sale of water for municipal purposes as delineated in Section II. B. of the LCRA Contract.

q) The term "LCRA Water" means the 25,000 acre-feet of water per year purchased by Brazos River Authority from LCRA pursuant to House Bill 1437 of the 76th Texas Legislative Session.

r) The term "Mining Use" shall mean the use of water for mining processes including hydraulic use, drilling, washing sand and gravel, and oil field repressuring.

s) The term "Municipal Use" shall mean the use of potable water within a community or municipality and its environs for domestic, recreational, commercial, or industrial purposes or for the watering of golf courses, parks and parkways.

t) The term "Purchaser" shall mean City of Round Rock.

u) The term "System" shall mean Authority's Water Supply System and shall include certain of Authority's facilities and properties insofar as they are related to making water available from the System, to wit, as follows: Morris Sheppard Dam and Possum Kingdom Reservoir, DeCordova Bend Dam and Lake Granbury, Sterling C. Robertson Dam and Lake Limestone, Authority's conservation storage in the Federal Reservoirs, and the LCRA Water obtained pursuant to the LCRA Contract, together with all future extensions, improvements, enlargements, and additions to and replacements of the System, and all replacements thereof whether from surface water supplies, groundwater, or a combination thereof, specifically added to the System by resolution of the Board; provided that, notwithstanding the foregoing, the term System shall not include (i) any of Authority's facilities and properties not specifically included in the System by the terms of this Agreement or not added by a subsequent resolution of the Board, and (ii) any water supply, wastewater or other facilities which have been or are declared not to be a part of the System and which may be acquired or constructed by Authority with the proceeds from the issuance of "Special Facilities Bonds," which are hereby defined as being special revenue

obligations of Authority which are not secured by or payable from the revenues of the System but which are secured by and payable solely from special contract revenues or payments received from any persons or other legal entity or entities in connection with such special facilities.

v) The term "System Agreements" means those certain raw water contracts titled "System Water Availability Agreement Between Brazos River Authority and City of Round Rock – Lake Georgetown" and "System Water Availability Agreement Between Brazos River Authority and City of Round Rock – Lake Stillhouse Hollow", dated contemporaneously with this Agreement herewith.

w) The term "System Operation Order" shall mean that certain order of the TNRCC or its predecessor dated July 23, 1964, as adjudicated by order of the TNRCC or its predecessor on June 26, 1985, in the Final Determination of all Claims of Water Rights in the Brazos River Basin and the San Jacinto-Brazos Coastal Basin Maintained by the Brazos River Authority, Fort Bend County W.C.I.D. No. 1 and Galveston County Water Authority.

x) The term "System Rate" or "SR" shall mean the rate per acre-foot of water established by Authority from time to time under its system-wide pricing methodology.

y) The term "Total Annual Budgeted System Costs" shall mean the amounts approved by Authority as estimated costs of the System in the annual budgets adopted by Authority for a given Fiscal Year including, without limitation, amounts budgeted to meet Annual System Operation and Maintenance Expenses and Annual Capital Related Costs.

z) The term "Total System Billing Units" shall mean the total amount of water (expressed in acre-feet) determined by Authority under accepted engineering practice as necessary to be reserved from firm yield produced by storage in the System to fulfill its commitments for which Authority receives payment under long term (in excess of five years) water sales contracts with Purchaser and Authority's other customers; provided, however, such term shall not include amounts of water required by appropriate governmental authority to be reserved in the System for use for bay and estuary purposes, in-stream uses, or for other similar environmental, public, or other beneficial uses to the extent Authority is not adequately compensated for any such requirement.

3. **EFFECTIVE DATE.** The effective date of this Agreement is September 1, 2001.

4. **AVAILABILITY OF WATER.** While this Agreement remains in force, Authority agrees to make available to Purchaser an amount of water not to exceed 6,944 acre-feet of water per Calendar Year under the following conditions:

a) Notwithstanding anything herein to the contrary, Authority's obligation to make water available to Purchaser under this Agreement is subject to, and limited by, the rights of Authority to obtain the LCRA Water pursuant to the LCRA Contract. Purchaser acknowledges that Purchaser has received a

copy of the LCRA Contract and is familiar with the rights of Authority thereunder, and the limitations on Authority's rights thereunder to obtain the LCRA Water.

b) Authority may interrupt or curtail the water supplied to Purchaser under this Agreement to the extent Authority experiences interruption or curtailment of water supplied to it under the LCRA Contract for any reason.

c) Water supplied under this Agreement shall only be used within the Area of Use.

d) Purchaser acquires no property rights in the water made available to it under this Agreement beyond the right to have the water made available to it for diversion and use under the terms of this Agreement. This right of use extends to direct reuse (flange to flange) of the water made available under this Agreement. Purchaser represents, and Authority relies on such representation, that all water to be made available by Authority under this Agreement to Purchaser shall be used solely for municipal purposes.

5. PRICING STRUCTURE

a) The pricing structure for water rates under this Agreement is dependent upon the pricing structure of water made available to the Authority under the LCRA Contract unless or until the Authority's System Rate exceeds the price derived from the formula provided for price calculation in Section 7, below. At such time, the price under this Agreement shall be the Authority's System Rate.

b) The LCRA Water is provided to Authority under the LCRA Contract pursuant to the following pricing structure:

(1) The "Water Rate" for LCRA Water is charged for water diverted and used during a calendar year. The current Water Rate is \$105.00 per acre-foot of water per year.

(2) The "Reserved Water Charge" for LCRA Water is charged for water under contract but not diverted and used during a calendar year. The Reserved Water Charge is 50% of the Water Rate, or currently \$52.50 per acre-foot of water per year.

(3) The "Inverted Block Rate" for LCRA Water is charged for all water used in excess of the total contractual amount and is currently \$200.00 per acre-foot of water per year.

(4) The "Conservation Charge" for LCRA Water is currently 25% of the Water Rate, the Reserved Water Charge, or the Inverted Block Rate, as applicable.

(5) The current "Total LCRA Rates" for LCRA Water are as follows:

(a) The "Total LCRA Water Rate" is the Water Rate + the Conservation Charge, currently \$131.25 an acre-foot.

(b) The "Total LCRA Reserved Water Charge" is the Reserved Water Charge + the Conservation Charge, currently \$65.63 an acre-foot.

(c) The "Total LCRA Inverted Block Rate" is the Inverted Block Rate + the Conservation Charge, currently \$250.00 an acre-foot.

d) The Authority makes water available to Purchaser under this Agreement pursuant to the following pricing structure:

(1) The "Agreement Reserved Water Charge" for all water agreed to be made available under this Agreement whether or not it is diverted and used during a calendar year. The current Agreement Reserved Water Charge is \$49.22 per acre-foot of water per year, the calculation for which is set out in Section 7.c., below.

(2) The "Agreement Water Rate" for only water that is diverted and used during a calendar year. The Agreement Water Rate equals the Agreement Reserved Water Charge and is in addition to the Agreement Reserved Water Charge.

3) The "Agreement Inverted Block Rate" for water used in excess of the amount agreed to be made available under this Agreement. The Agreement Inverted Block Rate equals the Total LCRA Inverted Block Rate.

6. DATE AND PLACE OF PAYMENTS.

a) Payments to be made hereunder shall be made at Authority's office in Waco, McLennan County, Texas. Authority contemplates that by September 1 of each Fiscal Year it will have adopted budgets for Authority for said Fiscal Year and established the System Rate and the Agreement Rates for said Fiscal Year. Payments for each Fiscal Year may be made under one of three payment options from which Purchaser will select at the beginning of each Fiscal Year. The payment due at the beginning of each Fiscal Year will be for the water agreed to be provided during the next calendar year, and shall be based on the Agreement Reserved Water Charge. Annual payments for water provided at the Agreement Reserved Water Charge shall be made on or before September 15 each Fiscal Year. Quarterly payments shall be made on or before September 15, December 15, March 15, and June 15 each Fiscal Year. Monthly payments shall be made on or before the fifteenth of each month each Fiscal Year. Quarterly payments or monthly payments shall include a multiplier to be applied to the annual payment to allow Authority to recover interest lost on any unpaid balance plus a service charge for administrative costs, including but not limited to costs involving the billing, accounting, and collecting for the quarterly or monthly payments. The multiplier to recover lost interest revenue and the service charge for administrative costs shall be determined on an annual basis and shall be just and reasonable. If the effective date of this Agreement is other than January 1, the amount of water available to Purchaser and the payment owed by Purchaser will be prorated for the remaining months of the Calendar Year, 2001.

b) The charge for any water actually diverted and used during the next calendar year will be billed to Purchaser on a monthly basis based on actual diversion and usage for the previous month at the Agreement Water Rate.

c) Purchaser may elect to defer payment of its obligations for water purchased pursuant to Agreement Reserved Water Charges by providing Authority notice of such election in writing within 60 days from the date of

execution of this Agreement. In no instance shall the deferral terms extend beyond the initial ten years of this Agreement.

If Purchaser selects deferred payment, the following structure will be used:

(1) Years 1-2; Purchaser will receive a credit of 50% of the Agreement Reserved Water Charge.

(2) Years 3-4; Purchaser will receive a credit of 25% of the Agreement Reserved Water Charge.

(3) Years 5-6; Purchaser will receive no deferral of the Agreement Reserved Water Charge.

(4) Year 7; Purchaser will pay 125% of the Agreement Reserved Water Charge.

(5) Years 8-9; Purchaser will pay 150% of the Agreement Reserved Water Charge.

(6) Year 10; Purchaser will pay the remaining outstanding deferred balance plus 100% of the current year's Agreement Reserved Water Charge.

Notwithstanding anything herein to the contrary, in the event the differed payments calculation yields a rate that is less than the then current Authority System Rate, the full System Rate will be the rate charged for that Fiscal Year's payment.

Unpaid balances will accumulate interest based on actual Authority interest rates earned on the Authority's investments. The Authority's interest rate will be the Authority's average annual portfolio yield plus 0.5 percent per annum for administrative costs. Interest charges will be assessed on an annual basis using simple interest, compounded annually.

7. UNCONDITIONAL NATURE OF PAYMENT OBLIGATION; PRICE.

a) Purchaser unconditionally agrees to pay Authority in accordance with the terms of this Agreement for the water agreed to be made available to Purchaser from the LCRA Water pursuant to this Agreement.

b) The Agreement Rates are derived using the following components:

(1) The Authority's System Rate (currently \$26.00 per acre-foot of water per year).

(2) The Total LCRA Water Rate, Total LCRA Reserved Water Charge, or Total LCRA Inverted Block Rate (as defined in Section 5.b.(5), above).

(3) The "Cost Recovery Fee" (the applicable Total LCRA Rate minus the Authority's System Rate minus the Credit for System Rate Recovery).

c) The "Credit for System Rate Recovery" (a 25% discount from the Total LCRA Water Rate or the Total LCRA Reserved Water Rate, but not from the Total LCRA Inverted Block Rate). The Agreement Reserved Water

Charge (ARWC) is the System Rate plus the Cost Recovery Fee. Using current components, the Agreement Reserved Water Charge is derived as follows:

$$\text{ARWC} = \text{SR} + \text{CRF}$$

$$\text{ARWC} = \$26.00 + (\text{Total LCRA Reserved Water Charge} - \text{SR} - \text{CSRR})$$

$$\text{ARWC} = \$26.00 + (\$65.63 - \$26.00 - \$16.41)$$

$$\text{ARWC} = \$26.00 + \$23.22$$

$$\text{ARWC} = \$49.22$$

d) The Agreement Water Rate is equal to the Agreement Reserved Water Charge, currently \$49.22, and is in addition to the Agreement Reserved Water Charge.

e) The Agreement Inverted Block Rate is equal to the Total LCRA Inverted Block Rate, currently \$250.00.

f) Authority may, and it specifically reserves the right to, revise the Agreement Rates from time to time (usually prior to the start of each Fiscal Year) to reflect changes in the System Rate and the LCRA Rates. Authority shall not increase the Agreement Rates other than on a Fiscal Year basis except for unforeseeable reasons of a serious and substantial nature. Such reasons include Force Majeure, government legislation or regulation, permit requirements, or changes in the LCRA Rates.

g) Notwithstanding anything herein to the contrary, in the event the Agreement Rates calculation yields a rate that is less than the then current Authority System Rate, the System Rate will be the Agreement Rates.

8. **SOURCE OF PAYMENTS.** The payments to be made hereunder by Purchaser shall constitute operating expenses of Purchaser's water works system or Purchaser's combined water works and sewer system. Purchaser shall charge rates for services of its water works system or its combined water works and sewer systems that will be sufficient to pay the operating and maintenance expenses thereof, including the payments provided for hereunder, and the interest on and principal of, as the same come due and mature, obligations issued by Purchaser now or hereafter payable from the revenues of said system or systems.

9. **INTEREST ON PAST DUE PAYMENT; COLLECTION.** In the event of failure of Purchaser to make any payment to Authority provided to be made in this Agreement at the time when same shall be due, the past due payment shall bear interest at the lesser of the highest rate allowed by applicable law or 18 percent per year. Regardless of any other provision contained in this Agreement, Authority shall never be entitled to receive, collect, or apply as interest under this Agreement any amount of money determined at a rate which exceeds the Highest Lawful Rate. If Authority ever charges, receives, collects, or applies as interest an amount in excess of that permitted by application of the Highest Lawful Rate, then any such amount which would be excessive interest shall be deemed a partial prepayment of amounts payable under this Agreement which do not constitute interest and shall be treated hereunder as such; and if all

other obligations payable under this Agreement shall have been paid in full, then Authority shall refund the amount of such excessive interest.

10. **REMEDIES FOR NONPAYMENT OR DEFAULT.** Should Purchaser fail to make any payment to Authority when due hereunder or otherwise be in default under this Agreement, Authority at its sole option and in addition to and without impairing any other remedy available to it on account of the default, may elect to either (i) suspend its duty to make available water to Purchaser under this Agreement or (ii) terminate this Agreement, by providing written notice of such suspension or termination delivered to Purchaser on or before 30 days before the date specified in said notice of suspension or termination, provided that the nonpayment or other default with respect to which notice of suspension or termination of this Agreement has been given, shall not be cured by the date specified in such notice. Nothing in this Agreement shall be construed in any manner so as to abridge, limit, or deprive either party hereunto of any means which it would otherwise have of enforcing any right or remedy either in law or in equity for breach of any of the provisions hereof.

11. **REMEDIES FOR OVERUSE.** Purchaser recognizes that any diversion of water in excess of its contractual amount may impact Authority's ability to make available water to Authority's other raw water customers. Purchaser agrees that if for any reason it needs to exceed the contractual annual amount of water to be made available to it under this Agreement, Purchaser will give written notice to Authority 30 days in advance of the need for such additional water and in such notice will state the reason for the additional need, the amount of water needed to be made available, and the duration of the need. Authority, in its sole discretion, may make all or a portion of the requested water available.

Should Authority determine that it can make all or a portion of the requested water available without adversely impacting its ability to make water available to its other customers, Purchaser agrees to pay for such water to be made available in advance at a rate that is equal to the then current Agreement Inverted Block Rate.

Should Purchaser fail to notify Authority of its need for additional water to be made available, and exceed the contractual annual amount of water to be made available to it, or should Purchaser, after notification of Authority and Authority's determination that additional water is not available for Purchaser's use, nonetheless exceed the contractual amount of water to be made available to it, Authority may cancel this Agreement by providing written notice of such cancellation delivered to Purchaser on or before thirty (30) days before the date specified in said notice of cancellation.

Nothing in this Agreement shall be construed in any manner so as to abridge, limit, or deprive either party hereunto of any means which it would

otherwise have of enforcing any right or remedy either in law or in equity for breach of any of the provisions hereof.

12. FACILITIES. All new facilities that are located in the Area of Use that are used to transport raw water that is purchased pursuant to this Agreement exclusively may be owned and operated by LCRA, at its sole option. All new facilities or all substantial expansions to facilities that are located in the Area of Use that treat water or transport treated water that is purchased pursuant to this Agreement and that are constructed by BRA or LCRA shall be Brazos-Colorado Alliance projects. The LCRA may own, at its sole option, a portion of any such facilities that is commensurate with the percentage that LCRA water (i.e., water supplied under the LCRA Contract) bears to the total amount of water supplied by BRA and LCRA for treatment or transportation by such facilities. For example, if twenty-five percent (25%) of the water used at an Alliance facility is supplied by LCRA under the LCRA Contract, the LCRA may own twenty-five (25%) percent of that facility. All such facilities in the Area of Use, however, shall be operated by BRA.

All new facilities and all substantial expansions to facilities that are located in the Area of Use that treat or transport treated water purchased pursuant to this Agreement that are constructed by Purchaser may be owned and/or operated by Purchaser if such ownership and/or operation is desired by Purchaser.

Purchaser acknowledges that the economics of scale and efficiencies of use made possible by regionalization of water treatment facilities are highly desirable. Purchaser, therefore, agrees to negotiate in good faith with BRA and LCRA to maximize the potential for regionalization of water treatment and transportation facilities, either new facilities or substantial expansion of facilities, located in the Area of Use used to treat or transport water that is purchased pursuant to this Agreement.

13. METERING. Purchaser agrees that, at its sole cost and expense, it shall install, operate and maintain meters for the accurate measuring of all water diverted by Purchaser under this Agreement in order to aid Authority in accurately reporting actual water usage to the TNRCC as required by applicable law or regulation. Such meter or meters shall be tested and calibrated for accuracy by and at the expense of Purchaser once each fiscal year at intervals of approximately 12 months, and a report of such test and calibration shall be furnished to Authority. Authority shall be given at least two prior days notice of the time of any test and calibration of Purchaser's meters, or any of them, and Authority shall have the right to have a representative present at each test to observe the test and any adjustments found thereby to be necessary. Authority shall have the right to inspect and check the accuracy of Purchaser's meter or meters at any time during usual business hours after not less than one nor more than five (5) days notice. In the event any question arises at any time as to the

accuracy of any such meter, such meter shall be tested promptly upon demand of Authority, the expense of such test to be borne by Authority if the meter is found to be correct and by Purchaser if it is found to be incorrect. Readings within 2% of accuracy, plus or minus, shall be considered correct. If, as a result of any test, any meter is found to be registering inaccurately (i.e., in excess of 2% of accuracy, plus or minus), the readings of such meter shall be corrected at the rate of its inaccuracy for any period which is definitely known and agreed upon, but in case the period is not definitely known and agreed upon, then the shorter of the following periods shall be used as the basis for correction:

- a) a period extending back either 60 days from the date of demand for the test or, if no demand for the test was made, 60 days from the date of the test; or
- b) a period extending back half of the time elapsed since the last previous test;

and the records of readings shall be adjusted accordingly. Following each test of a meter, Purchaser shall cause the same to be calibrated to register accurately.

14. REPORTING. Purchaser agrees that it will keep accurate records of the daily readings from the meter or meters installed pursuant to Section 13., Metering, above. These records shall be subject to inspection by Authority at reasonable times and places. Purchaser shall submit reports to Authority by the 10th day of each month showing the amount of water diverted under this Agreement each day during the preceding month.

15. SYSTEM AGREEMENT. This Agreement does not affect the rights and obligations of Authority and Purchaser under the System Agreements.

16. CONSERVATION OF WATER. It is the intent of the parties to this Agreement to provide to the maximum extent practicable for the conservation of water, and Purchaser agrees that it is a condition of this Agreement that it shall maintain and operate its facilities in a manner that will prevent unnecessary waste of water. Authority, in accordance with applicable law or regulation, may from time to time adopt reasonable rules and regulations relating to water conservation. Purchaser agrees to abide by the "Brazos River Authority Drought Contingency Policy" adopted by the Board on January 16, 1989, or any subsequent Drought Contingency Policy duly adopted by the Board and any Drought Contingency Plans developed under the Drought Contingency Policy. If required by applicable law or regulation or by Authority, Purchaser agrees to implement a water conservation and drought management program in accordance with a water conservation plan and that the water made available and diverted by Purchaser pursuant to this Agreement will be used in accordance with such conservation plan, and with the regulations of the Texas Natural Resource Conservation Commission (or other appropriate regulating authority) applicable to retail public utilities. Purchaser further agrees to make available its water conservation and drought contingency programs to Authority and LCRA for

review. If required by applicable law or regulation Purchaser agrees that, in the event Purchaser furnishes water or water services to a third party that in turn will furnish the water or services to the ultimate consumer, the requirements relative to water conservation shall be met through contractual agreements between Purchaser and the third party providing for the establishment and implementation of a water conservation program in compliance with such applicable law or regulation.

If Purchaser fails to comply with its water conservation plan, Authority may, at its sole option terminate this Agreement without recourse unless such default is cured within thirty (30) or, if the nature of such default is not susceptible to being cured within such thirty (30) day period, such longer period of time during which Purchaser diligently prosecutes the cure of such default, not to exceed ninety (90) days of Purchaser's receipt of written notice of such default.

17. WATER QUALITY. As a further condition of this Agreement, Purchaser also agrees that it will comply with applicable water quality standards of the State in the diversion, use, reuse, or discharge of water made available hereunder. Should Purchaser be determined by any competent legal authority to have degraded the quality of water of the State or to have violated any water quality standard established by law or lawfully adopted regulation, and subsequently fail to take action with reasonable diligence to correct such deficiency as directed by competent legal authority, such failure shall constitute an event of default under this Agreement.

Authority, in accordance with applicable law or regulation, may from time to time adopt reasonable rules and regulations relating to water quality protection. If required by applicable law or regulation or by Authority, Purchaser agrees to implement appropriate water quality protection measures including, without limitation, a non-point source water pollution abatement program in accordance with a non-point source water pollution abatement plan.

18. WATER SURPLUS TO PURCHASER'S NEEDS. Purchaser may not unilaterally cancel this Agreement or reduce the amounts of water agreed to be made available to it and for which availability it is obligated to pay under the terms of Sections 4. and 7., above, except as provided in Section 26, below. Purchaser may not sell or make available to others the water agreed to be made available to it under this Agreement, except in the case of municipal uses, as potable treated water. However, should Purchaser determine that it has water surplus to its anticipated needs from the water to be made available by Authority under this Agreement, Purchaser may notify Authority as to the amount of water no longer needed to be made available to it. Authority will use reasonable efforts to find a third party who is able and willing to pay for such availability for a period to the end of this Agreement. If Authority is successful in finding such a third party suitable to it to acquire Purchaser's interest in its available surplus for a period of time to the end of this Agreement, this Agreement will be amended to

reduce the amount of water to be made available to Purchaser by the amount of availability paid for by such third party, and Purchaser will be relieved of the obligation to make payments for such availability of water.

19. **SHORTAGES.** Authority makes no guarantee that any lakes or other sources of supply in the Colorado River Basin will be maintained at any specific level at any particular time. Purchaser bears all transportation losses prior to final diversion. It is fully understood by the parties hereto that the level of lakes or other sources of supply in the Colorado River Basin will vary as a result of weather conditions beyond the control of Authority, and that this instrument is merely an agreement to require Authority to make available water when and if water is available to Authority under the Authority's LCRA Contract, and to allow Purchaser to make withdrawals of the water subject to the general law on distribution and allocation of water during shortages of supply.

Authority covenants that it will use its best reasonable efforts to maintain and preserve its rights under the LCRA Contract. If for any reason the availability of water to Authority under the LCRA Contract is restricted, impaired, or otherwise limited, Authority agrees, and Purchaser covenants, that Authority may fairly and equitably apportion and ration the available water supply from the LCRA Contract among all its several customers receiving water from Authority as a result of the LCRA Contract, including Purchaser.

20. **FORCE MAJEURE.** Notwithstanding anything herein to the contrary, neither party hereto shall be under any liability or be deemed in default with respect to its obligations under this Agreement for any failure to perform or for delay in performing such party's obligations hereunder (except for the obligation to pay money) where such failure or delay is due to force majeure, while and to the extent that such performance is prevented by such cause. The term force majeure means acts of God, fire, storm, flood, war, riots, sabotage, drought, lack of availability of water due to sedimentation, low inflows of water to, or lack of water supply in the System or from the Colorado River basin to be made available under the LCRA Contract, strikes or other differences with labor (whether or not within the power of the parties to settle same), decrees or orders of the courts or other governmental authority, or other similar or dissimilar causes not within the reasonable control of such party and not due to negligence of such party. Each party shall use due diligence to resume performance of any obligation suspended by force majeure at the earliest practicable time.

21. **WAIVER.** Any waiver at any time by any party of its rights with respect to default under this Agreement shall not be deemed a waiver of such rights with respect to any subsequent default or matter.

22. **NOTICES AND CERTIFICATIONS.** Notices and certifications provided for in this Agreement shall be in writing. The same shall be delivered by

mailing certified mail, postage paid, return receipt requested, to the respective parties at the following addresses:

Authority: Brazos River Authority
P.O. Box 7555
Waco, Texas 76714-7555
Telephone: (254) 776-1441
Fax: (254) 772-5780

Purchaser: City of Round Rock
221 East Main Street
Round Rock, Texas 78664
Telephone: (512) 218-5400
Fax: (512) 218-7097

Either party may change its address as shown above by written notice to the other party. Notices shall be deemed to have been delivered on the business day following their deposit in the United States mail, postage paid, and properly addressed and certified.

23. OTHER REQUIREMENTS. This Agreement is subject to all conditions, provisions, and limitations included in Authority's water rights from the TNRCC and the System Order and the LCRA Contract. Further, this Agreement is subject to all applicable Federal, State and local laws, and any applicable ordinances, rules, orders and regulations of any local, State or Federal governmental authority having jurisdiction. However, nothing contained in this Agreement shall be construed as a waiver of any right to question or contest any law, ordinance, order, rule, or regulation of any governmental authority.

24. SEVERABILITY. The provisions of this Agreement are severable, and if for any reason any one or more of the provisions contained in this Agreement shall be held to be invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability shall not affect any other provisions of this Agreement and this Agreement shall remain in effect and be construed as if the invalid, illegal, or unenforceable provision had never been contained in the Agreement.

25. ASSIGNMENT. This Agreement may be assigned by Purchaser only with the written consent of Authority, which consent shall not be unreasonably withheld or delayed. Only assignment of this entire Agreement will be approved. Releases of lesser obligations must be authorized under Section 18., Water Surplus to Purchaser's Needs, above.

26. TERM OF AGREEMENT. The term of this Agreement shall begin on the Effective Date, Section 3., and shall end on the fifty (50) year anniversary of the Effective Date. If Authority is able to extend or renew its LCRA Contract,


Authority and Purchaser agree to negotiate in good faith regarding terms for extension or renewal of this Agreement.

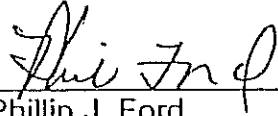
If purchaser is current on all payments due Authority under this Agreement, Purchaser may terminate this contract, in whole or in part, on February 15 of any year following the expiration of ten (10) years measured from the Effective Date by providing six (6) months prior written notice to Authority, that is by August 15 of the year preceding the February 15 termination date.

This Agreement shall be null and void in the event that the interbasin transfer permit referenced in Section 3, above, is not issued by the TNRCC within the two (2) years of the date of filing of the application for said interbasin transfer permit.

CITY OF ROUND ROCK

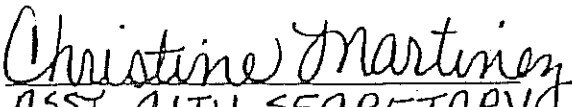
BRAZOS RIVER AUTHORITY

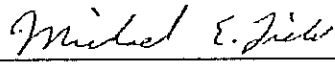
By: 
Name: ROBERT A. SILUKA, JR.
Title: MAYOR

By: 
Phillip J. Ford
General Manager

ATTEST:

ATTEST:


ASST. CITY SECRETARY


Assistant Secretary

SYSTEM WATER AVAILABILITY AGREEMENT
FOR COLORADO RIVER BASIN WATER
BETWEEN
BRAZOS RIVER AUTHORITY
AND
CITY OF ROUND ROCK

AGREEMENT made and entered into this the *26th* day of *September* 2002, by and between BRAZOS RIVER AUTHORITY ("Authority"), a river authority of the State of Texas, and CITY OF ROUND ROCK ("Purchaser") of Williamson County, Texas.

1. **RECITALS.** Authority owns and operates various lakes in the Brazos River Basin. Authority also has entered into contracts with the United States of America by virtue of which it has obtained the right to utilize for water supply purposes a portion of the usable storage space in various lakes owned and operated by the United States Army Corps of Engineers. Authority is authorized by the State of Texas to store State waters in the lakes owned by Authority and various lakes owned and operated by the United States Army Corps of Engineers in the Brazos River Basin, hereinafter collectively called the "System", and to make such stored waters available for beneficial use.

Authority is authorized to operate the System as a hydrologic unit pursuant to an order of the Texas Water Commission (now Texas Natural Resource Conservation Commission "TNRCC") issued on July 23, 1964 ("System Operation Order"). The Final Determination of All Claims of Water Rights in the Brazos River Basin and the San Jacinto-Brazos Coastal Basin Maintained by the Brazos River Authority, Fort Bend County W.C.I.D. No. 1 and Galveston County Water Authority ("Final Determination") issued on June 26, 1985, by TNRCC clarified and amplified the System Operation Order. Under the System Operation Order as adjudicated by the Final Determination, Authority is authorized to operate the System as a hydrologic unit to more efficiently utilize the reservoirs that make up the System to make water available to meet the needs of Authority's customers.

Authority and Purchaser have entered into certain raw water contracts (System Water Availability Agreement Between Brazos River Authority And City of Round Rock - Lake Georgetown And System Water Availability Agreement Between Brazos River Authority And City of Round Rock - Lake Stillhouse Hollow).

Authority has also acquired the right to divert and use 25,000 acre-feet of water per year from the Colorado River Basin made available from the Lower Colorado River Authority (LCRA) under the "Water Sale Contract by and between Lower Colorado River Authority and Brazos River Authority Purchaser", dated October 2000 (LCRA Contract) pursuant to the terms of House Bill 1437 of the 76th Texas Legislative Session and codified under Section 27 of the LCRA Enabling Act. It is from the 25,000 acre-foot of

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water per year from the Colorado River Basin (the "LCRA Water") that Purchaser now wishes to contract for Authority to make available 4,500 acre-feet of water per Calendar Year under the terms and conditions herein provided.

2. DEFINITIONS.

- a) The Term "Agreement" means this agreement.
- b) The Term "Agreement Rates" means the "Agreement Water Rate", the "Agreement Reserved Water Charge", and the "Agreement Inverted Block Rate" for water purchased pursuant to this Agreement as more fully described in Section 5, PRICING STRUCTURE, and in Section 7, UNCONDITIONAL NATURE OF PAYMENT OBLIGATION; PRICE, below.
 - c) The term "Area of Use" means that certain area in Williamson County that lies outside of the watershed of the Colorado River, but excludes those municipalities which were customers of the Lower Colorado River Authority as of May 20, 1997, and who are located in watersheds of both the Colorado and Brazos Rivers.
 - d) The term "Authority" shall mean Brazos River Authority.
 - e) The term "Board" shall mean the Board of Directors of Brazos River Authority.
 - f) The term "Credit for System Rate Recovery" of "CSRR" means the credit described in Section 7. (c) of this Agreement.
 - g) The term "Cost Recovery Fee" or "CRF" means the fee described in Section 7. (b) (3) of this Agreement.
 - h) The Term "Federal Contracts" shall mean those contracts with the United States of America whereby Authority has acquired, is acquiring, or may acquire conservation storage capacity in Federal Reservoirs.
 - i) The term "Federal Reservoirs" shall include the following:
 - Aquilla Dam and Reservoir
 - Belton Dam and Reservoir
 - Georgetown Dam and Reservoir
 - Granger Dam and Reservoir
 - Proctor Dam and Reservoir
 - Somerville Dam and Reservoir
 - Stillhouse Hollow Dam and Reservoir
 - Whitney Dam and Reservoir
 - j) The term "Fiscal Year" shall mean Authority's fiscal year from September 1 through August 31, or such other annual fiscal year period as Authority may later determine.
 - k) The term "Highest Lawful Rate" shall mean the maximum rate which Authority may charge on obligations payable under this Agreement without violation of any applicable law or any applicable lawful regulation of any agency of the State of Texas or of the United States having jurisdiction of the matter.
 - l) The term "Industrial Use" shall mean the use of water in processes designed to convert materials of a lower order of value into forms having greater usability and commercial value, including commercial feedlot operations, commercial fish production, and the development of power by means other than hydroelectric.
 - m) The term "Irrigation Use" shall mean the use of water for the irrigation of crops, trees, and pastureland, including, but not limited to, golf courses and parks which do not receive water through a municipal distribution system.

- n) The term "LCRA" means Lower Colorado River Authority.
- o) The term "LCRA Contract" means the "Water Sale Contract by and between Lower Colorado River Authority and Brazos River Authority, Purchaser" dated October 2000.
- p) The term "LCRA Rates" means the LCRA rates and charges for sale of water for municipal purposes as delineated in Section II. B. of the LCRA Contract.
- q) The term "LCRA Water" means the 25,000 acre-feet of water per year purchased by Brazos River Authority from LCRA pursuant to House Bill 1437 of the 76th Texas Legislative Session.
- r) The term "Mining Use" shall mean the use of water for mining processes including hydraulic use, drilling, washing sand and gravel, and oil field repressuring.
- s) The term "Municipal Use" shall mean the use of potable water within a community or municipality and its environs for domestic, recreational, commercial, or Industrial purposes or for the watering of golf courses, parks and parkways.
- t) The term "Purchaser" shall mean City of Round Rock.
- u) The term "System" shall mean Authority's Water Supply System and shall include certain of Authority's facilities and properties insofar as they are related to making water available from the System, to wit, as follows: Morris Sheppard Dam and Possum Kingdom Reservoir, DeCordova Bend Dam and Lake Granbury, Sterling C Robertson Dam and Lake Limestone, Authority's conservation storage in the Federal Reservoirs, and LCRA Water obtained pursuant to the LCRA Contract, together with all future extensions, improvements, enlargements, and additions to and replacements of the System; and all replacements thereof whether from surface water supplies, groundwater, or a combination thereof, specifically added to the System by resolution of the Board; provided that, notwithstanding the foregoing, the term System shall not include (i) any of Authority's facilities and properties not specifically Included in the System by the terms of this Agreement or not added by the subsequent resolution of the board, and (ii) any water supply, wastewater or other facilities which have been or are declared not to be a part of the system and which may be acquired or constructed by Authority with the proceeds from the issuance of "Special Facilities Bonds," which are hereby defined as being special revenue obligations of Authority which are not secured by or payable from the revenues of the System but which are secured by and payable solely from special contract revenues or payments received from any persons or other legal entity or entities in connection with such special facilities.
- v) The term "System Agreements" means those certain raw water contracts titled "System Water Availability Agreement Between Brazos River Authority and City of Round Rock - Lake Georgetown" and "System Water Availability Agreement Between Brazos River Authority and City of Round Rock - Lake Stillhouse Hollow", dated contemporaneously with this Agreement herewith.
- w) The term "System Operation Order" shall mean that certain order of TNRCC or its predecessor dated July 23, 1964, as adjudicated by order of the TNRCC or its predecessor on June 26, 1985, in the Final Determination of all Claims of Water Rights in the Brazos River Basin and the San Jacinto-Brazos Coastal Basin Maintained by the Brazos River Authority, Fort Bend County W.C.I.D. No. 1 and Galveston County Water Authority.

x) The term "System Rate" or "SR" shall mean the rate per acre-foot of water established by Authority from time to time under its system-wide pricing methodology.

y) The term "Total Annual Budgeted System Costs" shall mean the amounts approved by Authority as estimated costs of the System in the annual budgets adopted by Authority for a given Fiscal Year including, without limitation, amounts budgeted to meet Annual System Operation and Maintenance Expenses and Annual Capital Related Costs.

z) The term "Total System Billing Units" shall mean the total amount of water (expressed in acre-feet) determined by Authority under accepted engineering practice as necessary to be reserved from firm yield produced by storage in the System to fulfill its commitments for which Authority receives payment under long term (in excess of five years) water sales contracts with Purchaser and Authority's other customers; provided, however, such term shall not include amounts of water required by appropriate governmental authority to be reserved in the System for use for bay and estuary purposes, in-stream uses, or for other similar environmental, public, or other beneficial uses to the extent Authority is not adequately compensated for any such requirement.

3. **EFFECTIVE DATE.** The effective date of this Agreement is September 1, 2002.

4. **AVAILABILITY OF WATER.** While this Agreement remains in force, Authority agrees to make available to Purchaser an amount of water not to exceed 4,500 acre-feet of water per Calendar Year under the following conditions:

a) Notwithstanding anything herein to the contrary, Authority's obligation to make water available to Purchaser under this Agreement is subject to, and limited by, the rights of Authority to obtain the LCRA Water pursuant to the LCRA Contract. Purchaser acknowledges that Purchaser has received a copy of the LCRA Contract and is familiar with the rights of Authority thereunder, and the limitations on Authority's rights thereunder to obtain the LCRA Water.

b) Authority may interrupt or curtail the water supplied to Purchaser under this Agreement to the extent Authority experiences interruption or curtailment of water supplied to it under the LCRA Contract for any reason.

c) Water supplied under this Agreement shall only be used within the Area of Use.

d) Purchaser acquires no property rights in the water made available to it under this Agreement beyond the right to have the water made available to it for diversion and use under the terms of this Agreement. This right of use extends to direct reuse (flange to flange) of the water made available under this Agreement. Purchaser represents, and Authority relies on such representation, that all water to be made available by Authority under this Agreement to Purchaser shall be used solely for municipal purposes.

5. PRICING STRUCTURE

a) The pricing structure for water rates under this Agreement is dependent upon the pricing structure of water made available to the Authority under the LCRA Contract unless or until the Authority's System Rate exceeds the price derived from the formula provided for price calculation in Section 7, below. At such time, the price under this Agreement shall be the Authority's System Rate.

b) The LCRA Water is provided to Authority under the LCRA Contract pursuant to the following pricing structure:

(1) The "Water Rate" for LCRA Water is charged for water diverted and used during a calendar year. The current Water Rate is \$105.00 per acre-foot of water per year.

(2) The "Reserved Water Charge" for LCRA Water is charged for water under contract but not diverted and used during a calendar year. The Reserved Water Charge is 50% of the Water Rate, or currently \$52.50 per acre-foot of water per year.

(3) The "Inverted Block Rate" for LCRA Water is charged for all water used in excess of the total contractual amount and is currently \$200.00 per acre-foot of water per year.

(4) The "Conservation Charge" for LCRA Water is currently 25% of the Water Rate, the Reserved Water Charge, or the Inverted Block Rate, as applicable.

(5) The current "Total LCRA Rates" for LCRA Water are as follows:

(a) The "Total LCRA Water Rate" is the Water Rate + the Conservation Charge, currently \$131.25 an acre-foot.

(b) The "Total LCRA Reserved Water Charge" is the Reserved Water Charge + the Conservation Charge, currently \$65.63 an acre-foot.

(c) The "Total LCRA Inverted Block Rate" is the Inverted Block Rate + the Conservation Charge, currently \$250.00 an acre-foot.

(d) The Authority makes water available to Purchaser under this Agreement pursuant to the following pricing structure:

(1) The "Agreement Reserved Water Charge" for all water agreed to be made available under this Agreement whether or not it is diverted and used during a calendar year. The current Agreement Reserved Water Charge is \$49.22 per acre-foot of water per year, the calculation for which is set out in Section 7.c., below.

(2) The "Agreement Water Rate" for only water that is diverted and used during a calendar year. The Agreement Water Rate equals the Agreement Reserved Water Charge and is in addition to the Agreement Reserved Water Charge.

(3) The "Agreement Inverted Block Rate" for water used in excess of the amount agreed to be made available under this Agreement. The Agreement Inverted Block Rate Equals the Total LCRA Inverted Block Rate.

6. DATE AND PLACE OF PAYMENTS

a) Payments to be made hereunder shall be made at Authority's office in Waco, McLennan County, Texas. Authority contemplates that by September 1 of each Fiscal Year it will have adopted budgets for Authority for said Fiscal Year and established the System Rate and the Agreement Rates for said Fiscal Year. Payments for each Fiscal Year may be made under one of three payment options from which

Purchaser will select at the beginning of each Fiscal Year. The payment due at the beginning of each Fiscal Year will be for the water agreed to be provided during the next calendar year, and shall be based on the Agreement Reserved Water Charge. Annual payments for water provided at the Agreement Reserved Water Charge shall be made on or before September 15 each Fiscal Year. Quarterly payments shall be made on or before September 15, December 15, March 15, and June 15 each Fiscal Year. Monthly payments shall be made on or before the fifteenth of each month each Fiscal Year. Quarterly payments or monthly payments shall include a multiplier to be applied to the annual payment to allow Authority to recover interest lost on any unpaid balance plus a service charge for administrative costs, including but not limited to costs involving the billing, accounting, and collecting for the quarterly or monthly payments. The multiplier to recover lost interest revenue and the service charge for administrative costs shall be determined on an annual basis and shall be just and reasonable. If the effective date of this Agreement is other than January 1, the amount of water available to Purchaser and the payment owed by Purchaser will be prorated for the remaining monthly of the Calendar Year, 2002.

b) The charge for any water actually diverted and used during the next calendar year will be billed to Purchaser on a monthly basis based on the actual diversion and usage for the previous month at the Agreement Water Rate.

c) Purchaser may elect to defer payment of its obligations for water purchased pursuant to Agreement Reserved Water Charges by providing Authority notice of such election in writing within 60 days from the date of execution of this Agreement. In no instance shall the deferral terms extend beyond the initial ten years of this Agreement.

If Purchaser selects deferred payment, the following structure will be used:

(1) Years 1-2: Purchaser will receive a credit of 50% of the Agreement Reserved Water Charge.

(2) Years 3-4: Purchaser will receive a credit of 25% of the Agreement Reserved Water Charge.

(3) Years 5-6: Purchaser will receive no deferral of the Agreement Reserved Water Charge.

(4) Year 7: Purchaser will pay 125% of the Agreement Reserved Water Charge.

(5) Year 8-9: Purchaser will pay 150% of the Agreement Reserved Water Charge.

(6) Year 10: Purchaser will pay the remaining outstanding deferred balance plus 100% of the current year's Agreement Reserved Water Charge.

Notwithstanding anything herein to the contrary, in the event the differed payments calculation yields a rate that is less than the then current Authority System Rate, the full System Rate will be the rate charged for the Fiscal Year's payment.

Unpaid balances will accumulate interest based on actual Authority interest rates earned on the Authority's investments. The Authority's interest rate will be the Authority's average annual portfolio yield plus 0.5 percent per annum for administrative costs. Interest charges will be assessed on an annual basis using simple interest, compounded annually.

7. UNCONDITIONAL NATURE OF PAYMENT OBLIGATION; PRICE.

a) Purchaser unconditionally agree to pay Authority in accordance with the terms of this Agreement for the water agreed to be made available to Purchaser from the LCRA Water pursuant to this Agreement.

b) The Agreement Rates are derived using the following components:

(1) The Authority's System Rate (currently \$29.90 per acre-foot of water per year).

(2) The Total LCRA Water Rate, Total LCRA Reserved Water Charge, or Total LCRA Inverted Block Rate (as defined in Section 5.b.(5), above).

(3) The "Cost Recovery Fee" (the applicable Total LCRA Rate minus the Authority's System Rate minus the Credit for System Rate Recovery).

c) The "Credit for System Rate Recovery" (a 25% discount from the Total LCRA Water Rate or the Total LCRA Reserved Water Rate, but not from the Total LCRA Inverted Block Rate). The Agreement Reserved Water Charge (ARWC) is the System Rate plus the Cost Recovery Fee. Using current components, the Agreement Reserved Water Charge is derived as follows:

$$\text{ARWC} = \text{SR} + \text{CRF}$$

$$\text{ARWC} = \$26.00 + (\text{Total LCRA Reserved Water Charge} - \text{SR} - \text{CSRR})$$

$$\text{ARWC} = \$26.00 + (\$65.63 - \$26.00 - \$16.41)$$

$$\text{ARWC} = \$26.00 + \$23.22$$

$$\text{ARWC} = \$49.22$$

d) The Agreement Water Rate is equal to the Agreement Reserved Water Charge, currently \$49.22, and is in addition to the Agreement Reserved Water Charge.

e) The Agreement Inverted Block Rate is equal to the Total LCRA Inverted Block Rate, currently \$250.00.

f) Authority may, and it specifically reserves the right to, revise the Agreement Rates from time to time (usually prior to the start of each Fiscal Year) to reflect changes in the System Rate and the LCRA Rates. Authority shall not increase the Agreement Rates other than on a Fiscal Year basis except for unforeseeable reasons of a serious and substantial nature. Such reasons include Force Majeure, government legislation or regulation, permit requirements, or changes in the LCRA Rates.

g) Notwithstanding anything herein to the contrary, in the event the Agreement Rates calculation yields a rate that is less than the then current Authority System Rate, the System Rate will be the Agreement Rates.

8. SOURCE OF PAYMENTS. The payments to be made hereunder by Purchaser shall constitute operating expenses of Purchaser's water works system or Purchaser's combined water works and sewer system. Purchaser shall charge rates for services of its water works system or its combined water works and sewer systems that will be sufficient to pay the operating and maintenance expenses thereof, including the payments provided for hereunder, and the interest on and principal of, as the same come due and mature, obligations issued by Purchaser now or hereafter payable from the revenues of said system or systems.

9. **INTEREST ON PAST DUE PAYMENT: COLLECTION.** In the event of failure of Purchaser to make any payment to authority provided to be made in this Agreement at the time when same shall be due, the past due payment shall bear interest at the lesser of the highest rate allowed by applicable law or 18 percent per year. Regardless of any other provision contained in this Agreement, Authority shall never be entitled to receive, collect, or apply as interest under this Agreement any amount of money determined at a rate which exceeds the Highest Lawful Rate. If Authority ever charges, receives, collects, or applies as interest an amount in excess of that permitted by application of the Highest Lawful Rate, then any such amount which would be excessive interest shall be deemed a partial prepayment of amounts payable under this Agreement which do not constitute interest and shall be treated hereunder as such; and if all other obligations payable under this Agreement shall have been paid in full, then Authority shall refund the amount of such excessive interest.

10. **REMEDIES FOR NONPAYMENT OR DEFAULT.** Should Purchaser fail to make any payment to Authority when due hereunder or otherwise be in default under this Agreement, Authority at its sole option and in addition to and without impairing any other remedy available to it on account of the default, may elect to either (i) suspend its duty to make available water to Purchaser under this Agreement or (ii) terminate this Agreement, by providing written notice of such suspension or termination delivered to Purchaser on or before 30 days before the date specified in said notice of suspension or termination, provided that the nonpayment or other default with respect to which notice of suspension or termination of this Agreement has been given, shall not be cured by the date specified in such notice. Nothing in this Agreement shall be construed in any manner so as to abridge, limit, or deprive either party hereunto or any means which it would otherwise have of enforcing any right or remedy either in law or in equity for breach of any of the provisions hereof.

11. **REMEDIES OF OVERUSE.** Purchaser recognizes that any diversion of water in excess of its contractual amount may impact Authority's ability to make available water to Authority's other raw water customers. Purchaser agrees that if for any reason it needs to exceed the contractual annual amount of water to be made available to it under this Agreement, Purchaser will give written notice to Authority 30 days in advance of the need for such additional water and in such notice will state the reason for the additional need, the amount of water needed to be made available, and the duration of the need. Authority, in its sole discretion, may make all or a portion of the requested water available.

Should Authority determine that it can make all or a portion of the requested water available without adversely impacting its ability to make water available to its other customers, Purchaser agrees to pay for such water to be made available in advance at a rate that is equal to the then current Agreement Inverted Block Rate.

Should Purchaser fail to notify Authority of its need for additional water to be made available, and exceed the contractual annual amount of water to be made available to it, or should Purchaser, after notification of Authority and Authority's

determination that additional water is not available for Purchaser's use, nonetheless exceed the contractual amount of water to be made available to it, Authority may cancel this Agreement by providing written notice of such cancellation delivered to Purchaser on or before thirty (30) days before the date specified in said notice of cancellation.

Nothing in this Agreement shall be construed in any manner so as to abridge, limit, or deprive either party hereunto of any means which it would otherwise have of enforcing any right or remedy either in law or in equity for breach of any of the provisions hereof.

12. FACILITIES. All new facilities that are located in the Area of Use that are used to transport raw water that is purchased pursuant to this Agreement exclusively may be owned and operated by LCRA, at its sole option. All new facilities or all substantial expansions to facilities that are located in the Area of Use that treat water or transport treated water that is purchased pursuant to this Agreement and that are constructed by BRA or LCRA shall be Brazos-Colorado Alliance projects. The LCRA may own, at its sole option, a portion of any such facilities that is commensurate with the percentage that LCRA water (i.e., water supplied under the LCRA Contract) bears to the total amount of water supplied by BRA and LCRA for treatment or transportation by such facilities. For example, if twenty-five percent (25%) of the water used at an Alliance facility is supplied by LCRA under the LCRA Contract, the LCRA may own twenty-five percent (25%) of that facility. All such facilities in the Area of Use, however, shall be operated by BRA.

All new facilities and all substantial expansions to facilities that are located in the Area of Use that treat or transport treated water purchased pursuant to this Agreement that are constructed by Purchaser may be owned and/or operated by Purchaser if such ownership and/or operation is desired by Purchaser.

Purchaser acknowledges that the economics of scale and efficiencies of use made possible by regionalization of water treatment facilities are highly desirable. Purchaser, therefore, agrees to negotiate in good faith with BRA and LCRA to maximize the potential for regionalization of water treatment and transportation facilities, either new facilities or substantial expansion of facilities, located in the Area of Use used to treat or transport water that is purchased pursuant to this Agreement.

13. METERING. Purchaser agrees that, at its sole cost and expense, it shall install, operate and maintain meters for the accurate measuring of all water diverted by Purchaser under this Agreement in order to aid Authority in accurately reporting actual water usage to the TNRCC as required by applicable law or regulation. Such meter or meters shall be tested and calibrated for accuracy by and at the expense of Purchaser once each fiscal year at intervals of approximately 12 months, and a report of such test and calibration shall be furnished to Authority. Authority shall be given at least two prior days notice of the time of any test and calibration of Purchaser's meters, or any of them, and Authority shall have the right to have a representative present at each test to observe the test and any adjustments found thereby to be necessary. Authority shall have the right to inspect and check the accuracy of Purchaser's meter or meters at any

time during usual business hours after not less than one nor more than five (5) days notice. In the event any question arises at any time as to the accuracy of any such meter, such meter shall be tested promptly upon demand of Authority, the expense of such test to be borne by Authority if the meter is found to be correct and by Purchaser if it is found to be incorrect. Readings within 2% of accuracy, plus or minus, shall be considered correct. If, as a result of any test, any meter is found to be registering inaccurately (i.e., in excess of 2% of accuracy, plus or minus), the readings of such meter shall be corrected at the rate of its inaccuracy for any period which is definitely known and agreed upon, but in case the period is not definitely known and agreed upon, then the shorter of the following periods shall be used as the basis for correction:

- a) a period extending back either 60 days from the date of demand for the test or, if no demand for the test was made, 60 days from the date of the test; or
- b) a period extending back half of the time elapsed since the last previous test;

and the records of readings shall be adjusted accordingly. Following each test of a meter, Purchaser shall cause the same to be calibrated to register accurately.

14. **REPORTING.** Purchaser agrees that it will keep accurate records of the daily readings from the meter or meters installed pursuant to Section 13., Metering, above. These records shall be subject to inspection by Authority at reasonable times and places. Purchaser shall submit reports to Authority by the 10th day of each month showing the amount of water diverted under this Agreement each day during the preceding month.

15. **SYSTEM AGREEMENT.** This Agreement does not affect the rights and obligations of Authority and Purchaser under the System Agreements.

16. **CONSERVATION OF WATER.** It is the intent of the parties to this Agreement to provide to the maximum extent practicable for the conservation of water, and Purchaser agrees that it is a condition of this Agreement that it shall maintain and operate its facilities in a manner that will prevent unnecessary waste of water. Authority, in accordance with applicable law or regulation, may from time to time adopt reasonable rules and regulations relating to water conservation. Purchaser agrees to abide by the "Brazos River Authority Drought Contingency Policy" adopted by the Board on January 16, 1989, or any subsequent Drought Contingency Policy duly adopted by the Board and any Drought Contingency Plans developed under the Drought Contingency Policy. If required by applicable law or regulation or by Authority, Purchaser agrees to implement a water conservation and drought management program in accordance with a water conservation plan and that the water made available and diverted by Purchaser pursuant to this Agreement will be used in accordance with such conservation plan, and with the regulations of the Texas Natural Resource Conservation Commission (or other appropriate regulating authority) applicable to retail public utilities. Purchaser further agrees to make available its water conservation and drought contingency programs to Authority and LCRA for review. If required by applicable law or

regulation Purchaser agrees that, in the event Purchaser furnished water or water services to a third party that in turn will furnish the water or services to the ultimate consumer, the requirements relative to water conservation shall be met through contractual agreements between Purchaser and the third party providing for the established and implementation of a water conservation program in compliance with such applicable law or regulation.

If Purchaser fails to comply with its water conservation plan, Authority may, at its sole option terminate this Agreement without recourse unless such default is cured within thirty (30) or, if the nature of such default is not susceptible to being cured within such thirty (30) day period, such longer period of time during which Purchaser diligently prosecutes the cure of such default, not to exceed ninety (90) days of Purchaser's receipt of written notice of such default.

17. WATER QUALITY. As a further condition of this Agreement, Purchaser also agrees that it will comply with applicable water quality standards of the State in the diversion, use, reuse, or discharge of water made available hereunder. Should Purchaser be determined by any competent legal authority to have degraded the quality of water of the State or to have violated any water quality standard established by law or lawfully adopted regulation, and subsequently fail to take action with reasonable diligence to correct such deficiency as directed by competent legal authority, such failure shall constitute an event of default under this Agreement.

Authority, in accordance with applicable law or regulation may from time to time adopt reasonable rules and regulations relating to water quality protection. If required by applicable law or regulation or by Authority, Purchaser agrees to implement appropriate water quality protection measures including, without limitation, a non-point source water pollution abatement program in accordance with a non-point source water pollution abatement plan.

18. WATER SURPLUS TO PURCHASER'S NEEDS. Purchaser may not unilaterally cancel this Agreement or reduce the amounts of water agreed to be made available to it and for which availability it is obligated to pay under the terms of Sections 4. And 7., above, except as provided in Section 26, below. Purchaser may not sell or make available to others the water agreed to be made available to it under this Agreement, except in the case of municipal uses, as potable treated water. However, should Purchaser determine that it has water surplus to its anticipated needs from the water to be made available by Authority under this Agreement, Purchaser may notify Authority as to the amount of water no longer needed to be made available to it. Authority will use reasonable efforts to find a third party who is able and willing to pay for such availability for a period to the end of this Agreement. If Authority is successful in finding such a third party suitable to it to acquire Purchaser's interest in its available surplus for a period of time to the end of this Agreement, this Agreement will be amended to reduce the amount of water to be made available to Purchaser by the amount of availability paid for by such third party, and Purchaser will be relieved of the obligation to make payments for such availability of water.

19. **SHORTAGES.** Authority makes no guarantee that any lakes or other sources of supply in the Colorado River Basin will be maintained at any specific level at any particular time. Purchaser bears all transportation losses prior to final diversion. It is fully understood by the parties hereto that the level of lakes or other sources of supply in the Colorado River Basin will vary as a result of weather conditions beyond the control of Authority, and that this instrument is merely an agreement to require Authority to make available water when and if water is available to Authority under this Authority's LCRA Contract, and to allow Purchaser to make withdrawals of the water subject to the general law on distribution and allocation of water during shortages of supply.

Authority covenants that it will use its best reasonable efforts to maintain and preserve its rights under the LCRA Contract. If for any reason the availability of water to Authority under the LCRA Contract is restricted, impaired, or otherwise limited, Authority agrees, and Purchaser covenants, that Authority may fairly and equitably apportion and ration the available water supply from the LCRA Contract among all its several customers receiving water from Authority as a result of the LCRA Contract, including Purchaser.

20. **FORCE MAJEURE.** Notwithstanding anything herein to the contrary, neither party hereto shall be under any liability or be deemed in default with respect to its obligations under this Agreement for any failure to perform or for delay in performing such party's obligations hereunder (except for the obligation to pay money) where such failure or delay is due to force majeure, while and to the extent that such performance is prevented by such cause. The term force majeure means acts of God, fire, storm, flood, war, riots, sabotage, drought, lack of availability of water due to sedimentation, low inflows of water to, or lack of water supply in the System or from the Colorado River basin to be made available under the LCRA Contract, strikes or other differences with labor (whether or not within the power of the parties to settle same), decrees or orders of the courts or other governmental authority, or other similar or dissimilar causes not within the reasonable control of such party and not due to negligence of such party. Each party shall use due diligence to resume performance of any obligation suspended by force majeure at the earliest practicable time.

21. **WAIVER.** Any waiver at any time by any party of its rights with respect to default under this Agreement shall not be deemed a waiver of such rights with respect to any subsequent default or matter.

22. **NOTICES AND CERTIFICATIONS.** Notices and certifications provided for in this Agreement shall be in writing. The same shall be delivered by mailing certified mail, postage paid, return receipt requested, to the respective parties at the following addresses:

Authority: Brazos River Authority
4600 Cobbs Drive
P.O. Box 7555
Waco, Texas 76714-7555
Telephone: (254) 761-3100
Fax: (254) 761-3207

Purchaser: City of Round Rock
221 East Main Street
Round Rock, Texas 78664
Telephone: (512) 218-5400
Fax: (512) 218-7097

Either party may change its address as shown above by written notice to the other party. Notices shall be deemed to have been delivered on the business day following their deposit in the United States mail, postage paid, and properly addressed and certified.

23. OTHER REQUIREMENT. This Agreement is subject to all conditions, provisions, and limitations included in Authority's water rights from the TNRCC and the System Order and the LCRA Contract. Further, this Agreement is subject to all applicable Federal, State and local laws, and any applicable ordinances, rules, orders and regulations of any local, State or Federal governmental authority having jurisdiction. However, nothing contained in this Agreement shall be construed as a waiver of any right to question or contest any law, ordinance, order, rule, or regulation of any governmental authority.

24. SEVERABILITY. The provisions of this Agreement are severable, and if for any reason any one or more of the provisions contained in this Agreement shall be held to be invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability shall not affect any other provisions of this Agreement and this Agreement shall remain in effect and be construed as if the invalid, illegal, or unenforceable provision had never been contained in the Agreement.

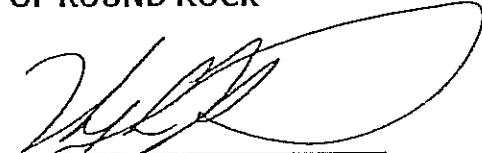
25. ASSIGNMENT. This Agreement may be assigned by Purchaser only with the written consent of Authority, which consent shall not be unreasonably withheld or delayed. Only assignment of this entire Agreement will be approved. Releases of lesser obligations must be authorized under Section 18., Water Surplus to Purchaser's Needs, above.

26. TERMS OF AGREEMENT. The term of this Agreement shall begin on the Effective Date, Section 3., and shall end on the fifty (50) year anniversary of the Effective Date. If Authority is able to extend or renew its LCRA Contract, Authority and Purchaser agree to negotiate in good faith regarding terms for extension or renewal of this Agreement.

If Purchaser is current on all payments due Authority under this Agreement, Purchaser may terminate this contract, in whole or in part, on February 15 of any year following the expiration of ten (10) years measured from the Effective Date by providing six (6) months prior written notice to Authority, that is by August 15 of the year preceding the February 15 termination date.

This Agreement shall be null and void in the event that the interbasin transfer permit referenced in Section 3, above, is not issued by the TNRCC with the two (2) years of the date of filing of the application for said interbasin transfer permit.

CITY OF ROUND ROCK

By: 
Name: NYLE MAXWELL
Title: MAYOR

BRAZOS RIVER AUTHORITY

By: _____
Phillip J. Ford
General Manager/CEO

ATTEST:

Christine R. Martinez

ATTEST:

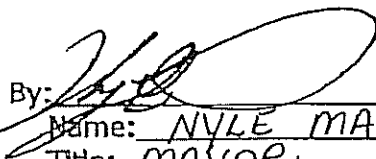
Assistant Secretary

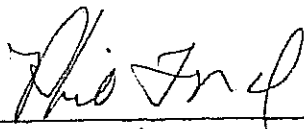
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CITY OF ROUND ROCK

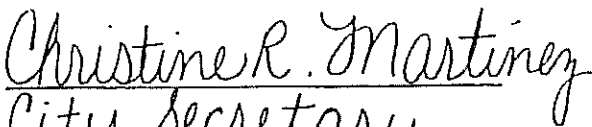
BRAZOS RIVER AUTHORITY

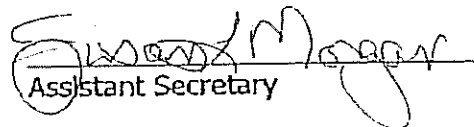
By: 
Name: NYLE MAXWELL
Title: MAYOR

By: 
Phillip J. Ford
General Manager/CEO

ATTEST:

ATTEST:


Christine R. Martinez
City Secretary


Assistant Secretary

SYSTEM WATER AVAILABILITY AGREEMENT

*Brazos River Authority
P. O. Box 7555
Waco, Texas 76714-7555
(254) 776-1441*



CITY OF ROUND ROCK

**SYSTEM WATER AVAILABILITY AGREEMENT
FOR COLORADO RIVER BASIN WATER
BETWEEN
BRAZOS RIVER AUTHORITY
AND
CITY OF ROUND ROCK**

AGREEMENT made and entered into this the 13th day of December 2006, by and between **BRAZOS RIVER AUTHORITY** ("Authority"), a river authority of the State of Texas, and **CITY OF ROUND ROCK** ("Purchaser") of Williamson County, Texas.

1. **RECITALS.** Authority owns and operates various lakes in the Brazos River Basin. Authority also has entered into contracts with the United States of America by virtue of which it has obtained the right to utilize for water supply purposes a portion of the usable storage space in various lakes owned and operated by the United States Army Corps of Engineers. Authority is authorized by the State of Texas to store State waters in the lakes owned by Authority and various lakes owned and operated by the United States Army Corps of Engineers in the Brazos River Basin, hereinafter collectively called the "System", and to make such stored waters available for beneficial use.

Authority is authorized to operate the System as a hydrologic unit pursuant to an order of the Texas Water Commission (formerly Texas Natural Resource Conservation Commission "TNRCC", now Texas Commission on Environmental Quality "TCEQ") issued on July 23, 1964 ("System Operation Order"). The Final Determination of All Claims of Water Rights in the Brazos River Basin and the San Jacinto-Brazos Coastal Basin Maintained by the Brazos River Authority, Fort Bend County W.C.I.D. No. 1 and Galveston County Water Authority ("Final Determination") issued on June 26, 1985, by TCEQ clarified and amplified the System Operation Order. Under the System Operation Order as adjudicated by the Final Determination, Authority is authorized to operate the System as a hydrologic unit to more efficiently utilize the reservoirs that make up the System to make water available to meet the needs of Authority's customers. Authority and Purchaser acknowledge that the LCRA Water (as defined below) is not part of the System Operation Order.

Authority has also acquired the right to divert and use 25,000 acre-feet of water per year from the Colorado River Basin made available from the Lower Colorado River Authority (LCRA) under the "Water Sale Contract by and between Lower Colorado River Authority and Brazos River Authority Purchaser", dated October 2000 (LCRA Contract) pursuant to the terms of House Bill 1437 of the 76th Texas Legislative Session and codified under Section 27 of the LCRA Enabling Act. It is from the 25,000 acre-foot of water per year from the Colorado

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River Basin (the "LCRA" Water") that Purchaser now wishes to contract for Authority to make available 9,484 acre-feet of water per Calendar Year under the terms and conditions herein provided.

2. DEFINITIONS.

- a) The term "Agreement" means this agreement.
- b) The term "Area of Use" means that certain area in Williamson County that lies outside of the watershed of the Colorado River, but excludes those municipalities which were customers of the Lower Colorado River Authority as of May 20, 1997, and who are located in watersheds of both the Colorado and Brazos Rivers.
- c) The term "Authority" shall mean Brazos River Authority.
- d) The term "Board" shall mean the Board of Directors of Brazos River Authority.
- e) The term "Federal Contracts" shall mean those contracts with the United States of America whereby Authority has acquired, is acquiring, or may acquire conservation storage capacity in Federal Reservoirs. The parties hereto acknowledge that the term "Federal Contracts" does not appear elsewhere in this Agreement.
- f) The term "Federal Reservoirs" shall include the following:
 - Aquilla Dam and Reservoir
 - Belton Dam and Reservoir
 - Georgetown Dam and Reservoir
 - Granger Dam and Reservoir
 - Proctor Dam and Reservoir
 - Somerville Dam and Reservoir
 - Stillhouse Hollow Dam and Reservoir
 - Whitney Dam and Reservoir
- g) The term "Fiscal Year" shall mean Authority's fiscal year from September 1 through August 31, or such other annual fiscal year period as Authority may later determine.
- h) The term "Highest Lawful Rate" shall mean the maximum rate which Authority may charge on obligations payable under this Agreement without violation of any applicable law or any applicable lawful regulation of any agency of the State of Texas or of the United States having jurisdiction of the matter.
- i) The term "LCRA" means Lower Colorado River Authority.
- j) The term "LCRA Contract" means the "Water Sale Contract by and between Lower Colorado River Authority and Brazos River Authority, Purchaser" dated October 2000.
- k) The term "LCRA Rates" means the LCRA rates and charges for sale of water for municipal purposes as delineated in Section II. B. of the LCRA Contract.
- l) The term "LCRA Water" means the 25,000 acre-feet of water per year purchased by Brazos River Authority from LCRA pursuant to House Bill 1437 of the 76th Texas Legislature Session.

m) The term "Municipal Use" shall mean the use of potable water within a community or municipality and its environs or ETJ for domestic, recreational, commercial, or industrial purposes or for the watering of golf courses, parks and parkways.

n) The term "Purchaser" shall mean City of Round Rock.

o) The term "System" shall mean Authority's Water Supply System and shall include certain of Authority's facilities and properties insofar as they are related to making water available from the System, to wit, as follows: Morris Sheppard Dam and Possum Kingdom Reservoir, DeCordova Bend Dam and Lake Granbury, Sterling C. Robertson Dam and Lake Limestone, Authority's conservation storage in the Federal Reservoirs, and the LCRA Water obtained pursuant to the LCRA Contract, together with all future extensions, improvements, enlargements, and additions to and replacements of the System, and all replacements thereof whether from surface water supplies, groundwater, or a combination thereof, specifically added to the System by resolution of the Board; provided that, notwithstanding the foregoing, the term System shall not include (i) any of Authority's facilities and properties not specifically included in the System by the terms of this Agreement or not added by a subsequent resolution of the Board, and (ii) any water supply, wastewater or other facilities which have been or are declared not to be a part of the System and which may be acquired or constructed by Authority with the proceeds from the issuance of "Special Facilities Bonds," which are hereby defined as being special revenue obligations of Authority which are not secured by or payable from the revenues of the System but which are secured by and payable solely from special contract revenues or payments received from any persons or other legal entity or entities in connection with such special facilities.

p) The term "System Agreements" means those certain raw water contracts titled "System Water Availability Agreement Between Brazos River Authority and City of Round Rock.

q) The term "System Operation Order" shall mean that certain order of the TCEQ or its predecessor dated July 23, 1964, as adjudicated by order of the TCEQ or its predecessor on June 26, 1985, in the Final Determination of all Claims of Water Rights in the Brazos River Basin and the San Jacinto-Brazos Coastal Basin Maintained by the Brazos River Authority, Fort Bend County W.C.I.D. No. 1 and Galveston County Water Authority. The parties hereto acknowledge that the LCRA Water is not covered by the "System Operation Order."

r) The term "System Rate" or "SR" shall mean the rate per acre-foot of water established by Authority from time to time under its system-wide pricing methodology.

s) The term "Total Annual Budgeted System Costs" shall mean the amounts approved by Authority as estimated costs of the System in the annual budgets adopted by Authority for a given Fiscal Year including, without limitation, amounts budgeted to meet Annual System Operation and Maintenance Expenses and Annual Capital Related Costs. The parties hereto acknowledge that the term "Total Annual Budgeted System Costs" does not appear elsewhere in this Agreement.

t) The term "Total System Billing Units" shall mean the total amount of water (expressed in acre-feet) determined by Authority under accepted engineering practice as necessary to be reserved from firm yield produced by storage in the System to fulfill its commitments for which Authority receives payment under long term (in excess of five years) water sales contracts with Purchaser and Authority's other customers; provided, however, such term shall not include amounts of water required by appropriate governmental authority to be reserved in the System for use for bay and estuary purposes, in-stream uses, or for other similar environmental, public, or other beneficial uses to the extent Authority is not adequately compensated for any such requirement. The parties hereto acknowledge that the term "Total System Billing Units" does not appear elsewhere in this Agreement.

3. EFFECTIVE DATE. The effective date of this Agreement is November 1, 2006.

4. AVAILABILITY OF WATER. While this Agreement remains in force, Authority agrees to make available to Purchaser an amount of water not to exceed 9,484 acre-feet of water per Calendar Year under the following conditions:

a) Notwithstanding anything herein to the contrary, Authority's obligation to make water available to Purchaser under this Agreement is subject to, and limited by, the rights of Authority to obtain the LCRA Water pursuant to the LCRA Contract. Purchaser acknowledges that Purchaser has received a copy of the LCRA Contract and is familiar with the rights of Authority thereunder, and the limitations on Authority's rights thereunder to obtain the LCRA Water.

b) Authority may interrupt or curtail the water supplied to Purchaser under this Agreement to the extent Authority experiences interruption or curtailment of water supplied to it under the LCRA Contract for any reason.

c) Water supplied under this Agreement shall only be used within the Area of Use.

d) Purchaser acquires no property rights in the water made available to it under this Agreement beyond the right to have the water made available to it for diversion and use under the terms of this Agreement. This right of use extends to direct reuse (flange to flange) of the water available under this Agreement. Purchaser represents, and Authority relies on such representation, that all water to be made available by Authority under this Agreement to Purchaser shall be used solely for Municipal Use.

5. PRICING STRUCTURE

a) The pricing structure for water rates under this Agreement is dependent upon the pricing structure of water made available to the Authority under the LCRA Contract.

b) The LCRA Water is provided to Authority under the LCRA Contract pursuant to the following pricing structure:

(1) The "Water Rate" for LCRA Water is charged for water diverted and used during a calendar year. The current Water Rate is \$115.00 per acre-foot of water per year.

(2) The "Reserved Water Charge" for LCRA Water is charged for water under contract but not diverted and used during a calendar year. The Reserved Water Charge is 50% of the Water Rate, or currently \$57.50 per acre-foot of water per year.

(3) The "Inverted Block Rate" for LCRA Water is charged for all water used in excess of the total contractual amount and is currently \$219.00 per acre-foot of water per year.

(4) The "Conservation Charge" for LCRA Water is currently 25% of the Water Rate, the Reserved Water Charge, or the Inverted Block Rate, as applicable.

(5) The current "Total LCRA Rates" for LCRA Water are as follows:

(a) The "Total LCRA Water Rate" is the Water Rate + the Conservation Charge, currently \$143.75 an acre-foot.

(b) The "Total LCRA Reserved Water Charge" is the Reserved Water Charge + the Conservation Charge, currently \$71.875 an acre-foot.

(c) The "Total LCRA Inverted Block Rate" is the Inverted Block Rate + the Conservation Charge, currently \$250.00 an acre-foot.

(d) The Authority hereby makes water available to Purchaser at the cost the Authority is required to pay LCRA for water.

(e) The Purchaser hereby acknowledges the fact that it is responsible for paying to the Authority all costs charged to the Authority by LCRA for the 9,484 acre-feet of LCRA Water contemplated in this Agreement.

c) Purchaser acknowledges the fact that the LCRA has the ability to increase rates at any time without notice, which in turn will simultaneously increase the rates to be paid under this Agreement.

6. DATE AND PLACE OF PAYMENTS.

a) Payments to be made hereunder shall be made at Authority's office in Waco, McLennan County, Texas. Authority contemplates that by September 1 of each Fiscal Year it will have adopted budgets for Authority for said Fiscal Year and established the System Rate. Total LCRA Rates will be adopted as set by the LCRA, which may be subsequent to September 1. Payments for each Fiscal Year may be made under one of three payment options from which Purchaser will select at the beginning of each Fiscal Year. The payment due at the beginning of each Fiscal Year will be for the water agreed to be provided during the next calendar year and shall be based on the Total LCRA Reserved Water Charge. Annual payments for water provided at the Total LCRA Reserved Water Charge shall be made on or before September 15 each Fiscal Year. The payment due at the beginning of each Fiscal Year will be for the water agreed to be provided during the next calendar year. Annual

payments shall be made on or before September 15 each Fiscal Year. Quarterly payments shall be made on or before September 15, December 15, March 15, and June 15 each Fiscal Year. Monthly payments shall be made on or before the fifteenth of each month each Fiscal Year. Quarterly payments or monthly payments shall include a multiplier to be applied to the annual payment to allow Authority to recover interest lost on any unpaid balance plus a service charge for administrative costs, including but not limited to costs involving the billing, accounting, and collecting for the quarterly or monthly payments. The multiplier to recover lost interest revenue and the service charge for administrative costs shall be determined on an annual basis and shall be just and reasonable. Since the Effective Date of this Agreement is November 1, 2006, the amount of water available to Purchaser and the payment owed by Purchaser will be prorated for the remaining months of the Calendar Year 2006.

b) The charge for any water actually diverted and used during the next calendar year will be billed to Purchaser on a monthly basis based on actual diversion and usage for the previous month at the Total LCRA Water Rate.

7. SOURCE OF PAYMENTS. The payments to be made hereunder by Purchaser shall constitute operating expenses of Purchaser's water works system or Purchaser's combined water works and sewer system. Purchaser shall charge rates for services of its water works system or its combined water works and sewer systems that will be sufficient to pay the operating and maintenance expenses thereof, including the payments provided for hereunder, and the interest on and principal of, as the same come due and mature, obligations issued by Purchaser now or hereafter payable from the revenues of said system or systems.

8. INTEREST ON PAST DUE PAYMENT; COLLECTION. In the event of failure of Purchaser to make any payment to Authority provided to be made in this Agreement at the time when same shall be due, the past due payment shall bear interest at the lesser of the highest rate allowed by applicable law or 18 percent per year. Regardless of any other provision contained in this Agreement, Authority shall never be entitled to receive, collect, or apply as interest under this Agreement any amount of money determined at a rate which exceeds the Highest Lawful Rate. If Authority ever charges, receives, collects, or applies as interest an amount in excess of that permitted by application of the Highest Lawful Rate, then any such amount which would be excessive interest shall be deemed a partial prepayment of amounts payable under this Agreement which do not constitute interest and shall be treated hereunder as such; and if all other obligations payable under this Agreement shall have been paid in full, then Authority shall refund the amount of such excessive interest.

9. REMEDIES FOR NONPAYMENT OR DEFAULT. Should Purchaser fail to make any payment to Authority when due hereunder or otherwise be in default under this Agreement, Authority at its sole option and in addition to and without impairing any other remedy available to it on account of

the default, may elect to either (i) suspend its duty to make available water to Purchaser under this Agreement or (ii) terminate this Agreement, by providing written notice of such suspension or termination delivered to Purchaser on or before 30 days before the date specified in said notice of suspension or termination, provided that the nonpayment or other default with respect to which notice of suspension or termination of this Agreement has been given, shall not be cured by the date specified in such notice. Nothing in this Agreement shall be construed in any manner so as to abridge, limit, or deprive either party hereunto of any means which it would otherwise have of enforcing any right or remedy either in law or in equity for breach of any of the provisions hereof.

10. REMEDIES FOR OVERUSE. Purchaser recognizes that any diversion of water in excess of its contractual amount may impact Authority's ability to make available water to Authority's other raw water customers. Purchaser agrees that if for any reason it needs to exceed the contractual annual amount of water to be made available to it under this Agreement, Purchaser will give written notice to Authority 30 days in advance of the need for such additional water and in such notice will state the reason for the additional need, the amount of water needed to be made available, and the duration of the need. Authority, in its sole discretion, may make all or a portion of the requested water available.

Should Authority determine that it can make all or a portion of the requested water available without adversely impacting its ability to make water available to its other customers, Purchaser agrees to pay for such water to be made available in advance at a rate that is equal to the then current Total LCRA Inverted Block Rate.

Should Purchaser fail to notify Authority of its need for additional water to be made available, and exceed the contractual annual amount of water to be made available to it, or should Purchaser, after notification of Authority and Authority's determination that additional water is not available for Purchaser's use, nonetheless exceed the contractual amount of water to be made available to it, Authority may cancel this Agreement by providing written notice of such cancellation delivered to Purchaser on or before thirty (30) days before the date specified in said notice of cancellation provided the overuse to which notice of cancellation of the Agreement has been given shall not be cured by the date specified in such notice.

Nothing in this Agreement shall be construed in any manner so as to abridge, limit, or deprive either party hereunto of any means which it would otherwise have of enforcing any right or remedy either in law or in equity for breach of any of the provisions hereof.

11. FACILITIES. All new facilities that are located in the Area of Use that are used to transport raw water that is purchased pursuant to this Agreement exclusively may be owned and operated by LCRA, at its sole option. All new facilities or all substantial expansions to facilities that are located in the Area of Use that treat water or transport treated water that is purchased pursuant to this Agreement and that are constructed by BRA or LCRA shall be Brazos-Colorado Alliance projects. The LCRA may own, at its sole option, a portion of any such facilities that is commensurate with the percentage that LCRA water (i.e., water supplied under the LCRA Contract) bears to the total amount of water supplied by BRA and LCRA for treatment or transportation by such facilities. For example, if twenty-five percent (25%) of the water used at an Alliance facility is supplied by LCRA under the LCRA Contract, the LCRA may own twenty-five (25%) percent of that facility. All such facilities in the Area of Use, however, shall be operated by BRA.

All new facilities and all substantial expansions to facilities that are located in the Area of Use that treat or transport treated water purchased pursuant to this Agreement that are constructed by Purchaser may be owned and/or operated by Purchaser if such ownership and/or operation is desired by Purchaser.

Purchaser acknowledges that the economics of scale and efficiencies of use made possible by regionalization of water treatment facilities are highly desirable. Purchaser, therefore, agrees to negotiate in good faith with BRA and LCRA to maximize the potential for regionalization of water treatment and transportation facilities, either new facilities or substantial expansion of facilities, either new facilities or substantial expansion of facilities located in the Area of Use used to treat or transport water that is purchased pursuant to this Agreement.

12. METERING. Purchaser agrees that, at its sole cost and expense, it shall install, operate and maintain meters for the accurate measuring of all water diverted by Purchaser under this Agreement in order to aid Authority in accurately reporting actual water usage to the TCEQ as required by applicable law or regulation. Such meter or meters shall be tested and calibrated for accuracy by and at the expense of Purchaser once each fiscal year at intervals of approximately 12 months, and a report of such test and calibration shall be furnished to Authority. Authority shall be given at least two prior days notice of the time of any test and calibration of Purchaser's meters, or any of them, and Authority shall have the right to have a representative present at each test to observe the test and any adjustments found thereby to be necessary. Authority shall have the right to inspect and check the accuracy of Purchaser's meter or meters at any time during usual business hours after not less than one nor more than five (5) days notice. In the event any question arises at any time as to the accuracy of any such meter, such meter shall be tested promptly upon demand of Authority, the expense of such test to be borne by Authority if the meter is found to be correct and by Purchaser if it is found to be incorrect. Readings within 2% of accuracy, plus or minus, shall be considered correct. If, as a result

of any test, any meter is found to be registering inaccurately (i.e., in excess of 2% of accuracy, plus or minus), the readings of such meter shall be corrected at the rate of its inaccuracy for any period which is definitely known and agreed upon, but in case the period is not definitely known and agreed upon, then the shorter of the following periods shall be used as the basis for correction:

- a) a period extending back either 60 days from the date of demand for the test or, if no demand for the test was made, 60 days from the date of the test; or
- b) a period extending back half of the time elapsed since the last previous test;

and the records of readings shall be adjusted accordingly. Following each test of a meter, Purchaser shall cause the same to be calibrated to register accurately.

13. REPORTING. Purchaser agrees that it will keep accurate records of the daily readings from the meter or meters installed pursuant to Section 12., Metering, above. These records shall be subject to inspection by Authority at reasonable times and places. Purchaser shall submit reports to Authority by the 10th day of each month showing the amount of water diverted under this Agreement each day during the preceding month.

14. SYSTEM AGREEMENT. This Agreement does not affect the rights and obligations of Authority and Purchaser under the System Agreements.

15. CONSERVATION OF WATER. It is the intent of the parties to this Agreement to provide to the maximum extent practicable for the conservation of water, and Purchaser agrees that it is a condition of this Agreement that it shall maintain and operate its facilities in a manner that will prevent unnecessary waste of water. Authority, in accordance with applicable law or regulation, may from time to time adopt reasonable rules and regulations relating to water conservation. Purchaser agrees to abide by the "Brazos River Authority Drought Contingency Policy" adopted by the Board on January 16, 1989, or any subsequent Drought Contingency Policy duly adopted by the Board and any Drought Contingency Plans developed under the Drought Contingency Policy. If required by applicable law or regulation or by Authority, Purchaser agrees to implement a water conservation and drought management program in accordance with a water conservation plan and that the water made available and diverted by Purchaser pursuant to this Agreement will be used in accordance with such conservation plan, and with the regulations of the Texas Commission on Environmental Quality (or other appropriate regulating authority) applicable to retail public utilities. Purchaser further agrees to make available its water conservation and drought contingency programs to Authority and LCRA for review. If required by applicable law or regulation Purchaser agrees that, in the event Purchaser furnishes water or water services to a third party that in turn will furnish the water or services to the ultimate consumer, the requirements relative to water conservation shall be met through contractual agreements between

Purchaser and the third party providing for the establishment and implementation of a water conservation program in compliance with such applicable law or regulation.

If Purchaser fails to comply with its water conservation plan, Authority may, at its sole option terminate this Agreement without recourse unless such default is cured within thirty (30) days or, if the nature of such default is not susceptible to being cured within such thirty (30) day period, such longer period of time during which Purchaser diligently prosecutes the cure of such default, not to exceed ninety (90) days of Purchaser's receipt of written notice of such default.

16. WATER QUALITY. As a further condition of this Agreement, Purchaser also agrees that it will comply with applicable water quality standards of the State in the diversion, use, reuse, or discharge of water made available hereunder. Should Purchaser be determined by any competent legal authority to have degraded the quality of water of the State or to have violated any water quality standard established by law or lawfully adopted regulation, and subsequently fail to take action with reasonable diligence to correct such deficiency as directed by competent legal authority, such failure shall constitute an event of default under this Agreement.

Authority, in accordance with applicable law or regulation, may from time to time adopt reasonable rules and regulations relating to water quality protection. If required by applicable law or regulation or by Authority, Purchaser agrees to implement appropriate water quality protection measures including, without limitation, a non-point source water pollution abatement program in accordance with a non-point source water pollution abatement plan.

17. WATER SURPLUS TO PURCHASER'S NEEDS. Purchaser may not unilaterally cancel this Agreement or reduce the amounts of water agreed to be made available to it and for which availability it is obligated to pay under the terms of Sections 5. and 6., above, except as provided in Section 24, below. Purchaser may not sell or make available to others the water agreed to be made available to it under this Agreement, except in the case of Municipal Use, as potable treated water. However, should Purchaser determine that it has water surplus to its anticipated needs from the water to be made available by Authority under this Agreement, Purchaser may notify Authority as to the amount of water no longer needed to be made available to it. Authority will use reasonable efforts to find a third party who is able and willing to pay for such availability for a period to the end of this Agreement. If Authority is successful in finding such a third party suitable to it to acquire Purchaser's interest in its available surplus for a period of time to the end of this Agreement, this Agreement will be amended to reduce the amount of water to be made available to Purchaser by the amount of availability paid for by such third party, and Purchaser will be relieved of the obligation to make payments for such availability of water.

18. SHORTAGES. Authority makes no guarantee that any lakes or other sources of supply in the Colorado River Basin will be maintained at any specific level at any particular time. Purchaser bears all transportation losses prior to final diversion. It is fully understood by the parties hereto that the level of lakes or other sources of supply in the Colorado River Basin will vary as a result of weather conditions beyond the control of Authority, and that this instrument is merely an agreement to require Authority to make available water when and if water is available to Authority under the Authority's LCRA Contract, and to allow Purchaser to make withdrawals of the water subject to the general law on distribution and allocation of water during shortages of supply.

Authority covenants that it will use its best reasonable efforts to maintain and preserve its rights under the LCRA Contract. If for any reason the availability of water to Authority under the LCRA Contract is restricted, impaired, or otherwise limited, Authority agrees, and Purchaser covenants, that Authority may fairly and equitably apportion and ration the available water supply from the LCRA Contract among all its several customers receiving water from Authority as a result of the LCRA Contract, including Purchaser.

19. FORCE MAJEURE. Notwithstanding anything herein to the contrary, neither party hereto shall be under any liability or be deemed in default with respect to its obligations under this Agreement for any failure to perform or for delay in performing such party's obligations hereunder (except for the obligation to pay money) where such failure or delay is due to force majeure, while and to the extent that such performance is prevented by such cause. The term force majeure means acts of God, fire, storm, flood, war, riots, sabotage, drought, lack of availability of water due to sedimentation, low inflows of water to, or lack of water supply from the Colorado River basin to be made available under the LCRA Contract, strikes or other differences with labor (whether or not within the power of the parties to settle same), decrees or orders of the courts or other governmental authority, or other similar or dissimilar causes not within the reasonable control of such party and not due to negligence of such party. Each party shall use due diligence to resume performance of any obligation suspended by force majeure at the earliest practicable time.

20. WAIVER. Any waiver at any time by any party of its rights with respect to default under this Agreement shall not be deemed a waiver of such rights with respect to any subsequent default or matter.

21. NOTICES AND CERTIFICATIONS. Notices and certifications provided for in this Agreement shall be in writing. The same shall be delivered by mailing certified mail, postage paid, return receipt requested, to the respective parties at the following addresses:

Authority: Brazos River Authority
P.O. Box 7555
Waco, Texas 76714-7555
Telephone: (254) 761-3100
Fax: (254) 761-3207

Purchaser: City of Round Rock
221 E. Main St.
Round Rock, Texas 78664
Telephone: 512- 218-5400
Fax: 512-218-7097

Either party may change its address as shown above by written notice to the other party. Notices shall be deemed to have been delivered on the business day following their deposit in the United States mail, postage paid, and properly addressed and certified.

22. OTHER REQUIREMENTS. This Agreement is subject to all conditions, provisions, and limitations included in Authority's water rights from the LCRA Contract. Further, this Agreement is subject to all applicable Federal, State and local laws, and any applicable ordinances, rules, orders and regulations of any local, State or Federal governmental authority having jurisdiction. However, nothing contained in this Agreement shall be construed as a waiver of any right to question or contest any law, ordinance, order, rule, or regulation of any governmental authority.


23. SEVERABILITY. The provisions of this Agreement are severable, and if for any reason any one or more of the provisions contained in this Agreement shall be held to be invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability shall not affect any other provisions of this Agreement and this Agreement shall remain in effect and be construed as if the invalid, illegal, or unenforceable provision had never been contained in the Agreement.

24. ASSIGNMENT. This Agreement may be assigned by Purchaser only with the written consent of Authority, which consent shall not be unreasonably withheld or delayed. Only assignment of this entire Agreement will be approved. Releases of lesser obligations must be authorized under Section 17., Water Surplus to Purchaser's Needs, above.

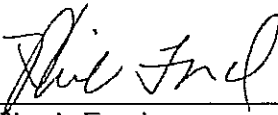
25. TERM OF AGREEMENT. The term of this Agreement shall begin on the Effective Date, Section 3., and shall end on August 31, 2051. If Authority is able to extend or renew its LCRA Contract, Authority and Purchaser agree to negotiate in good faith regarding terms for extension or renewal of this Agreement.

If Purchaser is current on all payments due Authority under this Agreement, Purchaser may terminate this Agreement, in whole or in part, on February 15 of any year following the expiration of ten (10) years measured from the Effective Date of the LCRA Contract by providing six (6) months prior written notice to Authority, that is by August 15 of the year preceding the February 15 termination date.

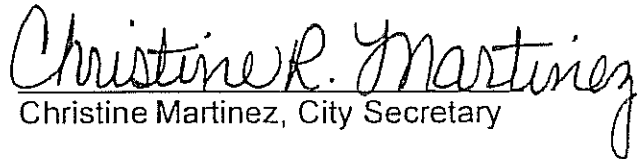
CITY OF ROUND ROCK

By: 
Nyle Maxwell
Mayor


BRAZOS RIVER AUTHORITY

By: 
Phillip J. Ford
General Manager/CEO

ATTEST:


Christine Martinez, City Secretary

ATTEST:



TEXAS NATURAL RESOURCE CONSERVATION COMMISSION



AMENDMENT TO PERMIT TO APPROPRIATE AND USE STATE WATER

APPLICATION NO. 4385C

PERMIT NO. 4007C

TYPE: §§11.122, 11.085

Permittee: City of Cedar Park, Texas

Address: P. O. Box 1090
Cedar Park, Texas 78613

Filed: April 19, 2001

Granted: JUN 13 2001

Purposes: Irrigation, Municipal
Industrial

Counties: Travis and Williamson

Watercourses: Colorado River and South Brushy
Creek, tributary of Brushy Creek,
tributary of the San Gabriel River,
tributary of the Little River, tributary
of the Brazos River

Basin: Brazos and Colorado River
Basins

WHEREAS, Permit No. 4007 (Application No. 4385) was issued on August 23, 1983 and authorized the City of Cedar Park to transfer not to exceed 7,000 acre-feet of water per annum purchased from the Lower Colorado River Authority (LCRA) and diverted from Lake Travis in the Colorado River Basin for use by the City of Cedar Park in the Brazos River Basin for municipal purposes; and

WHEREAS, Permit No. 4007 required the return of all water diverted under the permit but not consumed to a specific point on Brushy Creek, Brazos River Basin; and

WHEREAS, Permit No. 4007A, as amended, changed the return point of water diverted but not consumed to a specific point on South Brushy Creek and authorized permittee to use the bed and banks of South Brushy Creek to convey the effluent from the wastewater discharge point to a diversion point on South Brushy Creek for subsequent use; and

WHEREAS, Permit No. 4007B, as amended, authorized permittee to divert from this point not to exceed 2800 acre-feet of effluent per annum created by municipal use of the 7,000 acre-feet of water per annum authorized under Permit No. 4007 at a maximum diversion rate of 5.6 cfs (2500 gpm) for the irrigation of three tracts of land totaling 2013.656 acres in Williamson County; and

WHEREAS, Permit No. 4007B, as amended, also contained a special condition limiting the volume of water diverted from South Brushy Creek to not to exceed the lesser of 5,000,000 gallons per day or 98% of the amount of municipal effluent actually discharged into South Brushy Creek produced from water diverted from Lake Travis under the amended permit; and

WHEREAS, pursuant to a Water Sale Contract for Municipal Purposes that will be effective the date this amendment application is granted, the City of Cedar Park has increased the amount of water purchased from the LCRA from 16,500 acre-feet per annum to 18,000 acre-feet per annum; and

WHEREAS, The City of Cedar Park seeks to amend Permit No. 4007, as amended, as follows:

1. By increasing the amount of water authorized for transfer to the Brazos River Basin from 16,500 acre-feet per annum to 18,000 acre-feet per annum, and
2. By authorizing an additional point of return of the water transferred to the City of Cedar Park but not consumed downstream of the currently authorized discharge point at the City's Brushy Creek Regional Wastewater System located at 30.5256°N Latitude and 97.6181°W Longitude; and

WHEREAS, on June 3, 1999 the Brazos River Authority gave consent for the LCRA to provide water services in Williamson County to the service areas of the Cities of Cedar Park and Leander; and

WHEREAS, there are no interjacent water right holders between the currently authorized point of diversion on South Brushy Creek and the aforesaid reservoir; and

WHEREAS, pursuant to S. B. 1, Acts 1997, Texas Legislature, Regular Session, Chapter 1010 and Texas Natural Resource Conservation Commission Rules 30 TAC §295.155(d), the requested authorization is an exempt interbasin transfer included under TWC § 11.085 (v) not requiring notice; and

WHEREAS, the Texas Natural Resource Conservation Commission finds that jurisdiction over the application is established; and

WHEREAS, no person objected to the granting of this amendment; and

WHEREAS, the Commission has complied with the Texas Water Code and the Rules of the Texas Natural Resource Conservation Commission in issuing this amendment

NOW THEREFORE, this amendment to Permit No. 4007 (Application 4385), as amended, designated Water Use Permit No. 4007C (Application 4386C), is issued to the City of Cedar Park, subject to the following terms and conditions:

1. USE

In lieu of the previous authorization to use 16,500 acre-feet of water per annum of LCRA contract water in the Brazos River Basin for municipal use and 5,600 acre-feet per annum of effluent created by the municipal use of water for irrigation use, permittee is authorized to use 18,000 acre-feet of water per annum of LCRA contract water in the Brazos River Basin for municipal use and 5,600 acre-feet of water per annum of effluent created by municipal use for irrigation, industrial and municipal use within the service area of the City of Cedar Park in Travis and Williamson Counties.

2. POINT OF RETURN

In addition to the currently authorized point of return, permittee may return water transferred to the City but not consumed at a point on South Brushy Creek in the Brazos River Basin downstream of the currently authorized discharge point at the point of discharge of the Brushy Creek Regional Wastewater System located at 30.526°N Latitude and 97.618°W Longitude.

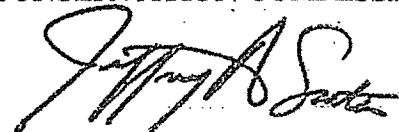
This amendment is issued subject to all terms, conditions and provisions contained in Permit No. 4007 (Application 4385), as amended, except as herein amended.

Permittee agrees to be bound by the terms, conditions and provisions contained herein and such agreement is a condition precedent to the granting of this amendment.

All other matters requested in the application which are not specifically granted by this amendment are denied.

This amendment is issued subject to the Rules of the Texas Natural Resource Conservation Commission and to the right of continuing supervision of State water resources exercised by the Commission.

TEXAS NATURAL RESOURCE
CONSERVATION COMMISSION



For the Commission

DATE ISSUED: JUN 13 2001

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION



AMENDMENT TO PERMIT TO APPROPRIATE AND USE STATE WATER

APPLICATION NO. 4385B PERMIT NO. 4007B TYPE: §§11.122, 11.085, 11.042

Permittee:	City of Cedar Park, Texas	Address:	P. O. Box 1090 Cedar Park, Texas 78613
Filed:	March 9, 2000	Granted:	MAR 30 2000
Purposes:	Irrigation, Municipal Industrial	Counties:	Travis and Williamson
Watercourses:	Colorado River and South Brushy Creek, tributary of Brushy Creek, tributary of the San Gabriel River, tributary of Little River, tributary of the Brazos River	Basin:	Brazos and Colorado River Basins

WHEREAS, Permit No. 4007 (Application No. 4385) was issued on August 23, 1983 and authorized the City of Cedar Park, to transfer not to exceed 7,000 acre-feet of water per annum purchased from the Lower Colorado River Authority (LCRA) and diverted from Lake Travis in the Colorado River Basin for use by the City of Cedar Park in the Brazos River Basin for municipal purposes; and

WHEREAS, Permit No. 4007 required the return of all water diverted under the permit but not consumed to a specific point on Brushy Creek, Brazos River Basin; and

WHEREAS, Permit No. 4007, as amended, changed the return point of water diverted but not consumed to a specific point on South Brushy Creek and authorized permittee to use the bed and banks of South Brushy Creek to convey the effluent from the wastewater discharge point to a diversion point on South Brushy Creek for subsequent use; and

WHEREAS, Permit No. 4007, as amended once, authorized permittee to divert from this point not to exceed 2800 acre-feet of effluent per annum created by municipal use of the 7,000 acre-feet of water per annum authorized under Permit No. 4007 at a maximum diversion rate of 5.6 cfs (2500 gpm) for the irrigation of three tracts of land totaling 2013.656 acres in Williamson County; and

WHEREAS, Permit No. 4007, as amended, also contained a special condition limiting the volume of water diverted from South Brushy Creek to not to exceed the lesser of 2,500,000 gallons per day or 98% of the amount of municipal effluent actually discharged into South Brushy Creek produced from water diverted from Lake Travis under the amended permit; and

WHEREAS, pursuant to a Water Sale Contract for Municipal Purposes dated June 30, 1999, the City of Cedar Park has increased the amount of water purchased from the LCRA from 7,000 acre-feet per annum to 16,500 acre-feet per annum; and

WHEREAS, The City of Cedar Park seeks to amend Permit No. 4007, as amended, as follows:

- a. increasing the amount of water authorized for transfer to the Brazos River Basin from 7,000 acre-feet per annum to 16,500 acre-feet per annum
- b. increasing the amount of effluent authorized for use from 2,800 acre-feet per annum to 5,600 acre-feet per annum
- c. adding municipal and industrial use to the previously authorized irrigation use of the effluent,
- d. adding diversion of the effluent from a Natural Resource Conservation Service lake on South Brushy Creek downstream of the wastewater discharge point
- e. authorizing the City of Cedar Park to use the bed and banks of South Brushy Creek to convey the effluent from the wastewater discharge point to the reservoir; and

WHEREAS, On June 3, 1999 the Brazos River Authority gave consent for the LCRA to provide water services in Williamson County to the service areas of the Cities of Cedar Park and Leander; and

WHEREAS, the increased quantity of effluent requested for reuse by the applicant is solely derived from an increase in the quantity of water requested for diversion and use under their contract with LCRA; and

WHEREAS, there are no interjacent water right holders between the currently authorized point of diversion on South Brushy Creek and the aforesaid reservoir; and

WHEREAS, pursuant to S. B. 1, Acts 1997, Texas Legislature, Regular Session, Chapter 1010 and Texas Natural Resource Conservation Commission Rules 30 TAC §295.155(d), the requested authorization is an exempt interbasin transfer included under TWC § 11.085 (v) not requiring notice; and

WHEREAS, the Texas Natural Resource Conservation Commission finds that jurisdiction over the application is established; and

WHEREAS, the Commission has complied with the Texas Water Code and the Rules of the Texas Natural Resource Conservation Commission in issuing this amendment

NOW THEREFORE, this amendment to Permit No. 4007, as amended, is issued to the City of Cedar Park, subject to the following terms and conditions:

1. USE

In lieu of the previous authorization to use 7000 acre-feet per annum of LCRA contract water in the Brazos River Basin for municipal use and 2800 acre-feet per annum of effluent created by the municipal use of water for irrigation use, permittee is authorized to use 16,500 acre-feet per annum of LCRA contract water in the Brazos River Basin for municipal use and 5600 acre-feet of water per annum of effluent created by municipal use for irrigation, industrial and municipal use within the service area of the City of Cedar Park in Travis and Williamson Counties.

2. DIVERSION

In addition to the currently authorized diversion point, permittee may divert the 5600 acre-feet of effluent per annum authorized for use under this certificate from the perimeter of the Upper Brushy Creek Watershed Soil and Conservation Service Site on South Brushy Creek. The centerline of the dam on South Brushy Creek is 30.504° N Latitude and 97.767° W Longitude and 14,500 feet downstream of permittees authorized wastewater discharge point.

3. WATER CONSERVATION

a. Permittee shall implement a Water Conservation Plan that provides for the utilization of those practices, techniques and technologies that reduce or maintain the consumption of water, prevent or reduce the loss or waste of water, maintain or improve efficiency in the use of water, increase the recycling and reuse of water, or prevent the pollution of water, so that a water supply is made available for future or alternative uses.

b. Permittee must state in all wholesale water supply contracts entered into, on or after the issue date of this amendment, including any contract extension or renewal, that each successive wholesale customer must develop and implement water conservation measures. If the customer intends to resell the water, then the contract for the resale of water must have conservation requirements so that each successive customer in the resale of the water will be required to implement water conservation measures.

c. SPECIAL CONDITIONS

a. Permittee is authorized to use the bed and banks of South Brushy Creek to convey the effluent herein authorized from the wastewater discharge point authorized under this certificate to the reservoir authorized in Paragraph 2. of this amendment.

b. The volume of water diverted from South Brushy Creek, shall not exceed at any time the lessor of:

- i. 5,000,000 gallons per day; or
- ii. 98% of the amount of municipal effluent actually discharged into South Brushy Creek which is produced from water diverted under the City's contract with LCRA.

This amendment is issued subject to all terms, conditions and provisions contained in Permit No. 4007, as amended, except as herein amended.

Permittee agrees to be bound by the terms, conditions and provisions contained herein and such agreement is a condition precedent to the granting of this amendment.

All other matters requested in the application which are not specifically granted by this amendment are denied.

This amendment is issued subject to the Rules of the Texas Natural Resource Conservation Commission and to the right of continuing supervision of State water resources exercised by the Commission.

TEXAS NATURAL RESOURCE
CONSERVATION COMMISSION



For the Commission

DATE ISSUED: MAR 30 2000

WC 4385A
3-31-2014

AMENDMENT TO
PERMIT

APPLICATION NO. 4385A PERMIT NO. 4007A TYPE: Amendment

Permittee: City of Cedar Park, Texas Address: P. O. Box 1090 Cedar Park, Texas 78613

Filed: October 26, 1988 Granted: November 15, 1988

Purpose: Irrigation County: Williamson

Watershed: Brazos River Basin

Watercourse: South Brushy Creek, tributary of Brushy Creek, tributary of San Gabriel River, tributary of Little River, tributary of Brazos River

WHEREAS, Permit No. 4007 was issued to the City of Cedar Park on August 23, 1983 and authorizes the transfer of not to exceed 7000 acre-feet of water per annum purchased from the Lower Colorado River Authority and diverted from Lake Travis in the Colorado River Basin for municipal purposes within the environs of the City of Cedar Park in the Brazos River Basin; and

WHEREAS, the permit states that any water diverted under the permit but not consumed shall be returned to Brushy Creek at a point N 46° E, 2050 feet from the southwest corner of the Samuel Damon Survey, Abstract No. 170 in Williamson County; and

WHEREAS, the City's wastewater discharge has been determined to actually be to South Brushy Creek, tributary of Brushy Creek at a point S 86° W, 10,600 feet from the southeast corner of the aforesaid Damon survey; and

WHEREAS, applicant has requested an amendment to Permit No. 4007 to authorize the use of not to exceed 2800 acre-feet per annum of municipal effluent generated from the use of water authorized under Permit No. 4007 for irrigation purposes on three specific tracts of land in Williamson County, the diversion of this effluent from South Brushy Creek approximately 8400 feet downstream from the wastewater discharge point and use of the bed and banks of South Brushy Creek to convey the effluent from the wastewater discharge point to the proposed point of diversion; and

WHEREAS, the proposed diversion point is on land not owned by the City of Cedar Park;

WHEREAS, the Texas Water Commission finds that jurisdiction over the application is established; and

WHEREAS, no person protested the granting of this application; and

WHEREAS, the Commission has complied with the requirements of the Texas Water Code and Rules of the Texas Water Commission in issuing this amendment.

NOW, THEREFORE, this amendment to Permit No. 4007 is issued to the City of Cedar Park, subject to the following terms and conditions:

1. USE

Wastewater use

Permittee is authorized to use not to exceed 2800 acre-feet per annum of effluent created by the municipal use of the 7000 acre-feet of water per annum authorized under Permit No. 4007 for the irrigation of three tracts of land totaling 2013.656 acres in Williamson County, and described in field notes submitted with the application as being 591.146 acres in the said Damon survey, 1304.52 acres in the J. H. Dillard Survey, Abstract No. 179 and the Rachel Saul Survey, Abstract No. 551 and 117.99 acres in the aforesaid Dillard survey.

2. DIVERSION

- a. At a point on South Brushy Creek, N 54° W, 4240 feet from the southeast corner of the said Damon survey, approximately three miles southeast of Cedar Park, Williamson County, Texas.
- b. Maximum rate of 5.6 cfs (2500 gpm).

3. POINT OF RETURN

In lieu of the point of return included in Permit No. 4007, permittee shall return the water that is diverted but not consumed to South Brushy Creek at its wastewater discharge point S 86° W, 10,600 feet from the southeast corner of the said Damon survey, approximately 13 miles southwest of Georgetown, Williamson County, Texas.

4. SPECIAL CONDITIONS

- a. Permittee is authorized to use the bed and banks of South Brushy Creek to convey the effluent herein authorized from the wastewater discharge point described in Paragraph 3. of this amendment to the diversion point described in Paragraph 2. of this amendment.
- b. The volume of water diverted from South Brushy Creek, shall not exceed at any time the lesser of:
 - i. 2,500,000 gallons per day; or
 - ii. 98% of the amount of municipal effluent actually discharged into South Brushy Creek which is produced from water diverted from Lake Travis under the authority of this permit.
- c. Diversion of effluent at the point herein authorized is subject to the continual consent of the owner of the land on which the diversion point is located.
- d. If permittee contracts with any person for use of all or part of the effluent herein authorized for use, permittee shall file a copy of the contract with the Executive Director.

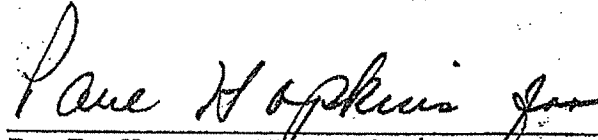
This amendment is issued subject to all terms, conditions and provisions contained in Permit No. 4007, except as herein amended.

Permittee agrees to be bound by the terms, conditions and provisions contained herein and such agreement is a condition precedent to the granting of this amendment.

All other matters requested in the application which are not specifically granted by this amendment are denied.

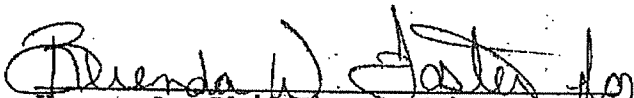
This amendment is issued subject to the Rules of the Texas Water Commission and to the right of continuing supervision of State water resources exercised by the Commission.

TEXAS WATER COMMISSION


B. J. Wynne, III, Chairman

DATE ISSUED: November 30, 1988

ATTEST:


Karen A. Phillips, Chief Clerk

10/4/83

§. 31.5
H.S.

PERMIT TO
TRANSFER STATE WATER

APPLICATION NO. 4385	PERMIT NO. 4007	TYPE: Section 11.085
Permittee : City of Cedar Park	Address :	P. O. Box 1090 Cedar Park, Texas 78613
Received : May 31, 1983	Filed :	July 18, 1983
Granted : August 23, 1983	Counties :	³²⁷ Travis and ²⁴⁶ Williamson
Watercourse: Colorado River	Watersheds:	¹⁴ Colorado River Basin and ¹⁷ Brazos River Basin

WHEREAS, the Texas Water Commission finds that jurisdiction of the application is established; and

WHEREAS, applicant, the City of Cedar Park, has entered into a contract with the Lower Colorado River Authority for the purchase and use of state waters heretofore appropriated to the Lower Colorado River Authority pursuant to Permits No. 1259 and/or No. 1260; and

WHEREAS, applicant seeks authorization to transfer this purchased water from its raw water treatment plant on the shore of Lake Travis, located in the Colorado River Basin, to the environs of the City of Cedar Park, located in the Brazos River Basin, to be used for municipal purposes; and

WHEREAS, a public hearing has been held and the City of Cedar Park named as a party; and

WHEREAS, by law the Executive Director and the Public Interest Advocate of the Department of Water Resources are parties; and

WHEREAS, no person appeared to protest the granting of this application; and

WHEREAS, the Commission has determined the rights that might be affected by the issuance of this permit granting this application; and

WHEREAS, the issuance of this permit granting this application is not adverse to any party;

NOW, THEREFORE, this permit is issued to the City of Cedar Park subject to the following terms and conditions:

1. INTERBASIN TRANSFER

Permittee is authorized to transfer not to exceed 7000 acre-feet of water per annum from the perimeter of Lake Travis on the Colorado River at a point N 52° W, 6200 feet from the SE corner of the D. M. Doyle Survey, Abstract No. 2648, in Travis County, at a maximum diversion rate of 21,700 gpm (48.4 cfs), to the environs of the City of Cedar Park for municipal purposes.

2. POINT OF RETURN

Water transferred to the City of Cedar Park under the authority of this permit that is not consumed shall be returned to Brushy Creek, tributary of San Gabriel River, tributary of Little River, tributary of Brazos River, Brazos River Basin, at a point located N 46° E, 2050 feet from the SW corner of the Samuel Daymon Survey, Abstract No. 170, in Williamson County, Texas.

3. SPECIAL CONDITION

The right authorized hereunder to transfer state water from the Colorado River Basin to the Brazos River Basin for municipal purposes is contingent upon the existence of a valid water supply contract between permittee and Lower Colorado River Authority.

Permittee agrees to be bound by the terms, conditions and provisions contained herein and such agreement is a condition precedent to the granting of this permit.

All other matters requested in the application which are not specifically granted by this permit are denied.

This permit is issued subject to the Rules of the Texas Department of Water Resources and to the right of continual supervision of state water resources exercised by the Department.

TEXAS WATER COMMISSION

/s/ Felix McDonald
Felix McDonald, Chairman

/s/ Lee B. M. Biggart
Lee B. M. Biggart, Commissioner

/s/ John D. Stover
John D. Stover, Commissioner

Date Issued:

August 23, 1983

(SEAL)

Attest:

/s/ Mary Ann Hefner
Mary Ann Hefner, Chief Clerk

WATER SALE CONTRACT FOR MUNICIPAL USES

by and between

LOWER COLORADO RIVER AUTHORITY

And

CITY OF CEDAR PARK, TEXAS

00037571 126963

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- B. Description Of Area Of Use
- C. Depiction Of Area Of Use
- D. Water Conservation Plan
- E. Non-Point Source Water Pollution Abatement Plan
- F. Arbitration Procedures

WATER SALE CONTRACT FOR MUNICIPAL USES

The LOWER COLORADO RIVER AUTHORITY (hereinafter, together with its successors and assigns, "LCRA") and the City of Cedar Park, Texas (hereinafter, together with its successors and assigns as provided herein, "PURCHASER") in mutual consideration of the provisions herein contained agree as follows:

I

WATER SUPPLY

- A. MAXIMUM ANNUAL QUANTITY - From and after the Effective Date hereof, PURCHASER shall have the right to divert up to a maximum of 18,000 acre-feet (5,865,318,000 gallons) of raw water per annum (the "Maximum Annual Quantity") from Lake Travis in Travis County, Texas at a point or points of diversion within a segment bordering on Lake Travis described and depicted in Exhibit "A" attached hereto (the "Point of Diversion"), said Exhibit depicting the segment by reference to a corner of an original land survey and/or other survey point, giving both course and distance.
- B. SOURCE OF WATER SUPPLY – The water supplied under this contract will be water provided, in accordance with LCRA's Water Management Plan, from storage in Lakes Buchanan and/or Travis in accordance with water rights held by LCRA as set forth in Certificates of Adjudication No. 14-5478, as amended, and 14-5482, as amended, or from any other source available to LCRA.

- C. MUNICIPAL USE ONLY – PURCHASER represents to LCRA and LCRA relies on such representation that all water supplied under this contract will be utilized for municipal uses only, as such term is defined by the substantive rules for water rights of the Texas Natural Resource Conservation Commission.
- D. AREA OF USE – Water supplied under this contract shall only be used within that certain area consisting of a total of 21,052 acres, and to the following areas, without regard to whether such areas are within the corporate limits or extraterritorial jurisdiction of the City of Cedar Park:
- (a) Any area that is within the service area defined by Certificates of Convenience and Necessity No. 10160 issued by the Public Utility Commission of Texas;
 - (b) The area that the Cedar Park Water Supply Corporation was obligated to serve by the contract with Block House Venture dated November 8, 1979, including any area included in any future amendment to that contract, so long as the amendment does not increase the total acreage which the City is obligated to serve under the November 8, 1979 contract;
 - (c) That certain 1,800 acre tract of land located immediately adjacent to and east of the City’s current extraterritorial jurisdiction, lying along and east of South Brushy Creek; and
 - (d) Those areas served by the City of Leander or included within its existing Certificate of Convenience and Necessity and/or extraterritorial jurisdiction;

provided, however, Purchaser's authorization to provide water to serve the area in this Paragraph I.D. (d) is, unless the area is also included in on of the areas described in the preceding portions of this Paragraph I.D., contingent upon the effectiveness of the Interlocal Agreement for Water Supply between Purchaser and LCRA, effective July 7, 1998, as amended from time to time ("Interlocal Agreement"). If the Interlocal Agreement terminates, or if the Texas Natural Resource Conservation Commission authorizes LCRA to use water out of Lake Travis to serve the City of Leander, then Purchaser's authorization to provide water to serve the area in this Paragraph I.D. (d) will, unless the area is also included in one of the areas described in the preceding portions of this Paragraph I.D., become null and void.

all of which is described in Exhibit "B" attached hereto and depicted in Exhibit "C", attached hereto, together hereinafter called the "Property".

E. WATER CONSERVATION/DROUGHT CONTINGENCY MEASURES –

PURCHASER agrees to implement the water conservation program and drought contingency measures in accordance with the water conservation plan (the "Conservation Plan") described in Exhibit "D" attached hereto and that the water diverted by PURCHASER pursuant to this contract will be used in accordance with such Conservation Plan. PURCHASER agrees that, in the event that PURCHASER furnishes water or water services to a third party that in turn will furnish the water or water services

to the ultimate consumer, the requirements of this contract relative to water conservation and drought contingency measures shall be met through contractual agreements between the PURCHASER and the third party, providing for the establishment and implementation of a water conservation program consistent with PURCHASER's Conservation Plan. LCRA, in accordance with applicable law, may from time to time adopt reasonable rules and regulations relating to water conservation and drought contingency measures. PURCHASER agrees to amend its Conservation Plan, as necessary, to reflect such water conservation and drought contingency measures, rules and regulations.

- F. DELIVERY OF WATER – LCRA shall deliver such water to the Points of Diversion in the necessary amounts and at the necessary times to allow PURCHASER to divert water at the Points of Diversion at PURCHASER's sole expense in such amounts and at such times as needed by PURCHASER, up to a total diversion of the Maximum Annual Quantity.
- G. AVAILABILITY OF WATER – The LCRA shall make water available to PURCHASER under this contract from the LCRA's firm water supply, as defined in the LCRA's Water Sale Contract Administrative Rules, except LCRA may interrupt or curtail the water supplied under this contract in accordance with LCRA's Water Management Plan, as such Plan and any amendments thereto have been approved and may be approved in the

future by the Texas Natural Resource Conservation Commission.

LCRA makes no guarantee that the water supplied under this contract will be available at any particular time or place or that any LCRA owned/operated reservoir or the Colorado River will be retained at any specific level at any particular time.

PURCHASER fully understands that the level of said reservoirs and the Colorado River will vary as a result of LCRA's operations of its dams on the Colorado River.

- H. OPERATIONS OF DAMS AND RESERVOIRS – The right of LCRA to maintain and operate its several dams and their appurtenances on the Colorado River and at any and all times in the future to impound and release waters thereby in any lawful manner and to any lawful extent LCRA may see fit is recognized by PURCHASER; and, except as otherwise provided herein, there shall be no obligation upon LCRA to release or not to release any impounded waters at any time or to maintain any waters at any specified level.
- I. INTERBASIN TRANSFER - Water supplied under this contract will be transferred to and used within the Brazos River Basin, as contemplated by the authorization set forth in Sections 11.085(v) (4) and 11.122, Texas Water Code. Purchaser will apply to the Texas Natural Resource Conservation Commission for and will diligently pursue the amendment of its existing Water Use Permit No. 4007, as amended, to authorize the

increase in the quantity of raw water to be supplied to PURCHASER under this contract. Upon obtaining such amendment, PURCHASER will promptly provide a copy thereof to LCRA.

II

CONTRACT ADMINISTRATION

- A. TERM OF CONTRACT – This contract shall be for a term of forty (40) years commencing on the “Effective Date,” and ending on the last day of June, 2041. The Effective Date of this contract shall be the date that this contract has obtained an amendment to its existing water use permit, as contemplated by Paragraph I.I, “INTERBASIN TRANSFER”.
- B. PAYMENT – PURCHASER hereby covenants to pay LCRA on a monthly basis beginning with the first month after the Effective Date of this contract an amount of money equal to the rate determined by the Board of Directors of LCRA to then be in effect for all sales of water for municipal purposes (“Water Rate”) times the amount of water diverted by PURCHASER during the previous month (“Monthly Diversion”). PURCHASER covenants to pay LCRA, on a calendar year basis, an amount of money (“the Reserved Water Charge”) equal to the Water Rate times fifty percent (50%) of the “Reserved Water,” which shall be the difference between the Maximum Annual Quantity and the amount of water diverted by PURCHASER during the previous calendar year

("Annual Diversion"). PURCHASER further covenants to pay LCRA, on a calendar year basis, an amount of money equal to the rate determined by the Board of Directors of LCRA to then be in effect for diversion of water in amounts in excess of the Maximum Annual Quantity ("Inverted Block Rate"). The Water Rate presently in effect is \$105.00 per acre-foot (\$0.32 cents per 1,000 gallons) of water. The Inverted Block Rate presently in effect is \$200.00 per acre-foot of water.

LCRA reserves all rights that it may have under law to modify from time to time the Water Rate applicable to all diversions of water for municipal use and the Inverted Block Rate applicable to all diversions of water in excess of the Maximum Annual Quantity.

LCRA also reserves all rights that it may have under law to impose and thereafter modify from time to time a charge applicable to all such water which is reserved but not diverted.

PURCHASER understands and acknowledges that the Water Rate, Reserved Water Charge, and the Inverted Block Rate set forth in this contract are in accordance with the water tariff for water reserved and/or diverted for municipal purposes approved by LCRA's Board of Directors.

Within five (5) days after the first day of each month, LCRA will mail a statement to PURCHASER showing the Monthly Diversion. Such statement shall also show the amount of money owed by PURCHASER to LCRA in accordance with the Water Rate and late payment charge specified herein.

The statement mailed by LCRA to PURCHASER in the month of January each year, in addition to showing the amount of water diverted by PURCHASER during the previous month and the amount of money owed by PURCHASER to LCRA for such water, shall also show the amount of water remaining during the previous calendar year ("Reserved Water") that PURCHASER was authorized to divert under this contract but failed to do so, as well as the amount of money owed by PURCHASER to LCRA in accordance with the Reserved Water Charge and late payment charge specified herein. If PURCHASER diverts water in excess of the Maximum Annual Quantity, then such statement shall show the amount of water diverted in excess of said amount, as well as the amount of money owed by PURCHASER to LCRA in accordance with the Inverted Block Rate specified herein.

Each statement submitted to PURCHASER shall be paid to LCRA at its office in Austin, Texas, by check or bankwire, on or before thirty (30) days from the date of mailing of the statement to PURCHASER. In the event PURCHASER fails to make payment of that statement within said thirty (30) day period, PURCHASER shall then pay a late payment charge of five percent (5%) of the amount of the statement. For each calendar month or fraction thereof that the statement remains unpaid, PURCHASER shall pay interest at the rate of two percent (2%) of the amount of the statement. If the statement has not been paid in the prescribed period, PURCHASER further agrees to pay all costs of collection and reasonable attorney's fees, regardless of whether suit is filed.

C. METERING OF DIVERTED WATER – To measure the amount of water diverted by PURCHASER hereunder, PURCHASER agrees at PURCHASER’s expense to install such flow meters and recording devices as are approved by LCRA, (the “Meters”) such meters to permit, within five percent (5%) accuracy, determination of quantities of raw water diverted hereunder in units of 1,000 gallons. PURCHASER shall provide LCRA with reasonable access to the Meters for the purpose of making meter readings and/or periodic inspections. LCRA shall have the right to make a reading of the Meters installed by PURCHASER on a monthly basis. PURCHASER agrees that the Meters shall be tested for accuracy by qualified personnel as approved by LCRA and at the expense of PURCHASER once each calendar year at intervals of approximately twelve (12) months. PURCHASER shall furnish to LCRA a report of such test results. Readings within five percent (5%) of accuracy shall be considered correct.

The Meters may be tested at any reasonable time by either party to this contract, provided that the party making the test shall notify the other party at least two (2) weeks in advance and allow the other party to witness the test. LCRA may install, at its expense, check meters in or to any of PURCHASER’s metering equipment at any time and may leave such check meters installed for such periods as is reasonably necessary to determine the accuracy of PURCHASER’s metering equipment. PURCHASER shall be required to take necessary steps to correct any meter inaccuracy discovered during any test.

In the event any question arises at any time as to the accuracy of any meter, such meter shall be tested by PURCHASER promptly upon the demand of LCRA, the expense of such test to be borne by LCRA if the meter is found to be correct and by PURCHASER if it is found to be incorrect. If, as a result of any test, any meter is found to be registering inaccurately (i.e., in excess of five percent (5%) of accuracy), the readings of such meter shall be corrected at the rate of its inaccuracy for any period which is definitely known and agreed upon or, if no such period is known and agreed upon, the shorter of the following periods shall be used as the basis for correction:

- (1) a period extended back either sixty (60) days from the date of demand for the test or, if no demand for the test was made, sixty (60) days from the date of the test; or
- (2) a period extending back half of the time elapsed since the last previous test; and the records of reading shall be adjusted accordingly.

D. TERMINATION OF CONTRACT – This contract may be terminated hereto as follows:

- (1) If a PURCHASER is current on all payments due to LCRA under this contract, PURCHASER may terminate this contract, by providing at least thirty (30) days' prior written notice to LCRA, on February 15 of any year following the expiration of five (5) years measured from the Effective Date.

- (2) LCRA at its sole option, in accordance with the terms and conditions set forth in Paragraph II.E., “NON-PAYMENT”, may terminate this contract without recourse should PURCHASER fail to comply with the terms and conditions of this contract for the payment of moneys owed to LCRA pursuant to Paragraph II.B., “PAYMENT.”

- (3) If PURCHASER fails to comply with its Conservation Plan or its Non-Point Source Water Pollution Abatement Plan, LCRA may, at its sole option terminate this contract without recourse unless such default is cured within thirty (30) days (or, if the nature of such default is not susceptible of being cured within such thirty (30) day period, such longer period of time during which PURCHASER diligently prosecutes the cure of such default, not to exceed ninety (90) days) of PURCHASER’s receipt of written notice of such default.

- (4) If PURCHASER fails to comply with the requirements of Paragraphs III.C., “SEWAGE REGULATIONS,” or III.D., “DEVELOPMENT AND WATER QUALITY REGULATIONS,” LCRA may, at its sole option, terminate this contract without recourse unless such default is cured within thirty (30) days (or, if the nature of such default is not susceptible of being cured within such thirty (30) day period, such longer period of time during which PURCHASER diligently prosecutes the cure of such default, not to exceed ninety (90) days) of

PURCHASER's receipt of written notice of such default.

- (5) If PURCHASER fails to comply with other requirements of this contract not specifically stated above, LCRA may, at its sole option, terminate this contract without recourse unless such default is cured within thirty (30) days (or, if the nature of such default is not susceptible of being cured within such thirty (30) day period, such longer period of time during which PURCHASER diligently prosecutes the cure of such default, not to exceed ninety (90) days) of PURCHASER's receipt of written notice of such default.
- (6) This contract may be terminated immediately by the LCRA upon the declaration of bankruptcy by PURCHASER.

PURCHASER shall remain liable for all fees and charges accruing under the contract through the date the contract is terminated.

- E. NON-PAYMENT – If LCRA determines that PURCHASER has not paid the full amount owed for any payment due under Paragraph II.B., “PAYMENT”, hereof within the time provided therefore, LCRA shall give written notice to PURCHASER stating the amount LCRA has determined is due and unpaid. If LCRA gives notice as provided herein and PURCHASER fails to pay within thirty (30) days the amounts claimed in such notice to

be due and unpaid, LCRA may, at its sole option, upon giving ten (10) days written notice to PURCHASER terminate this contract without recourse. If PURCHASER should dispute PURCHASER's obligation to pay all or any part of the amount stated in any statement or notice, PURCHASER may, in addition to all other rights that PURCHASER may have under law, pay such amount under protest in which case such amount shall be deposited by LCRA in an interest bearing account mutually acceptable to both LCRA and PURCHASER pending final resolution of such dispute in accordance with Paragraph IV.G., "DISPUTE RESOLUTION." LCRA may not terminate this contract for failure to pay the amount stated in any statement or notice if PURCHASER pays such amount under protest and until there is a final resolution of such dispute in accordance with Paragraph IV.G., "DISPUTE RESOLUTION," favorable to LCRA which resolution would allow the LCRA to terminate this contract for non-payment.

- F. NOTICE – Each notice under this contract shall be transmitted by certified mail, return receipt requested, and shall be effective on the date actually received. All notices and statements to PURCHASER shall be addressed to:

City of Cedar Park
600 North Bell
Cedar Park, Texas 78630

and all notices and payment to LCRA shall be addressed to:

Lower Colorado River Authority
P.O. Box 220
Austin, Texas 78767

Either party may change its address by giving written notice of such change to the other party.

- G. ASSIGNMENT OF CONTRACT – PURCHASER may assign this contract only upon obtaining the approval of the LCRA in accordance with the requirements for substantive amendments of contracts in the LCRA’s Water Sale Contract Administrative Rules.

- H. COMPLIANCE WITH FILING REQUIREMENTS – LCRA agrees to file a copy of this contract with the Executive Director of the Texas Natural Resource Conservation Commission, P.O. Box 13087, Capitol Station, Austin, Texas 78711, it being fully recognized by the PURCHASER hereunder that the effectiveness of this contract is dependent upon compliance with the substantive rules and procedural rules for water rights of the Texas Natural Resource Conservation Commission.

III

ENVIRONMENTAL

- A. NON-POINT SOURCE WATER POLLUTION ABATEMENT – PURCHASER agrees to implement a non-point source water pollution abatement program in accordance with the non-point source pollution abatement plan (the “NPS Plan”) described in Exhibit “E,” attached hereto. LCRA, in accordance with applicable law, may from time to time adopt reasonable rules and regulations relating to the abatement of non-point source water

pollution. PURCHASER agrees to amend its NPS Plan as necessary to reflect such non-point source water pollution abatement rules and regulations.

- B. QUALITY OF WATER – LCRA makes no representation as to the quality of the water supplied under this contract, and PURCHASER hereby releases LCRA and agrees to hold it harmless from any and all claims that PURCHASER or PURCHASER’s customers or users have or may have against LCRA for any diminution in or impairment of the quality of water supplied under this contract caused by any acts or omissions of LCRA.
- C. SEWAGE REGULATIONS - PURCHASER agrees to obtain or cause to be obtained all approvals required by all applicable local, state or federal agencies for any sanitary sewage system or systems which collect sewage derived from water diverted herein or any sanitary sewage system whose effluent is discharged in the Colorado River basin. PURCHASER shall make copies of such approvals available to LCRA. Failure of PURCHASER to meet any standards imposed by such agencies for sanitary sewage systems, including on-site systems, shall subject PURCHASER under this contract to all remedies allowed by law including, without limitation, termination or suspension of this contract by LCRA. PURCHASER further agrees that if a sewage treatment plant is located within the Property, LCRA shall have reasonable access to such plant for the purpose of taking samples of sewage effluent from such plant for testing by LCRA to

determine whether PURCHASER is in compliance with such standards imposed by such agencies.

- D. DEVELOPMENT AND WATER QUALITY REGULATIONS – Prior to actual diversion of water, PURCHASER agrees to provide LCRA written verification that all plans and designs of improvements to be constructed, operated and/or maintained by PURCHASER upon the Property or applicable portion thereof as described in Exhibit “B” and depicted in Exhibit “C” are in compliance with municipal, county or other governmental regulations pertaining to the use of said Property, or applicable portion thereof, or to water quality or non-point source discharges.

IV

GENERAL PROVISIONS

- A. PREVIOUS CONTRACT – Upon the Effective Date of this contract that certain Water Sale Contract between LCRA and the City of Cedar Park, Texas (LCRA Contract No. 34333) dated March 30, 2000, shall be null, void, and of no further legal force and effect.
- B. INDEMNIFICATION – PURCHASER will indemnify and save LCRA harmless from any and all claims and demands whatsoever to which LCRA may be subjected by reason of any injury to any person or damage to any property resulting from any and all actions and activities (or failure to act) of PURCHASER under this contract except to the extent

caused by LCRA's gross negligence or willful misconduct. PURCHASER's pumping and related facilities shall be installed, operated and maintained by PURCHASER at PURCHASER's sole risk. Nothing in this contract shall be construed as authorizing PURCHASER, or recognizing that PURCHASER has any right, to install any equipment or improvements on property owned by LCRA or third parties.

LCRA will save PURCHASER harmless from any and all claims or demands whatsoever to which LCRA may be subjected by reason of any injury to any person or damage to any property resulting from or in any way connected with any and all actions and activities (or failure to act) of LCRA under this contract.

- C. FORCE MAJEURE - The term "Force Majeure" as used herein, shall mean those situations or conditions which are beyond the control of LCRA or PURCHASER and which, after the exercise of due diligence to remedy such situation or condition, render LCRA or PURCHASER unable, wholly or in part, to carry out the covenants contained herein. Such force majeure includes but is not limited to acts of God, strikes, lockouts, acts of the public enemy, orders of any kind of the government of the United States or of the State of Texas or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, civil disturbances, explosions, breakage or accidents to machinery, pipelines, canals, or dams, partial or entire failure of water supply insofar as each of the foregoing are beyond

the reasonable control of the party in question. LCRA shall not be held liable or responsible for any damage that may be caused by its inability, after the exercise of due diligence, to make the supply of water available to PURCHASER due to any force majeure. LCRA shall use reasonable and timely diligence to repair or recondition the machinery, canals, or dams in the event such machinery, canals or dams are damaged or made unserviceable from any force majeure.

- D. NO THIRD-PARTY BENEFICIARY - The parties hereto are entering into this contract solely for the benefit of themselves and agree that nothing herein shall be construed to confer any right, privilege or benefit on any person or entity other than the parties hereto.
- E. NO RIGHTS OR TITLE ACQUIRED - PURCHASER agrees and acknowledges that it acquires by this contract no rights or title to the water that is the subject of this contract other than those rights explicitly set forth herein.
- F. REPRESENTATIONS AND WARRANTIES - Each of LCRA and PURCHASER represents and warrants to the other that this contract has been duly executed by an authorized officer and constitutes a valid and binding contract, enforceable against it in accordance with its terms (except as such enforceability may be limited by bankruptcy laws or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles).

G. DISPUTE RESOLUTION

- (1) Settlement By Mutual Agreement. In the event any dispute, controversy or claim between or among the parties arises under this contract or is connected with or related in any way to this contract or any right, duty or obligation arising hereunder or the relationship of the parties hereunder (a "Dispute or Controversy"), including, but not limited to, a Dispute or Controversy relating to the effectiveness, validity, interpretation, implementation, termination, cancellation or enforcement of this contract, the parties shall first attempt in good faith to settle and resolve such Dispute or Controversy by mutual agreement in accordance with the terms of this subparagraph (1). In the event a Dispute or Controversy arises, any party shall have the right to notify the other party to such Dispute or Controversy that it has elected to implement the procedures set forth in this subparagraph (1). Within fifteen (15) days after delivery of any such notice by one party to the other regarding a Dispute or Controversy, the designated representatives of the parties shall meet at a mutually agreed time and place to attempt, with diligence and good faith, to resolve and settle such Dispute or Controversy. Should a mutual resolution and settlement not be obtained at the meeting of the parties' designated representatives for such purpose or should no such meeting take place within such fifteen (15) day period, then any party may by notice to the other party, as the case may be, refer the Dispute or Controversy to senior management of the parties for resolution. Within fifteen (15) days after

delivery of any such notice by one party to the other referring such Dispute or Controversy to senior management of the parties for resolution, representatives of senior management of each of the parties shall meet at a mutually agreed upon time and place to attempt, with diligence and good faith, to resolve and settle such Dispute or Controversy. Should mutual resolution and settlement not be obtained at the meeting of representatives of senior management of each of the parties for such purposes or should no such meeting take place within such fifteen (15) day period (unless extended by mutual agreement), then any party may by notice to the other party, as the case may be, submit the Dispute or Controversy to binding arbitration in accordance with the provisions of subparagraph (2) and Exhibit F. Upon the receipt of notice of referral to arbitration hereunder, the parties shall be compelled to arbitrate the Dispute or Controversy in accordance with the terms of this Paragraph G and Exhibit F without regard to the justiciable character or executory nature of such Dispute or Controversy.

- (2) Arbitration. Each party hereby agrees that any Dispute or Controversy which is not resolved pursuant to the provisions of subparagraph (1) may be submitted to binding arbitration hereunder and if submitted shall be resolved exclusively and finally through such binding arbitration. This Paragraph G and Exhibit F constitute a written agreement by the parties to submit to arbitration any Dispute

or Controversy arising under or in connection with this contract within the meaning of Section 171.001 of the Texas Civil Practice and Remedies Code.

- (3) Emergency Relief. Without affecting the parties' agreement to arbitrate Dispute and Controversies, either party may seek injunctive relief or other form of emergency relief at any time from any state court of competent jurisdiction in Austin, Texas, the federal court for such district, or any state or federal regulatory agency of competent jurisdiction.
- (4) Survival. The provisions of this Paragraph G shall survive expiration or earlier termination of this contract.

H. ACTUAL DAMAGES - NEITHER PARTY SHALL BE LIABLE OR HAVE ANY RESPONSIBILITY TO THE OTHER FOR ANY INDIRECT, SPECIAL, CONSEQUENTIAL, PUNITIVE OR DELAY-RELATED OR PERFORMANCE-RELATED DAMAGES INCLUDING, WITHOUT LIMITATION, LOST EARNINGS OR PROFITS. SUCH LIMITATION ON LIABILITY SHALL APPLY TO ANY CLAIM OR ACTION, WHETHER IT IS BASED ON WHOLE OR IN PART ON CONTRACT, NEGLIGENCE, STRICT LIABILITY, TORT, STATUTE OR ANY OTHER THEORY OF LIABILITY. The provisions of this Paragraph IV.H. shall have no effect on the party's indemnity obligations under Paragraph IV.B.

- I. AMENDMENT - This contract may not be modified or amended except by an instrument in writing signed by authorized representatives of the parties.
- J. BINDING EFFECT - The terms of this contract shall be binding upon, and inure to the benefit of, the parties and their permitted successors and assigns.
- K. COMPLETE CONTRACT - This contract, together with all Exhibits attached hereto constitutes the entire agreement of the parties relating to the subject matter of this contract and supersedes all prior contracts, agreements or understandings with respect to the subject matter hereof, both oral or written.

Each party agrees that the other party (and their agents and representatives) have not made, and it has not relied upon, any representation, warranty, covenant or agreement to or with such party relating to the transactions contemplated hereunder other than those expressly set forth herein.

- L. COUNTERPARTS - This contract may be executed by the parties in any number of separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts shall together constitute one and the same agreement. All signatures need not be on the same counterpart.

- M. FURTHER ASSURANCES - Each party agrees to do all acts and things and to execute and deliver such further written instruments, as may be from time to time reasonably required to carry out the terms and provisions of this contract.
- N. GOVERNING LAW - This contract and the rights and duties of the parties arising out of this contract shall be governed by, and construed in accordance with, the laws of the State of Texas, without reference to the conflict of laws rules thereof.
- O. HEADINGS; TABLE OF CONTENTS - The headings of the Articles and Paragraphs of this contract and the Table of Contents are included for convenience only and shall not be deemed to constitute a part of this contract.
- P. INCORPORATION OF EXHIBITS - All Exhibits attached to this contract are incorporated herein by this reference in their entirety and made a part hereof for all purposes.
- Q. INTERPRETATION AND RELIANCE - No presumption will apply in favor of any party in the interpretation of this contract or in the resolution of any ambiguity of any provisions thereof.

R. RELATIONSHIP OF PARTIES - This contract and the transactions contemplated hereunder are based upon the active participation of all parties.

Neither the execution nor delivery of this contract, nor the consummation of the transactions contemplated hereunder, shall create or constitute a partnership, joint venture, or any other form of business organization or arrangement between the parties, except for the contractual arrangements specifically set forth in this contract. Except as is expressly agreed to in writing in this contract, no party (or any of its agents, officers or employees) shall be an agent or employee of the other party, nor shall a party (or any of its agents, officers or employees) have any power to assume or create any obligation on behalf of the other party. Nothing contained in this contract shall create or constitute a partnership, joint venture, or any other form of business organization or arrangement among LCRA on the one hand and the Purchaser on the other hand, except for the contractual arrangements specifically set forth herein.

S. SEVERABILITY - In the event that any provision of this contract is held to be unenforceable or invalid by any court of competent jurisdiction, the parties shall negotiate an equitable adjustment to the provisions of this contract with the view to effecting, to the extent possible, the original purpose and intent of this contract, and the validity and enforceability of the remaining provisions shall not be affected thereby.

T. SHORT TERM SALES OF FIRM WATER TO THIRD PARTIES - In accordance with LCRA Board Policy 501, Water Resources Management, LCRA and PURCHASER agree that LCRA may market and re-sell any portion of PURCHASER'S Reserved Water to third parties on a limited term basis for a management fee and under terms mutually acceptable to LCRA and PURCHASER and in accordance with LCRA Board Policies.

EXECUTED this 13th day of June, 2001.

LOWER COLORADO RIVER AUTHORITY

By: Paul D. Thornhill
Paul D. Thornhill, P.E.
Manager, WaterCo



CITY OF CEDAR PARK, TEXAS

By: Bob Young
Bob Young, Mayor

EXHIBIT F

ARBITRATION PROCEDURES

Section 1. Arbitration.

1.1. Binding Arbitration. Binding arbitration shall be conducted in accordance with the following procedures:

(a) The party seeking arbitration hereunder shall request such arbitration in writing, which writing shall be delivered to the opposing party or parties and include a clear statement of the matter(s) in dispute. If a legal proceeding relating to the matter(s) in dispute has previously been filed in a court of competent jurisdiction (other than a proceeding for injunctive or ancillary relief) then such notice of election under this paragraph shall be delivered within ninety (90) days of the date the electing party receives service of process in such legal proceeding. Except to the extent provided in this Exhibit F, the arbitration shall be conducted in accordance with the commercial rules of the American Arbitration Association by a single arbitrator to be appointed as follows: (i) upon the issuance and receipt of a request for arbitration, the requesting and receiving party shall each designate a representative for the sole purpose of selecting, by mutual agreement with the other party's designee, the individual who shall arbitrate the Dispute or Controversy referred to arbitration hereunder; (ii) within twenty (20) days of their appointment, the two representatives shall designate a third individual who shall be the arbitrator to conduct the arbitration of the Dispute or Controversy; (iii) said individual shall be qualified to arbitrate the Dispute or Controversy referred to arbitration hereunder and have a schedule that permits him or her to serve as arbitrator within the time periods set forth herein. In order to facilitate any

such appointment, the party seeking arbitration shall submit a brief description (no longer than two (2) pages) of the Dispute or Controversy to the opposing party. In the event the parties' two representatives are unable to agree on a single arbitrator of the Dispute or Controversy within the twenty (20) day period, then the arbitrator shall be appointed by the then-serving chief administrative district judge of Travis County, Texas or any successor thereto within the next ten (10) day period. The party seeking arbitration shall make the parties' request for appointment of an arbitrator and furnish a copy of the aforesaid description of the Dispute or Controversy to said judge. Each party may, but shall not be required to, submit to said judge a list of up to three (3) qualified individuals as candidates for appointment as the arbitrator whose schedules permit their service as arbitrator within the time periods set forth herein. The arbitrator appointed by the judge need not be from such lists.

(b) Within thirty (30) days of the date the arbitrator is appointed, the arbitrator shall notify the parties in writing of the date of the arbitration hearing, which hearing date shall be not less than one-hundred twenty (120) days from the date of the arbitrator's appointment. The arbitration hearing shall be held in Austin, Texas. Except as otherwise provided herein, the proceedings shall be conducted in accordance with the procedures of the Texas General Arbitration Act, Tex. Civ. Prac. & Remedies Code § 171.001 et seq. (the "Texas General Arbitration Act"). Depositions may be taken and other discovery may be made in accordance with the Texas Rules of Civil Procedure, provided that (i) depositions and other discovery shall be completed within ninety (90) days of the appointment of the arbitrator, (ii) there shall be no evidence by affidavit allowed, and (iii) each party shall disclose a list of all documentary

evidence to be used and a list of all witnesses and experts to be called by the party in the arbitration hearing at least twenty (20) days prior to the arbitration hearing. The arbitrator shall issue a final ruling within thirty (30) days after the arbitration hearing. Any decision of the arbitrator shall state the basis of the award and shall include both findings of fact and conclusions of law. Any award rendered pursuant to the foregoing, which may include an award or decree of specific performance hereunder, shall be final and binding on, and nonappealable by, the parties and judgment thereon may be entered or enforcement thereof sought by either party in a court of competent jurisdiction. The foregoing deadlines shall be tolled during the period that no arbitrator is serving until a replacement is appointed in accordance with this Exhibit F.

(c) Notwithstanding the foregoing, nothing contained herein shall be deemed to give the arbitrator appointed hereunder any authority, power or right to alter, change, amend, modify, waive, add to or delete from any of the provisions of the contract.

Section 2. Further Qualifications of Arbitrators; Conduct. All arbitrators shall be and remain at all times wholly impartial and, upon written request by any party, shall provide the parties with a statement that they can and shall decide any Dispute or Controversy referred to them impartially. No arbitrator shall be employed by any party, the State of Texas, or have any material financial dependence upon a party, the State of Texas, nor shall any arbitrator have any material financial interest in the Dispute or Controversy.

Section 3. Applicable Law and Arbitration Act. The agreement to arbitrate set forth in this Exhibit shall be enforceable in either federal or state court. The enforcement of such agreement and all procedural aspects thereof, including the construction and interpretation of this

agreement to arbitrate, the scope of the arbitrable issues, allegations of waiver, delay or defenses as to arbitrability and the rules (except as otherwise expressly provided herein) governing the conduct of the arbitration, shall be governed by and construed pursuant to the Texas General Arbitration Act. In deciding the substance of any such Dispute or Controversy, the arbitrator shall apply the substantive laws of the State of Texas. The arbitrator shall have authority, power and right to award damages and provide for other remedies as are available at law or in equity in accordance with the laws of the State of Texas, except that the arbitrator shall have no authority to award incidental or punitive damages under any circumstances (whether they be exemplary damages, treble damages or any other penalty or punitive type of damages) regardless of whether such damages may be available under the laws of the State of Texas. The parties hereby waive their right, if any, to recover punitive damages in connection with any arbitrated Dispute or Controversy.

Section 4. Consolidation. If the parties initiate multiple arbitration proceedings, the subject matters of which are related by common questions of law or fact and which could result in conflicting awards or obligations, then the parties hereby agree that all such proceedings may be consolidated into a single arbitration proceeding.

Section 5. Pendency of Dispute; Interim Measures. The existence of any Dispute or Controversy eligible for referral or referred to arbitration hereunder, or the pendency of the dispute settlement or resolution procedures set forth herein, shall not in and of themselves relieve or excuse either party from its ongoing duties and obligations under the contract or any right, duty or obligation arising therefrom; provided, however, that during the pendency of arbitration

proceedings and prior to a final award, upon written request by a party, the arbitrator may issue interim measures for preservation or protection of the status quo.

Section 6. No Appeal. Each party agrees that arbitration pursuant to this Exhibit F shall be the exclusive method for resolving all Disputes and Controversies that are not resolved by mutual agreement and that it will not commence an Action or Proceeding, except to enforce the arbitrator's decision or to compel the other party to participate in arbitration under this Exhibit F.

Section 7. Complete Defense. The parties agree that compliance by a party with the provisions of this Exhibit shall be a complete defense to any Action or Proceeding instituted in any federal or state court, or before any administrative tribunal by any other party with respect to any Dispute or Controversy which is subject to arbitration as set forth herein, other than a suit or action alleging non-compliance with a final and binding arbitration award rendered hereunder.

Section 8. Costs. Each party shall bear the costs of its appointed representative to select the arbitrator of the Dispute or Controversy and its own attorneys' fees, while the costs of the arbitrator of the Dispute or Controversy incurred in accordance with the foregoing shall be shared equally by the parties. Additional incidental costs of arbitration shall be paid for by the nonprevailing party in the arbitration; provided, however, that where the final decision of the arbitrator is not clearly in favor of either party, such incidental costs shall be shared equally by the parties.



LEGEND

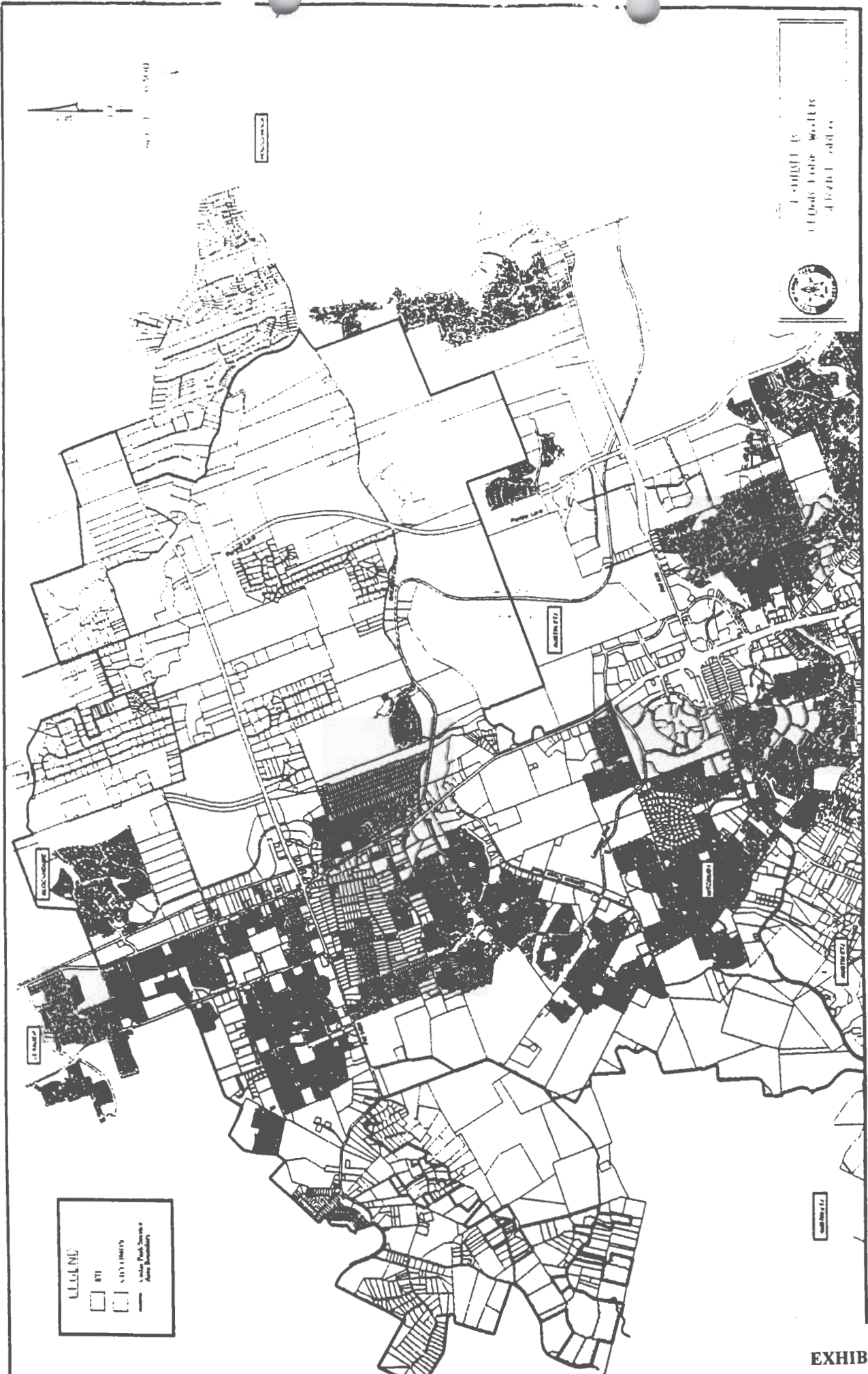
- ETJ
- CITY LIMITS
- Cedar Park Service Area Boundary

SCALE 1" = 700'



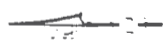
EXHIBIT A
CEDAR PARK DIVERSION POINT

DIVERSION POINT



LEGEND

-  CITY
-  CITY LIMITS
-  Public Parks & Recreation
-  Other



Scale: 1" = 100'

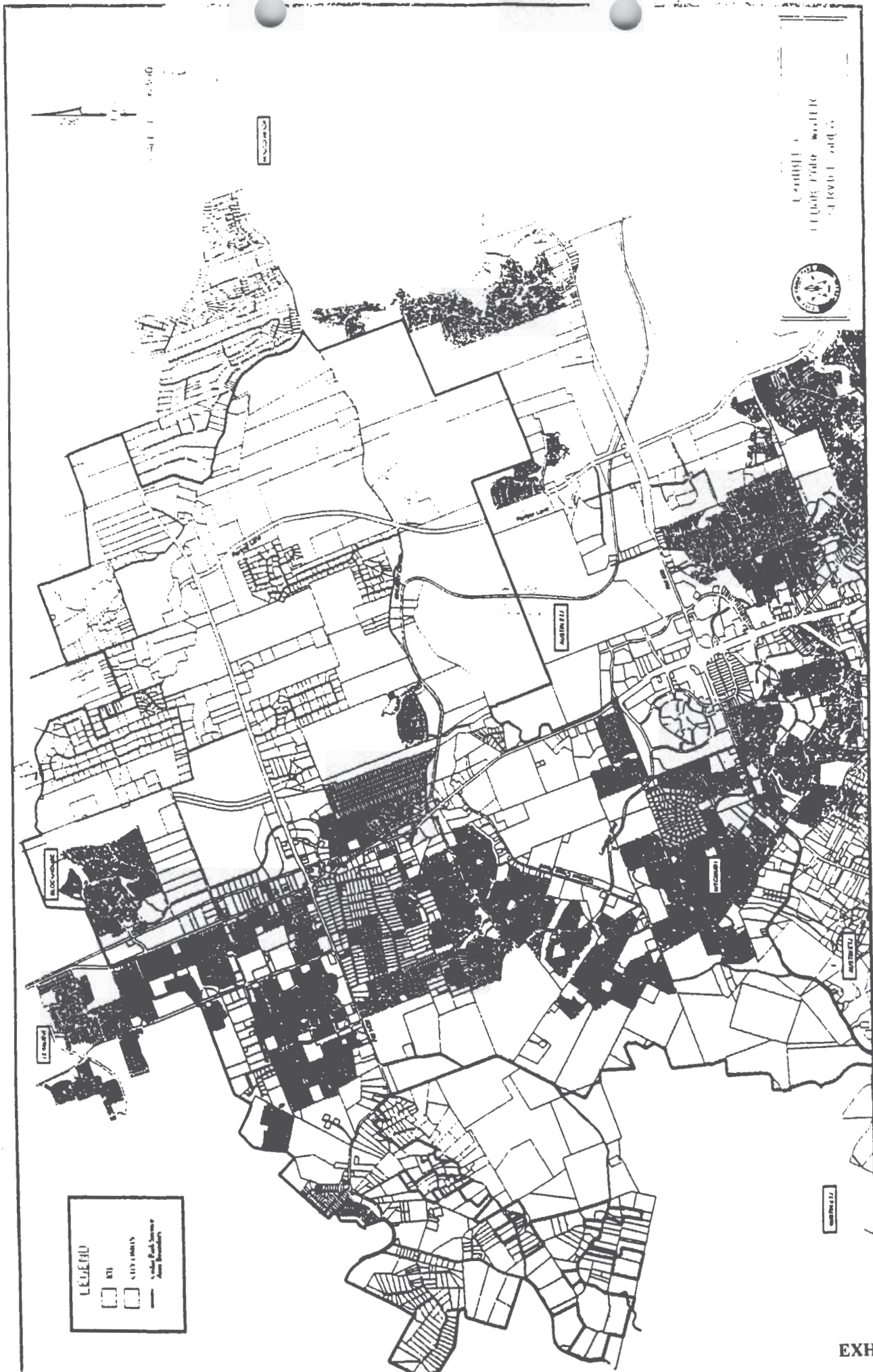
Map No. 100

EXHIBIT B
City of Los Angeles
Department of Public Works







Map No. 100

EXHIBIT B



LEGEND

-  RTU
-  CITY LIMITS
-  Water Pond, Stream or Lake
-  Other Boundaries

ORDINANCE NO. 02000-10

AN ORDINANCE TO REVISE ARTICLE 11.800 DROUGHT CONTINGENCY AND WATER EMERGENCY PLAN IN CHAPTER 11 UTILITIES AND SOLID WASTE REGULATIONS; PROVIDING FOR SEVERABILITY; PROVIDING FOR AN EFFECTIVE DATE; AND ORDAINING OTHER PROVISIONS RELATED TO THE SUBJECT MATTER HEREOF.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CEDAR PARK, TEXAS:

SECTION 1: That ARTICLE 11.800: DROUGHT CONTINGENCY AND WATER EMERGENCY PLAN in CHAPTER 11. UTILITIES AND SOLID WASTE REGULATIONS, is hereby amended as follows:

ARTICLE 11.800: DROUGHT CONTINGENCY AND WATER EMERGENCY PLAN

Sec. 11.801 Approval of the Plan

The City Council hereby approves to replace the City of Cedar Park Drought Contingency and Water Emergency Plan attached hereto to be included in full as a part of the Ordinance as if recited verbatim herein. The City commits to implement the program changes according to the procedures set forth in the revised plan.

Sec. 11.802 Declaration of Policy, Purpose, and Intent

It is hereby declared that, because of the water conditions prevailing in the City of Cedar Park, the water resources available to the City be put to the maximum beneficial use and that the waste, unreasonable use, or unreasonable method of use of water be prevented, and the conservation of such water to be extended with a view to the reasonable and beneficial use thereof in the interests of the people of the City of Cedar Park and for the public health and welfare.

Water uses regulated or prohibited under the Drought Contingency and Water Conservation Plan (the Plan) are considered to be non-essential and continuation of such uses during times of water shortage or other emergency water supply condition are deemed to constitute a waste of water which subjects the offender(s) as defined in Section 11.814 of this Plan.

EXHIBIT D

Sec. 11.803 Public Involvement

The opportunity for the public to provide input into the preparation of the plan was provided by the City of Cedar Park by means of scheduling and providing public notice of the City of Cedar Park Planning and Zoning Commission and City Council public meetings in January and February 2000.

Sec. 11.804 Public Education

The City of Cedar Park will periodically provide the public with information about the plan, including information about the conditions under which each stage of the Plan is to be initiated or terminated and the drought response measures to be implemented in each stage. This information will be provided by means of press releases and utility bill inserts.

Sec. 11.805 Wholesale Water Customer Education

The City of Cedar Park will periodically provide wholesale water customers with information about the Plan, including information about the conditions under which each stage of the Plan is to be initiated or terminated and the drought response measures to be implemented in each stage. This information will be provided by means of press releases, utility bill inserts, and providing a copy of the Plan to wholesale water customers.

Sec. 11.806 Coordination with Regional Planning Groups

The service area of the City of Cedar Park is located within the Lower Colorado Regional Water Planning Area (Region K) of the State of Texas and the City of Cedar Park has provided a copy of this plan to the Lower Colorado Regional Water Planning Area.

Sec. 11.807 Authorization

The City Manager or his/her designee is hereby authorized and directed to implement the applicable provisions of this Plan upon determination that such implementation is necessary to protect public health, safety, and welfare. The city manager, or his/her designee, shall have the authority to initiate or terminate drought or other water supply emergency response measures as described in this Plan.

Sec. 11.808 Application

The provisions of this plan shall apply to all persons, customers, and property utilizing water provided by the City of Cedar Park. The terms "persons" and "customer" as used in the Plan include individuals, corporations, partnerships, associations, and all other legal entities.

Sec. 11.809 Definitions

For the purpose of this plan, the following definitions shall apply:

Conservation: those practices, techniques, and technologies that reduce the consumption of water, reduce the loss or waste of water, improve the efficiency in the use of water or increase the recycling and reuse of water so that a supply is conserved and made available for future or alternative uses.

Customer: any person, company, or organization using water supplied by the City of Cedar Park.

Landscape Irrigation Use: water used for the irrigation and maintenance of landscaped areas, whether privately or publicly owned, including residential and commercial lawns, gardens, golf courses, parks, and rights-of-way and medians.

Non-Essential Water Use: water uses that are not essential nor required for the protection of public health, safety, and welfare, including:

- (a) irrigation of landscaped areas, including parks, athletic fields, and golf courses, except otherwise provided by this Plan;
- (b) use of water to wash any motor vehicle, motorbike, boat, trailer, airplane or other vehicle;
- (c) use of water to wash down any sidewalks, walkways, driveways, parking lots, tennis courts, or other hard-surfaced areas;
- (d) use of water to wash down buildings or structures for purposes other than immediate fire protection;
- (e) flushing gutters or permitting water to run or accumulate in any gutter or street;
- (f) use of water to fill, refill, or add to any indoor swimming pools or jacuzzi-type pools;
- (g) use of water in a fountain or pond for aesthetic or scenic purposes except where necessary to support aquatic life;
- (h) failure to repair a controllable leak(s) within a reasonable period after having been given notice directing the repair of such leak(s); and
- (i) use of water from hydrants for construction purposes or any other purposes other than fire fighting.

Outdoor Water Use: includes but is not limited to watering lawns, shrubs, and other types of outdoor vegetation; washing vehicles, boats, and trailers; use of landscape irrigation systems; the refilling or adding water to swimming pools or wading pools or ponds; the operation of any ornamental fountain or other similar structure; the use of water from fire hydrants for uses other than fire fighting or other activities necessary to maintain health and safety conditions; the watering of patios, driveways, parking areas, streets, tennis courts, sidewalks or other paved areas; and the watering of ground foundations.

Xeriscape: a method of landscaping which conserves water through the use of specific principles of design, plant selection, installation, maintenance, and irrigation methods.

Sec. 11.810 Triggering and Termination Criteria for Drought Response Stages

The City Manager, or his/her designee, shall monitor water supply and/or demand conditions on a monthly basis and shall determine when conditions warrant initiation or termination of each stage of the plan. During the months of May through September water supply conditions may be monitored on a more frequent basis if deemed necessary. Public notification of the initiation or termination of drought response stages shall be by means of publication in a newspaper of general circulation, signs posted in public places, utility bill inserts, and other means to be determined by the City Manager or his/her designee.

The triggering criteria described below are based on customer water consumption and water treatment plant production/distribution capacity.

(1) Stage 1 - Voluntary Water Conservation Conditions

Requirements for initiation - Customers shall be requested to voluntarily conserve water and adhere to the water restrictions on non-essential water use, defined in sec. 11.809 of this Plan - Definitions, each year from May 1 through September 30

Requirements for termination - Stage 1 of the Plan may be rescinded at any time by the city manager or his/her designee. The City of Cedar Park will notify its wholesale water customers of the initiation and termination of the Stage 1 of the Plan.

(2) Stage 2 - Moderate Water Shortage Conditions

Requirements for initiation - Customers shall be required to comply with the requirements and restrictions on non-essential water uses, defined in Section 11.809 of this Plan when:

- (A) daily water consumption for three consecutive days reaches 90% of production/distribution capacity
- (B) weather conditions are to be considered in drought classification determination. Predicted long, cold, or dry periods are to be considered in impact analysis.

Requirements for termination - Stage 2 of the Plan may be rescinded by the City Manager by his/her designee when all of the conditions listed as triggering events have ceased to exist for a period of three (3) consecutive days. Upon termination

of Stage 2, Stage 1 becomes operative. The City of Cedar Park will notify its wholesale water customers of the initiation and termination of Stage 2 of the Plan.

(3) Stage 3 - Severe Water Shortage Conditions

Requirements for initiation - Customers shall be required to comply with the requirements and restrictions on non-essential water uses, defined in Section 11.809, for Stage 3 of this Plan when:

- (A) daily water consumption reaches 95% of production/distribution capacity for three consecutive days and/or
- (B) daily water consumption will not enable storage levels to be maintained,
- (C) system demand exceeds available high service pump capacity,
- (D) water system is contaminated whether accidentally or intentionally. Severe condition is reached immediately upon detection,
- (E) water system fails – from acts of God (tornadoes, hurricanes) or man. Severe condition is reached immediately upon detection,
- (F) any mechanical failure of pumping equipment which will require more than 12 hours to repair which causes unprecedented loss of capability to provide water service.

Requirements for termination - Stage 3 of the Plan may be rescinded by the city manager or his/her designee when all of the conditions listed as triggering events have ceased to exist for a period of three (3) consecutive days. Upon termination of Stage 3, Stage 2 becomes operative as directed by the city manager or his/her designee. The City of Cedar Park will notify its wholesale water customers of the initiation and termination of Stage 3 of the Plan.

Sec. 11.811 Drought Response Stages

The City Manager or his/her designee, shall monitor water supply and/or demand conditions on a daily basis and, in accordance with the triggering criteria set forth in Section 11.810 of the Plan, shall determine that a voluntary, moderate, or severe condition exists and shall implement the following actions upon publication of notice in a newspaper of general circulation:

(1) Stage 1 – Voluntary Water Conservation Conditions

The goal for Stage 1 of the Plan is to raise public and customer awareness of

water demand conditions.

(A). Voluntary Water Use Measures:

1. Water customers shall voluntarily limit outdoor water use by participating in the 5 Day Watering Schedule for outdoor water use. Outdoor water use shall only occur on a designated outdoor watering day, which will be once every five days. The 5 Day Watering Schedule will be determined and distributed each year by the City of Cedar Park Public Works Department.
2. Outdoor water use is discouraged between the hours of 10:00 a.m. and 7:00 p.m. except with hand-held hoses equipped with a positive pistol grip nozzle or other device that automatically shuts off water flow when the hose is not being used, or hand-held buckets. The time restrictions do not apply to: (1) the irrigation of commercial plant nurseries, (2) irrigation using treated wastewater effluent, (3) new landscape installation during installation and the first ten (10) days, and (4) the testing of new irrigation systems or existing irrigation systems being tested or under repair.
3. All operations of the City of Cedar Park shall adhere to non-essential water use restrictions in Section 11.809 of this Plan.
4. Water customers are requested to practice water conservation and adhere to the restrictions on non-essential water uses, defined in Section 11.809.

(B). Demand Measurement Measures

1. The City Manager, or his/her designee, will contact wholesale water customers to discuss water supply and/or demand conditions and will request that wholesale water customers initiate voluntary measures to reduce water use.

(2) Stage 2 - Moderate Water Shortage Conditions

The goal for Stage 2 of the Plan is to reduce and maintain maximum daily water demand at or below ninety percent (90%) of system capacity.

(A). Water Use Restrictions. Under threat of penalty for violation, the following water use restrictions shall apply to all persons:

1. Water customers are required to participate in the 5 Day Watering Schedule for outdoor water use in the 5 Day Watering Schedule for outdoor water uses. Outdoor water use shall only occur on a designated

outdoor watering day, which will be once every five days. The 5 Day watering Schedule will be determined and distributed each year by the City of Cedar Park Public Works Department.

2. Outdoor water use is prohibited between the hours of 10:00 a.m. and 7:00 p.m. except with hand-held hoses equipped with a positive pistol grip nozzle or other device that automatically shuts off water flow when the hose is not being used, or hand-held buckets. The time restrictions do not apply to: (1) the irrigation of commercial plant nurseries, (2) irrigation using treated wastewater effluent, (3) new landscape installation during installation and the first ten (10) days, and (4) the testing of new irrigation systems or existing irrigation systems being tested or under repair.
3. The washing of automobiles, trucks, motorbikes, boats, trailers, airplanes or other vehicle is prohibited except on designated watering days. Washing is prohibited between the hours of 10:00 a.m. and 7:00 p.m. Such washing when allowed, shall be done with a hand-held bucket or a hand-held hose equipped with a positive shutoff nozzle for quick rinses. The washing of individual vehicles may be done at any time on the immediate premises of a commercial car wash or commercial service station. Further, this restriction does not apply to the washing of vehicles or any other type of mobile equipment (such as garbage trucks and vehicles to transport food and perishables) when the health, safety, and welfare of the public is contingent upon frequent vehicle cleansing. Charity car washes are prohibited.
4. Use of water to fill, refill, or add to any indoor or outdoor swimming pools, wading pools, or jacuzzi-type pools is prohibited except on designated watering days. This water use is prohibited between the hours of 10:00 a.m. and 7:00 p.m.
5. Operation of any ornamental fountain or pond for aesthetic or scenic purposes is prohibited except where necessary to support aquatic life or where such fountains or ponds are equipped with a recirculation system.
6. Use of water from hydrants shall be limited to fire fighting, related activities, or other activities necessary to maintain public health, safety, and welfare, except that use of water from designated fire hydrants for construction purposes may be allowed under written permission from the City of Cedar Park. (see Section 11.813 of this Plan)
7. Use of water for the irrigation of golf course greens, tees, and fairways

is prohibited except on designated watering days. Such irrigation may not take place between the hours of 10:00 a.m. and 7 p.m. These restrictions do not apply to the irrigation of any golf course which uses wastewater effluent, ground water, or raw water.

8. All restaurants are prohibited from serving water to its patrons except when requested.
9. The following uses constitute a waste of water and are prohibited:
 - a. Washing sidewalks, walkways, driveways, parking lots, tennis courts, patios or other hard-surfaced areas except to alleviate immediate health or safety hazards;
 - b. use of water for dust control;
 - c. allowing water to run off a property or allowing water to pond in the street or parking.
 - d. operating a permanently installed irrigation system with broken heads, with heads that are out of adjustment that spray more than 10% of the spray on street or parking lots, or that is misting.
 - e. failure to repair a controllable leak(s) within a reasonable period after having been given notice directing the repair of such leak(s).
 - f. washing an automobile, truck, trailer, boat, airplane, or other mobile equipment with a hand-held hose not equipped with a pistol grip nozzle or other device that automatically shuts off water flow when the hose is not being used.

(B). Demand Management Measures

1. The City Manager, or his/her designee, will initiate weekly contact with wholesale water customers to discuss water supply and/or demand conditions and the possibility of pro rata curtailment of water diversions and/or deliveries.
2. The City Manager, or his/her designee, will request wholesale water customers to initiate mandatory measures to reduce non-essential water use (e.g., implement Stage 2 of the customer's drought contingency plan).
3. The City Manager, or his/her designee, will initiate preparations for the implementation of pro rata water curtailment of water diversions and/or deliveries by preparing a monthly water usage allocation baseline for the wholesale customer according to the procedures specified in Sec. 11.812 of the Plan.

4. The City Manager, or his/her designee, will provide a weekly report to news media with information regarding current water supply and/or demand conditions, projected water supply and demand conditions if drought conditions persist, and consumer information on water conservation measure and practices.

(3) Stage 3 - Severe Water Shortage Conditions

The goal for Stage 3 of the Plan is to reduce and maintain maximum daily water demand at or below ninety five percent (95%) of system capacity.

A. Supply Management Measures:

The City of Cedar Park will cease the flushing of water mains except when necessary for reasons of health or safety. All Cedar Park departments will discontinue irrigating public landscaped areas except when such areas are irrigated with wastewater effluent, ground water, or raw water.

Water Use Restrictions. All requirements of Stage 2 shall remain in effect during Stage 3 except:

1. Outdoor water use by use of hand-held hoses equipped with a positive pistol grip nozzle or other device that automatically shuts off water flow when the hose is not being used or hand-held buckets may occur only between the hours of 6:00 a.m. to 10:00 a.m. and 7:00 p.m. and 10:00 p.m. on designated outdoor water use days. The use of permanently installed irrigation systems, drip irrigation systems, and hose end irrigation is prohibited.
2. The watering of golf course tees is prohibited unless the golf course utilizes a water source other than that provided by the City of Cedar Park.
3. The washing of automobiles, trucks, trailers, boats, airplanes, and other types of mobile equipment not occurring on the immediate premises of a commercial car wash or a commercial service station and not in the immediate interest of the public health, safety, and welfare are prohibited. The washing of such vehicles under public safety and health situations may only occur between 6 a.m. and 10 a.m..
4. Commercial plant nurseries may use only hand-held hoses equipped with a positive pistol grip nozzle or other device that automatically shuts off water flow when the hose is not being used or hand-held buckets.

5. The filling, refilling, or adding of potable water to swimming or wading pools is prohibited.
6. No new landscapes of any type may be installed.
7. The use of water for construction purposes from designated fire hydrants under written permission from the City of Cedar Park is to be discontinued.

B. Demand Management Measures

1. The City Manager, or his/her designee, will contact wholesale water customers to discuss water supply and/or demand conditions and will request that wholesale water customers initiate additional mandatory measures to reduce non-essential water use (e.g., implement stage 2 of the customer's drought contingency plan).
2. The City Manager, or his/her designee, will initiate pro rata water curtailment of water diversions and/or deliveries for each wholesale customer according to the procedures specified in Sec. 11.812 of the Plan.
3. The City Manager, or his/her designee, will provide a weekly report to news media with information regarding current water supply and/or demand conditions, projected water supply and demand conditions if drought conditions persist, and consumer information on water conservation measures and practices.

In the event that severe water shortage conditions persist (Stage 3) for an extended period of time, the city manager, upon recommendation of the Director of Public Works, may order water rationing and/or terminate service to selected users of the system in accordance with the following sequence;

1. Recreational users,
2. Commercial users
3. School users
4. Residential users
5. Hospitals, public health and safety facilities.

(4). Additional Measures

Through a contractual agreement with the Lower Colorado River Authority (LCRA), the LCRA may interrupt or curtail the water supplied to Cedar Park in accordance with the LCRA's Drought Management Plan.

Sec. 11.812 Pro Rate Water Allocation

Every wholesale water contract entered into or renewed by the City of Cedar Park after the effective date of this plan, including contract extensions, shall provide that in case of a shortage of water resulting from drought, the water to be distributed shall be divided in accordance with Texas Water Code § 11.309 and the provisions of this Drought Contingency Plan.

Sec. 11.813 Variances

The City Manager, or his/her designee, may, in writing, grant temporary variance for existing water uses otherwise prohibited under this Plan if it is determined that failure to grant such variance would cause an emergency condition adversely affecting the health, sanitation, or fire protection for the public or the person requesting such variance and if one or more of the following conditions are met:

1. Compliance with this Plan cannot be technically accomplished during the duration of the water supply shortage or other condition for which the Plan is in effect.
2. Alternative methods can be implemented which will achieve the same level of reduction in water use.

Persons requesting an exemption from the provisions of this Ordinance shall file a petition for variance with the City of Cedar Park Public Works Department within 5 days after the Plan or a particular drought response stage has been invoked. All petitions for variances shall be reviewed by the City Manager, or his/her designee, and shall include the following:

1. Name and address of the petitioner(s),
2. Purpose of water use,
3. Specific provision(s) of the plan from which the petitioner is requesting relief,
4. Detailed statement as to how the specific provision of the Plan adversely affects the petitioner or what damage or harm will occur to the petitioner or others if petitioner complies with this Plan,
5. Description of the relief requested,
6. Period of time for which the variance is sought,
7. Alternative water use restrictions or other measures the petitioner is taking or proposes to take to meet the intent of this Plan and the compliance date, and
8. Other pertinent information.

Variances granted by the City Manger or his/her designee shall be subject to the following conditions, unless waived or modified by the city manger or his/her designee:

1. Variances granted shall include a timetable for compliance, and
2. Variances granted shall expire when the Plan is no longer in effect, unless the petitioner has failed to meet specified requirements.

No variance shall be retroactive or otherwise justify any violation of this Plan occurring prior to the issuance of the variance.

11.814 Enforcement

No person shall knowingly or intentionally allow the use of water from the City of Cedar Park for residential, commercial, industrial, agricultural, governmental, or any other purpose in a manner contrary to any provision of this Plan, or in an amount in excess of that permitted by the drought response stage in effect at the time pursuant to action taken by city manger, or his/her designee, in accordance with provisions of this Plan.

Any person who violates this Plan is guilty of a misdemeanor and, upon conviction shall be punished by a fine not to exceed five hundred dollars (\$500.00). Each day that one or more of the provisions in this Plan is violated shall constitute a separate offense. If a person is convicted of three or more distinct violations of this Plan, the city manager or his/her designee shall, upon due notice to the customer, be authorized to discontinue water service to the premises where such violations occur. Services discontinued under such circumstances shall be restored only upon payment of a re-connection charge, hereby established at fifty dollars (\$50.00), and any other costs incurred by the City of Cedar Park in discontinuing service. In addition, suitable assurance must be given to the city manager, or his/her designee, that the same action shall not be repeated while the Plan is in effect. Compliance with this plan may also be sought through injunctive relief in the district court.

Any person, including a person classified as a water customer of the City of Cedar Park, in apparent control of the property where a violation occurs or originates shall be presumed to be the violator, and proof that the violation occurred on the person's property shall constitute a rebuttable presumption that the person in apparent control of the property committed the violation, but any such person shall have the right to show that he/she did not commit the violation. Parents shall be presumed to be responsible for violations of their minor children and proof that a violation, committed by a child, occurred on property within the parents' control shall constitute a rebuttable presumption that the parent committed the violation, but any such parent may be excused if he/she proves that he/she had previously directed the child not to use the water as it was used in violation of this Plan and that the parent could not have reasonably known of the violation.

Any employee of the City of Cedar Park, police officer, or other employee designated by the City Manger, may issue a citation to a person he/she reasonably believes to be in violation of this Ordinance. The citation shall be prepared in duplicate and shall contain

the name and address of the alleged violator, if known, the offense charged, and shall direct him/her to appear in Cedar Park Municipal Court on the date shown on the citation for which the date shall not be less than 3 days nor more than 5 days from the date the citation was issued. The alleged violator shall be served a copy of the citation. Service of the citation shall be complete upon delivery of the citation to the alleged violator, to an agent or employee of a violator, or to a person over 14 years of age who is a member of the violator's immediate family or is a resident of the violator's residence. The alleged violator shall appear in the Cedar Park Municipal Court to enter a plea of guilty or not guilty for the violation of this Plan. If the alleged violator fails to appear in the Cedar Park Municipal Court, a warrant for his/her arrest may be issued. A summons to appear may be issued in lieu of an arrest warrant. These cases shall be expedited and given preferential setting in the Cedar Park Municipal Court before all other cases.

11.815 Severability

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

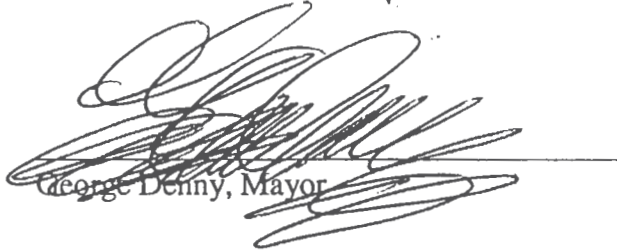
SECTION 2: If any provision, section, sentence, clause, or phrase of this Ordinance, or the application of same to any person or set of circumstances is for any reason held to be unconstitutional, void or invalid (or for any reason unenforceable), the validity of the remaining portions of this Ordinance or the application to such other persons or sets of circumstances shall not be affected hereby, it being the intent of the City Council of the City of Cedar Park in adopting this Ordinance, that no portion hereof or provision contained herein shall become inoperative or fail by reason of any unconstitutionality or invalidity of any other portion or provision.

SECTION 3: This Ordinance shall be published according to law and shall be and remain in full force and effect from and after the date of publication.

READ, CONSIDERED, PASSED AND APPROVED ON FIRST READING by the City Council of Cedar Park at a regular meeting on the 27th day of January, 2000, at which a quorum was present and for which due notice was given pursuant to Section 551.001, et. Seq. of the Government Code.

READ, CONSIDERED, PASSED AND APPROVED ON SECOND AND FINAL READING by the City Council of Cedar Park at a regular meeting on the 10th day of February, 2000, at which a quorum was present and for which due notice was given pursuant to Section 551.001, et. Seq. of the Government Code.

APPROVED this 10th day of February, 2000.



George Denny, Mayor

ATTEST:



LeAnn Barnes, City Secretary

**ARTICLE 9.700 LAKE TRAVIS WATERSHED NON-POINT SOURCE
POLLUTION CONTROL**

Sec. 9.701 General Provisions

(a) LCRA Non-Point Source Pollution Control Technical Manual Adopted. There is hereby adopted by the City of Cedar Park, for the purpose of establishing rules and regulations for Non-Point Source Pollution Control during the design, development, construction, alteration, or enlargement, of areas within the Lake Travis Watershed located within the City of Cedar Park extraterritorial jurisdiction and/or city limits, such jurisdiction, delineated in Exhibit "A", the map of Lake Travis watershed as maintained on file in the office of the city secretary, that certain standards required by the Lower Colorado River Authority Non-Point Source Pollution Control Technical Manual, being the most current Edition thereof, and the whole thereof, as amended from time to time by LCRA, including later editions. One (1) copy of said code is now on file in the office of the city secretary, and the same is hereby adopted and incorporated as fully as if set out at length herein, and the same shall be controlling in the design, development, and construction of all subdivisions within the city limits and extraterritorial jurisdiction of the City of Cedar Park, Texas, located within the Lake Travis Watershed.

(b) Application of Section and Coordination with Other Sections.

- (1) This section sets out special requirements for the subdivision of land located in the Lake Travis Watershed, which, for the purpose of this section shall mean all land on the map adopted hereby as Exhibit "A" and on file with the city secretary which is both (1) within the extraterritorial jurisdiction or city limits of the City of Cedar Park; and (2) not included within one of the other watershed areas delineated thereon.
- (2) A person wishing to subdivide land in the Lake Travis Watershed must comply both with these special requirements and with the applicable requirements of other provisions of this Code of Ordinances. When the land being subdivided is located partially within and partially beyond the Lake Travis Watershed, this section shall apply only to that portion of the land within the Lake Travis Watershed.
- (3) In case of conflict between the requirements of this section and any other section, the requirements of this section govern.

(c) Definitions. The following words, terms and phrases, when used in this section, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning.

Affected Person. Any person whose legal rights, duties or privileges may be adversely affected by NPS pollution from any proposed development for which a permit is sought.

Agricultural Activities. All activities associated with the pasturing of livestock or use of the land for planting, growing, cultivating, and harvesting crops for human or animal consumption.

Annual Pollutant Load. The amount of pollution in stormwater runoff that is discharged from a developed site over the course of one year; usually measured in pounds and based on an average year of rainfall. (The average annual rainfall in Travis County in the Lake Travis watershed is 32.5 inches/year.) The annual pollutant load is estimated by multiplying the pollutant concentration by the volume of runoff and does not include the background pollutant load.

Applicant. A landowner or land user (or their duly authorized designee) who applies for a permit under this section.

Background Pollutant Load. The amount of pollution in stormwater runoff that is discharged from a site before development. The background pollutant load is calculated according to the following formula: area of site x annual runoff coefficient x background stormwater pollution concentrations. The annual runoff coefficient is 0.10. The background stormwater pollution concentrations for total suspended solids, total phosphorous, and oil and grease are 48 mg/l, .08 mg/l, and 0.0 mg/l, respectively.

Best Management Practices (BMPs). Those practices, including but not limited to those described in LCRA's Technical Manual, that prevent or control nonpoint source pollution. Innovative BMPs are those practices designed by the applicant's engineer to meet or exceed LCRA's performance standards but which are not described in LCRA's Technical Manual

Board. The Board of Directors of LCRA.

Commencement of Development. The commencement of significant physical site preparation, including clearing, grading, or leveling.

Commercial Development. All development other than open space, single-family residential development.

Creek. A channel or bed conveying a body of running water in wet weather conditions.

Development. All land modification activity, including the construction of buildings, roads, paved storage areas, and parking lots. "Development" also includes any land disturbing construction activities or human-made change of the land surface, including clearing of vegetative cover, excavating, dredging and filling, grading, contouring, mining and the deposit of refuse, waste, or fill. Care and maintenance of lawns, gardens, and trees, minimal clearing (10 feet wide) for surveying and testing, and agricultural activities are excluded from this definition.

District. LCRA's ten-county statutory district, which includes San Saba, Llano Burnet, Blanco, Travis, Bastrop, Fayette, Colorado, Wharton, and Matagorda Counties.

Erosion. The detachment and movement of soil, sediment or rock fragments by wind, water, ice, or gravity.

Existing Development. Any completed development, or any development that is not complete, but which has obtained final plat approval from a governmental entity, prior to February 1, 1990.

Impervious Cover. A surface that reduces the amount of penetration of water into the earth. (ex. asphalt, building, gravel surface)

Increased Pollutant Load. The annual pollutant load minus the background pollutant load.

Jurisdictional Area. This section shall be applied within the portion of the Lake Travis watershed in Travis County located within the City of Cedar Park extraterritorial jurisdiction and/or city limits

Lake. The area within the normal conservation pool elevation of Lake Travis (681 foot contour).

Lake Travis Watershed. All land draining into Lake Travis. The Lake Travis watershed in Travis County is depicted on Exhibit "A" to this article, which is incorporated by reference herein.

Landowner. Any person holding title to or having an interest in land.

Land User. Any person operating, leasing, renting, or having made other arrangements with the landowner by which the landowner authorizes use of his or her land.

Large or Significant Development. A development that LCRA believes may have a direct water quality impact to an adjacent property owner or to an area.

LCRA. Lower Colorado River Authority.

Master Plan. Document submitted as a portion of the NPS permit application which describes development intended to be conducted in phases. Submittal and approval of a master plan shall occur prior to approval of a city of Cedar Park NPS Pollution Control Permit. Applications submitted for projects that are intended to be developed in phases shall be approved in a two step process. Upon approval of the master plan, the Applicant shall complete the permit application for the first phase and each subsequent phase of the project.

Multi-Family Development. Any building that contains three (3) or more attached units designed for residential use (e.g. apartments, townhomes, etc.).

Nonpoint Source (NPS) Pollution. Pollution that is caused by or attributable to diffuse sources. Such pollution results in the human-made or human-induced alteration of the chemical, physical, biological, or radiological integrity of water. Typically, NPS pollution results from land runoff, precipitation, atmospheric deposition, or percolation.

NPS Best Management Practice (BMP) Maintenance Permit. A permit for the maintenance of Best Management Practices (BMPs) or other NPS pollution control measures. This permit may be issued upon satisfactory completion of development and after issuance of a NPS Pollution Control Permit. The NPS Best Management Practice (BMP) Maintenance Permit may be issued to a person other than the original permit applicant if the person is the landowner or Property Owner's Association, as applicable.

NPS Development Permit. A permit for development of land within the jurisdictional area specifically identifying best management practices for control of nonpoint source pollution resulting from development. Private land owners/land users that install utility infrastructures are also required to obtain a NPS Development Permit.

NPS Pollution Controls. Those Best Management Practices (BMPs), including but not limited to those described in LCRA's Technical Manual, that prevent or control nonpoint source pollution.

NPS Pollution Control Permit. A permit issued by the City of Cedar Park upon an approval of an applicant's permit application. The permit includes the approved NPS pollution controls (BMPs).

NPS Pollution Control Technical Manual. The manual developed by LCRA that explains various BMPs that, when implemented, should achieve the performance standards and other requirements set forth in Section 9.703 of this article.

Permit Amendment. A revision to an NPS Pollution Control permit issued by the LCRA after an application for such amendment has been received and reviewed, and the expansion, redevelopment, or modification plans have been found to be in compliance with this section and the Technical Manual. Permit amendment procedures are described in the Technical Manual.

Permittee. A landowner or land user who is undertaking land development activities pursuant to a permit granted according to the provisions of this section.

Person. Any individual, organization, trust, partnership, firm, association, public or private corporation, political subdivision, or any other legal entity.

Phased Development. Development of land in excess of two hundred fifty (250) acres according to a master plan which occurs in stages and over an extended period of time.

Pollution. Alteration of the physical, thermal, chemical, or biological quality of, or the contamination of, any water in the state that renders the water harmful, detrimental, or injurious to humans, animal life, vegetation, property, or public health, safety, or welfare, or impairs the usefulness or the public enjoyment of the water for any lawful or reasonable purpose.

Public Utility. A person, or entity that owns or operates for compensation facilities or equipment for producing, generating, transmitting, selling or furnishing electricity, water, sewer service, cable or telephone services.

Sedimentation. Pollution resulting from the deposit of detached soil particles.

Single-Family Development. One and two-family dwelling units.

Site. The entire area included in the legal description of the land on which development is proposed in the permit application.

Storm Sewer System. Conveyance of stormwater through a man-made structure such as pipe, culvert, etc.

(1988 Revised Code of Ordinances, Chapter 8, Section 7A)

Sec. 9.702 Scope and Application

(a) Authorized Activities: Permit Required. Except as provided in subsections (b), (c), (d), and (e) below, no landowner or land user subject to this section may commence or conduct development in the Lake Travis watershed in Travis County in the city limits or ETJ of Cedar Park without first obtaining an NPS Pollution Control Permit from the City of Cedar Park. Prior to commencing development, the landowner or land user controlling or using the site and desiring to undertake development subject to this section shall pay an application fee and submit a complete application for a permit. By submitting an application, the applicant is authorizing the City of Cedar Park to enter the site to obtain information required for the review of the permit application. The City of Cedar Park shall issue a NPS Pollution Control Permit upon the applicant's submission of a complete permit application, payment of the application fee, and upon the City's approval of the permit application. The provisions of this section regarding permit application and issuance shall be applied consistently, uniformly, and fairly to all applicants and permittees.

(b) Single-Family Residences. No permit is required for the construction of a single-family residence on a single-family lot. Landowners or land users undertaking such construction shall, however, utilize the measures for controlling erosion and

sedimentation described in the LCRA NPS Pollution Control Technical Manual during the construction process. Such landowners or land users shall, at the time of application for a building permit from the City of Cedar Park, demonstrate the erosion and sedimentation control measures that will be used. A single-family residence is a detached structure designed for occupancy by one family as a residence.

Construction of a single-family residence does not include construction of infrastructure such as roadways, utilities and drainage improvements.

(c) Existing Development. No permit is required for existing development. If, however, improvements or additions are made after the effective date of this section which substantially increase the amount of development, then the landowner or land user must obtain a permit and demonstrate that the pollution resulting from the development will meet the performance standards set forth in Section 9.703 of this article. This subsection does not apply to single-family residences as described in subsection (b) of this section.

(d) Final Plats. Landowners or land users developing sites for which final subdivision plats have been approved by the City of Cedar Park and Travis County prior to the effective date of this section do not need a permit and are not required to comply with subsections (1) and (2) of Section 9.703 of this article. Such landowners or land users shall, however, comply with subsection (3) of Section 9.703 of this article regarding erosion and sedimentation control. Such landowners or land users shall, at the time of application for flood control permits from Travis County, demonstrate the erosion and sedimentation control measures that will be used.

(e) Utility Lines. Landowners or land users installing utility lines must obtain a permit, but are not required to comply with subsections (1) and (2) of Section 9.703 of this article. Such landowners or land users shall, however, comply with paragraph (3) of Section 9.703 of this article regarding erosion and sedimentation control. No permit is required for routine maintenance and installation of utility lines if a landowner or land user complies with the guidelines set forth in the LCRA Non-Point Source Control Technical Manual for such activity.

(1988 Revised Code of Ordinances, Chapter 8, Section 7B)

Sec. 9.703 Performance Standards

Except as otherwise provided in Section 9.702 of this article, all development subject to this article shall achieve the following performance standards:

(1) Total Suspended Solids, Total Phosphorus, Oil and Grease.

(A) Total Suspended Solids. For development on slopes between zero percent (0%) and ten percent (10%), seventy percent (70%) of the annual

pollutant load in the stormwater runoff for total suspended solids shall be removed. For development on slopes greater than ten percent (10%) but less than twenty percent (20%), eighty percent (80%) of the annual pollutant load in the stormwater runoff of total suspended solids shall be removed. For development on slopes greater than twenty percent (20%), ninety percent (90%) of the annual pollutant load in the stormwater runoff of total suspended solids shall be removed. All development located within 500 feet of the 691 msl contour line (measured perpendicular to the contour line toward the shore) and on slopes between zero percent (0%) and ten percent (10%), must have seventy-five percent (75%) of total suspended solids removed after development is complete. All development located within 500 feet of the 691 msl contour line (measured perpendicular to the contour line toward the shore) and on slopes over ten percent (10%), must have ninety percent (90%) of the total suspended solids removed after development is complete;

- (B) Total Phosphorous. For development on slopes between zero percent (0%) and ten percent (10%), seventy percent (70%) of the annual pollutant load in the stormwater runoff for total phosphorous shall be removed. For development on slopes greater than ten percent (10%) but less than twenty percent (20%), seventy-five percent (75%) of the annual pollutant load in the stormwater runoff for total phosphorous shall be removed. For development on slopes greater than twenty percent (20%), eighty-five percent (85%) of the annual pollutant load in the stormwater runoff of total phosphorous shall be removed. All development located within five hundred feet (500') of the 691 msl contour line (measured perpendicular to the contour line toward the shore) and on slopes between zero percent (0%) and ten percent (10%), must have seventy-five percent (75%) of total phosphorous removed after development is complete. All development located within five hundred feet (500') of the 691 msl contour line (measured perpendicular to the contour line toward the shore) and on slopes over ten percent (10%), must have eighty-five percent (85%) of total phosphorous removed after development is complete;
- (C) Oil and Grease. For development, other than single-family residences, on slopes between zero percent (0%) and ten percent (10%), seventy percent (70%) of the annual pollutant load for oil and grease shall be removed. For development, other than single-family residences, on slopes greater than ten percent (10%) but less than twenty percent (20%), seventy-five percent (75%) of the annual pollutant load for oil and grease shall be removed. For development, other than single-family residences, on slopes over twenty percent (20%), eighty-five percent (85%) of the annual pollutant load in the stormwater runoff of oil and

grease shall be removed. All development, other than single-family residences, located within 500 feet of the 691 msl contour line (measured perpendicular to the contour line toward the shore) and on slopes between zero percent (0%) and ten percent (10%), must have seventy-five percent (75%) of oil and grease removed after development is complete. All development, other than single-family residences, located within 500 feet of the 691 msl contour line (measured perpendicular to the contour line toward the shore) and on slopes over ten percent (10%), must have eighty-five percent (85%) of oil and grease removed after development is complete.

TABLE 1

SUMMARY OF LCRA PERFORMANCE STANDARDS FOR POLLUTANT
REMOVAL LEVELS
INCREMENTAL POLLUTANT REMOVAL REQUIREMENTS

FLATTER PROPERTY (0 - 10% SLOPE)

	TOTAL SUSPENDED SOLIDS	TOTAL PHOSPHORUS	OIL & GREASE
GENERAL	70%	70%	70%
SHORELINE (within 500' of 691 MSL)	75%	75%	75%

MODERATELY SLOPED PROPERTY (10 - 20% SLOPE)

	TOTAL SUSPENDED SOLIDS	TOTAL PHOSPHORUS	OIL & GREASE
GENERAL	80%	75%	75%
SHORELINE (within 500' of 691 MSL)	90%	85%	85%

STEEPLY SLOPED PROPERTY (GREATER THAN 20% SLOPE)

	TOTAL SUSPENDED SOLIDS	TOTAL PHOSPHORUS	OIL & GREASE
GENERAL	90%	85%	85%
SHORELINE (within 500' of 691 MSL)	90%	85%	85%

- (2) Streambank Erosion. Streambank erosion shall be controlled by designing the drainage system so that the amount of erosion and siltation occurring in the receiving streams is not increased. Specifically, the magnitude and frequency of the pre-development one year design storm shall remain the same. The one year design storm shall be that storm as defined in the LCRA NPS Pollution Control Technical Manual.
- (3) Erosion and Sedimentation Control. Erosion and sedimentation shall be controlled throughout the development process in accordance with the LCRA NPS Pollution Control Technical Manual.
- (4) Alternative Performance Standards for Single-Family Subdivisions. Development of single-family subdivisions that meets all of the following criteria need not comply with subsections (1) and (2) of this section:
 - (A) Minimum lot size of one acre; and
 - (B) Street and drainage network is designed without curbs or gutters, or some other suitable design, so that runoff is treated using over-land flow methods to a vegetated buffer. The vegetated buffer must meet the slope and vegetative area cover criteria described in the LCRA NPS Pollution Control Technical Manual.

Landowners or land users developing single-family subdivisions shall, at the time of application for building permits from the City of Cedar Park, demonstrate the erosion and sedimentation control measures that will be used in accordance with the LCRA NPS Pollution Control Technical Manual.

- (5) Sub-basin Averaging. It is the intent of the section to have a project, as a whole, meet the performance standards of the section. Each phase of a project shall also meet the performance standard when such performance standard is averaged with phases previously built or under construction. As such, averaging of performance standards between sub-basins is allowed under the following conditions:

- (A) Performance standards shall be met or exceeded where drainage impacts an adjacent land owner or environmentally sensitive area.
 - (B) No off-site sub-basin discharge shall fall below the performance standard by more than ten percent (10%).
- (6) Monitoring and Reporting. If a project proposes innovative BMPs, the City of Cedar Park may require as a condition of issuing a permit, water quality performance monitoring of certain BMPs. Water quality monitoring shall last a period of at least three (3) years. The cost of monitoring, borne by the applicant, shall not exceed ten percent (10%) of the construction cost of all BMPs serving a project. During the monitoring period, the applicant shall submit annual reports showing the results of the monitoring efforts. The pollutant parameters to be monitored shall be determined at the time of permit issuance. The monitoring and reporting must be satisfactory prior to issuance of the BMP Maintenance permit.

(1988 Revised Code of Ordinances, Chapter 8, Section 7C)

Sec. 9.704 Processing of Permit Applications

- (a) Preparation of Permit Applications. Landowners or land users who must obtain an NPS Pollution Control Permit from the City of Cedar Park shall prepare the permit application in accordance with the LCRA NPS Pollution Control Technical Manual, which is incorporated herein by reference as if set forth in full and which may be amended from time to time by LCRA in accordance with Section 9.711 of this article.
- (b) Initial Review. After the application is accepted by the City of Cedar Park, Cedar Park shall commence a technical review of the permit application for a period of time not to exceed sixty (60) calendar days. The applicant shall be promptly notified of any additional information that may be necessary for a completed staff review.
- (c) Subsequent Reviews. If more information is needed to complete the technical review, an applicant shall have sixty (60) calendar days to submit additional information or revise the application. If the applicant provides the additional information within the sixty (60) day period, the technical review shall be extended for no more than thirty (30) calendar days. If the applicant does not provide the additional information within the sixty (60) day period, the City of Cedar Park may return the application and all or part of the fees to the applicant.
- (d) Application Fees. The application fees shall be as described in the fee schedule found in the appendix of this code. The fee is intended to cover the cost of processing applications, inspections, and other costs incurred by the city in the administration of this article. The fee schedule may be amended from time to time by the city council of the City of Cedar Park.

(e) Duration. A NPS Pollution Control Permit, unless terminated pursuant to subsection (6) or Section 9.708(c), shall be valid for the life of a project or until a NPS Best Management Practice Permit is issued.

(f) Termination. A City of Cedar Park NPS Pollution Control Permit shall be automatically terminated if the permittee has not commenced development within three (3) years from the date of issuance of the permit. Commencement of development means clearing the site and performing initial or rough grading of the improvements. Pursuant to Section 9.708(c), permit may be terminated by revocation upon violation of a condition to the permit. If the City of Cedar Park terminates a permit for nonuse and the term of fiscal surety is still in effect, the city may call on the permittee's surety in order to provide permanent stabilization of the site.

(g) Fiscal Surety. Approval of a permit application is contingent upon the provision of fiscal surety in a form acceptable to the City of Cedar Park in the amount specified in the permit which provides for the construction of NPS pollution controls (BMPs) in accordance with the permit and any other provision of this section. The amount of the surety shall not be less than one hundred percent (100%) of the cost of the NPS pollution controls (BMPs), as estimated by the professional engineer who seals the permit application. The term of fiscal surety shall terminate after the final inspection/concurrence letter has been accepted by the City of Cedar Park.

(h) Permit Amendment. Modifications to an approved master plan, NPS pollution control permit or an NPS Best Management Practices (BMP) Maintenance Permit shall require an amendment. Applications for amendments shall be made in and processed in accordance with the requirements of this section and the LCRA NPS Technical Manual regarding permit applications. The application for amendment shall clearly identify the items sought to be amended and the reasons therefore. However, no permit amendment is required for minor field adjustments of temporary erosion and sedimentation controls. Requests for permit amendments to permits covered by a master plan shall have the effect, if granted, of automatically amending such master plan. A permit amendment for a master plan shall be required if there is a change in land use, or an increase in density or impervious cover. Permit amendments or amendments to a master plan shall be processed in accordance with the performance standards in effect on the date of the application for the area or phase covered by such amendment.

(i) Phased Development/Alternative Application Procedures. When a phased development is proposed to be constructed over an extended period of time, the permit application shall be submitted and processed in accordance with these alternative procedures.

- (1) Submittal of application and master plan - landowners or land users whose phased development require issuance of multiple NPS pollution control permits shall prepare an application for phased development in accordance with the Technical Manual, which is incorporated herein by reference as if set

forth in full and which may be amended from time to time in accordance with Section 9.711(b) of this article.

- (A) The application shall include a master plan of the entire project for review by the City of Cedar Park. The master plan shall be accompanied by sufficient data to reasonably demonstrate that the project can be developed in compliance with the applicable provisions of the article.
 - (B) The application shall include topographic maps, slope maps, drainage maps, vegetative descriptions, BMP facilities and locations maps, soil maps, pollutant load and removal calculations, preliminary phasing schedule, and any other information deemed necessary by the City of Cedar Park to demonstrate compliance with the section.
- (2) Initial Review. After the application and the master plan accepted by the City of Cedar Park, the city shall commence a technical review of the application for a period of time not to exceed sixty (60) calendar days. The applicant shall be promptly notified of any additional information that may be necessary for a complete staff review. In the event that the City of Cedar Park does not complete the review of the application and master plan within the time provided in this article, or within the time provided for subsequent reviews, the applicant shall be entitled to a full refund of the application fee.
 - (3) Subsequent Reviews. If more information is needed to complete the technical review, the applicant shall have sixty (60) calendar days to submit additional information or revise the application. If the applicant provides the information within the sixty (60) day period, the technical review shall be extended no more than thirty (30) calendar days. If the applicant does not provide the additional information within the sixty (60) day period, the City of Cedar Park may return the application and all or part of the fees to the applicant.
 - (4) Master Plan Approval. Upon approval of the master plan, the applicant shall be entitled to develop the project in accordance with the performance standards in effect on the date of the City of Cedar Park's approval. However, LCRA's NPS Technical Manual may be revised from time to time, and revisions may reflect changes or alterations in certain BMPs relative to their ability to achieve the performance standard. Approval of a master plan does not exempt a development from compliance with revisions to LCRA's NPS Technical Manual so long as the revisions do not prohibit the project from being built in reasonable conformance with the master plan.

(5) Duration.

- (A) The applicant shall have one (1) year from the date of approval of the master plan to submit a completed permit application for the first phase of the project, or the approval of the master plan shall become null and void. The first phase of the project must represent development of at least ten percent (10%) or one hundred (100) acres, whichever is greater, of the total project or it will not be considered a complete permit application under this provision.
- (B) Should the NPS permit for the first phase of the development of the project be terminated due to lack of activity as provided in subsection (d)(6) or if termination occurs pursuant to Section 9.708(c), the master plan approval shall become null and void.
- (C) The applicant shall have five (5) years from the date of issuance of the BMP Maintenance permit, or the completion of construction, whichever occurs first, to submit a completed application for each subsequent phase of phases, or approval of the master plan relative to such phases shall become null and void.
- (D) Should a NPS permit for subsequent phases of development of the project be terminated due to lack of activity, as provided in subsection (d)(6), or if termination occurs pursuant to Section 9.708(c), the master plan approval relative to that phase or phases shall become null and void.

(j) Permit Issuance. The City of Cedar Park staff shall issue a NPS pollution control permit after the applicant has demonstrated compliance with the requirements of this article. A permittee may not commence development until the permit is issued.

(1988 Revised Code of Ordinances, Chapter 8, Section 7D)

Sec. 9.705 Permits

- (a) Permit Conditions. All permits shall require the permittee to:
 - (1) Comply with all applicable sections of this article and conditions of this permit;
 - (2) Notify the City of Cedar Park within forty-eight (48) hours before commencing any development;

- (3) Obtain a permit amendment from the City of Cedar Park prior to modifying the approved NPS pollution controls (BMPs); however, no permit amendment is required for minor field adjustments of temporary erosion controls;
- (4) Install all NPS pollution controls (BMPs) as identified in the approved permit;
- (5) Comply with the requirements of the LCRA NPS Technical Manual regarding formation of a property owners/maintenance association and any associated maintenance plans;
- (6) Repair any siltation or erosion damage resulting from development;
- (7) Inspect all temporary erosion and sedimentation controls after each rain of .5 inches or more, and at least once each week, and make needed repairs;
- (8) Allow the city staff to enter the site for the purpose of inspecting compliance with the permit, or for performing any work necessary to bring the site into compliance with the permit;
- (9) Designate a location on the site for the posting of notices;
- (10) Keep a copy of the permit and all development plans on the site;
- (11) Upon completion of development, a registered professional engineer shall certify in writing to the City of Cedar Park that the NPS pollution controls (BMPs) were constructed in accordance with the permit conditions and this section;
- (12) Promptly notify the City of Cedar Park in writing of any change in the name, address, or telephone number of the permittee; and
- (13) Assign the NPS Pollution Control Permit and all rights and obligations associated therewith to the landowner, maintenance, or Property Owner's Association as applicable, upon completion of construction of the development if the permit is not already in the name of the person responsible for the BMPs.
- (14) Pay all fees associated with the permit application in a timely manner.
- (15) Perform all activities in accordance with all Federal, State, or local laws or ordinances;
- (16) Indemnify and hold the City of Cedar Park harmless from any and all claims, demands, damages, actions, costs and charges to which the City of Cedar Park may become subject and which the City of Cedar Park may have to pay by

reason of injury to any person or property, or loss of life, or property resulting from, or in any way connected with the permittee's actions under this permit.

(17) No work is authorized that is not directly addressed in the permit application submitted to the City of Cedar Park.

(18) Nothing in this permit is intended to amend or alter any legal rights or benefits previously granted to or vested in the City of Cedar Park.

(b) NPS Best Management Practice Maintenance Permit. A BMP Maintenance Permit shall be issued to the developer or his/her assignee upon completion of construction of the infrastructure and BMP facilities required by the NPS Development Permit. In the event that the landowner, maintenance or Property Owner's Association does not accept the assignment, the developer shall remain subject to the terms of the NPS Pollution Control Permit or Best Management Maintenance Permit, as applicable, until an assignment occurs or until the maintenance, Property Owner's Association, or landowner accepts issuance of a BMP permit.

(c) Additional Permit Conditions. Additional permit conditions may be required as necessary in order to achieve compliance with the article.

(1988 Revised Code of Ordinances, Chapter 8, Section 7E)

Sec. 9.706 Right of Entry and Inspection

(a) Right of Entry. Any person or his/her successors or assigns who has filed a permit application or received a permit under this section shall allow entry by the City of Cedar Park on the site for the purposes of inspection and monitoring. Employees and agents of the City of Cedar Park are entitled to enter any public or private property at any reasonable time for the purpose of inspecting and investigating conditions related to water quality and administration of this section.

(b) Pre-Development Inspection. After permit issuance, but before the installation of erosion and sedimentation controls and before development commences, the applicant shall provide a written request to the City of Cedar Park for an inspection of the temporary erosion controls. This pre-development inspection must be attended by the applicant, the city inspector, the design engineer, contractor, and field engineer. The City of Cedar Park inspector will determine whether the temporary erosion and sedimentation controls will be in compliance with the permit. If the city does not conduct the pre-development inspection within five (5) working days of receipt of the request for inspection, the applicant may proceed with development after the time for appeals has expired.

(c) Inspections During Development. During development, the City of Cedar Park shall inspect the site to ensure that temporary and permanent erosion controls are being

maintained and that the permanent NPS pollution controls (BMPs) are being constructed in accordance with the requirements of this section.

(d) Final Inspection. Upon completion of development, the city shall conduct a final inspection of the NPS pollution controls used. This final development inspection must be attended by the permittee, the city inspector, the design engineer, contractor, and field engineer. The city inspector will determine whether the NPS pollution controls are in compliance with the permit. If the NPS pollution controls are approved, the City of Cedar Park shall release the permittee's fiscal surety.

(e) Annual Inspections. All permanent NPS pollution controls (BMPs) will be inspected at least annually by the City of Cedar Park. The fee for this inspection shall be included as part of the permit application fee collected by the city.

(1988 Revised Code of Ordinances, Chapter 8, Section 7F)

Sec. 9.707 Maintenance of NPS Pollution Controls

(a) Maintenance Plans. Prior to permit issuance, all applicants shall prepare a plan describing the measures necessary to maintain each NPS pollution control (BMP) required by this article in accordance with the maintenance guidelines set forth in the LCRA NPS Pollution Control Technical Manual. The maintenance plan must be submitted to and approved by the City of Cedar Park. Upon receiving written approval of the maintenance plan from the city, the landowner or land user must record in the county deed records that the property is subject to an NPS pollution control maintenance plan and must also, upon transferring title to that property, place a restriction in the deed that states that the property is subject to an NPS pollution control maintenance plan.

(b) Maintenance Required. All NPS pollution control measures (BMPs) and their appurtenances shall be maintained by the applicant or subsequent landowner(s) or land user(s) pursuant to the approved plan. Land owners and land users shall form a Maintenance Association (MA) in accordance with this section prior to permit issuance. All MA's must post financial security or create a maintenance fund for the purpose of maintaining all NPS pollution controls (BMPs) required by this section. The duties and responsibilities of an MA may be performed by a Homeowners' Association, Property Owners' Association, or like entity if it meets the requirements of subsections (b) and (c) of this section. The maintenance of all BMPs shall be in accordance with the permit and the approved maintenance plan.

(c) Requirements for Maintenance Associations. The applicant must submit to the City of Cedar Park the approved Articles of Association for the MA, as well as a map showing the boundaries of its jurisdiction. The MA must have the following general powers which are reflected in the Articles of Association:

- (1) Own and convey property;

- (2) Operate and maintain common property, specifically the NPS pollution controls (BMPs);
 - (3) Establish rules and regulations;
 - (4) Assess members maintenance fees and enforce said assessments;
 - (5) Sue and be sued;
 - (6) Contract for services to provide operation and maintenance;
 - (7) If the MA is a homeowners association, it must have as members all the homeowners, lot owners, property owners or unit owners;
 - (8) The MA shall exist in perpetuity; however, if the MA is dissolved, the Articles of Association must provide that the property consisting of the NPS pollution controls (BMPs) shall be conveyed to an appropriate entity or similar non-profit corporation capable of maintaining the BMPs; and
 - (9) It shall be clearly stated in the Articles of Association of the MA that:
 - (A) It is the responsibility of the MA to operate and maintain the NPS pollution controls (BMPs);
 - (B) The NPS pollution control(s) (BMP(s) is/are owned by the MA or described therein as common property;
 - (C) There is a method of assessing and collecting the assessment for operation and maintenance of the NPS pollution controls (BMPs); and
 - (D) Any amendment that would affect the NPS pollution controls (BMPs) must be approved by the City of Cedar Park.
- (d) **Phased Projects.** If an MA is proposed for a project which will be developed in phases and subsequent phases will utilize the NPS pollution controls (BMPs), the MA must have the ability to accept future phases into the MA.
- (e) **Transfer of Maintenance to Political Subdivisions.** Upon approval by the City of Cedar Park, the applicant, landowner, land user, or permittee may transfer responsibility for maintenance of the NPS pollution control measures (BMPs) to a political subdivision. The political subdivision must maintain the NPS pollution control measures in accordance with the approved maintenance plan.

(1988 Revised Code of Ordinances, Chapter 8, Section 7G)

Sec. 9.708 Enforcement

(a) Violations. It is unlawful under this article:

- (1) For any landowner or land user subject to the permit requirements of this section to commence or undertake any development or to cause, suffer, or allow another to commence or undertake development or redevelopment on his or her property without first obtaining a valid NPS pollution control permit from the City of Cedar Park;
- (2) For a landowner or land user subject to this section, but not required to obtain a permit, to commence or undertake development or to cause, suffer or allow another to commence or undertake development on his or her property without first complying with the performance standards, as applicable with this section; or
- (3) For any landowner or land user subject to this section to conduct development after a stop work order has been issued; or
- (4) For any landowner or land user subject to this section to fail to maintain the Best Management Practices in accordance with the NPS Best Management Practice Maintenance Permit or approved maintenance plan.
- (5) For any landowner or land user subject to this section to otherwise commence, construct or engage in development, or any other act, that violates a provision of this section.

(b) Stop-Work Order. If the City of Cedar Park determines that there has been development without compliance with this section, the landowner, land user or permittee shall be ordered to stop work. The stop-work order shall direct that no further development shall take place until the landowner or land user complies with this section. The stop-work order shall be in writing and, in the case of a permitted development, shall be posted at the site in the location designated for posting such notices. If the development is occurring on an unpermitted site, the notice shall be prominently posted at the site. Permittee may appeal the issuance of a stop-work order to the city manager of the City of Cedar Park by submitting in writing a concise statement of the reasons for believing that the stop-work order should not have been issued and citing the specific performance standards that the development should be exempt from the NPS section or the permit requirements. A request for appeal of the stop-work order must be received in the office of the City of Cedar Park city manager within (10) days from the date that the stop-work order is posted. The city manager may decide the appeal based upon the reasons stated in the appeal or may request additional information from the staff or appellant.

(c) Permit Revocation. A permittee shall have ten (10) days from the date that the stop-work order is posted, or ten (10) days from the date that the city manager decides an appeal or the stop-work order, if an appeal has been submitted in a timely manner, to comply with the terms and conditions of the permit. If a permittee fails to comply within this period, the City of Cedar Park may revoke the permit.

(d) Enforcement of Best Management Practices (BMPs) Maintenance Permits. If the City of Cedar Park determines that a Landowner, Maintenance Association (MA), permittee, or political subdivision is not implementing the approved maintenance plan or is not in compliance with one of the other conditions contained in the BMP maintenance permit, the MA, permittee, or political subdivision shall be notified of the deficiency. An MA, permittee, or political subdivision shall have sixty (60) days from the date that the notice is issued to comply with the maintenance plan or BMP permit condition. If the MA, permittee, or political subdivision fails to comply within this period, the City of Cedar Park may perform the necessary maintenance and assess the MA, permittee, or political subdivision for the costs associated with the work performed. The City of Cedar Park may also seek penalties as provided in this section.

(e) Penalty. Any person violating provisions of this section shall be subject to a penalty of not more than ten thousand dollars (\$10,000.00) for each violation. Each calendar day a violation exists shall constitute a separate offense.

(f) Other Remedies and Injunction. Compliance with the provisions of this article may also be enforced through any and all other remedies at law or in equity including enforcement by injunction.

(1988 Revised Code of Ordinances, Chapter 8, Section 7H)

Sec. 9.709 Variances

(a) There shall be a presumption against variances. Variances from the terms of this part may be granted by the planning and zoning commission only if it is found that, because of special circumstances applicable to the property involved, a strict application deprives such property of privileges or safety enjoyed by other similarly timed developments.

Where such conditions are found, the variance permitted shall be the minimum departure necessary to avoid such deprivation of privileges enjoyed by such other property and to facilitate a reasonable use, and which will not create significant probabilities of harmful environmental consequences. Provided, however, in no case may a variance be granted that will provide the applicant with any special privileges not enjoyed by other similarly situated properties with similarly timed developments.

Provided further that the planning and zoning commission shall have no authority to grant a variance based on a special or unique condition which was created as a result of the

method by which a person voluntarily subdivides the land after the effective date of this article. The planning and zoning commission may consider written reports from appropriate city departments and may request such further information from city departments which is relevant and necessary to its decisions.

(b) The planning and zoning commission shall justify the grant or denial of a variance in writing for application file.

(c) The public works director shall prepare and maintain in his or her office for public inspection:

- (1) A written summary of variances granted and denied under this section.
- (2) The contents of the files, including the appeal record, if there was an appeal, for each variance acted on by the planning and zoning commission.

(1988 Revised Code of Ordinances, Chapter 8, Section 7I)

Sec. 9.710 Appeal to City Council

(a) Request for Appeal. Any person may appeal in writing to the city council of the City of Cedar Park the grant or denial (but not disapproval pending receipt of additional information) of a permit under this section or the grant or denial of a variance under this section. The appeal must be delivered to the public works director on or before the tenth (10th) day after the date on which the permit or variance was granted or denied. The request for an appeal must be in writing and contain a concise statement of the reasons for the appeal and citing the specific performance standards that the development did, or did not, meet. The process for appeal from a decision regarding a permit is outlined in the Technical Manual. On receipt, the public works director shall deliver the appeal to the city secretary for placing on the city council agenda. The city secretary shall notify the appellant, the applicant (if different), and the public works director of the hearing date.

(b) Appeal Process. The city council must decide the appeal at the public hearing on or before the thirtieth (30th) day after the date on which the appeal was filed with the public works director. If both the grant or denial of a permit, or the grant or denial of a variance for the same site area are appealed, or if there are multiple appeals of the same grant or denial, the council shall decide them at the hearing. After considering the appeal the council may affirm the grant or denial, reverse it, or modify it to comply with the requirements of this section.

(c) Record on Appeal. The appellant has the burden of proof on appeal and the council must decide the appeal solely on the basis of the permit application file; the written appeal; the written response to the appeal, if any, from the applicant; oral argument at the council hearing; written reports from the appropriate city departments; and such further

information which is relevant and necessary to the council's decision as may be requested from the appropriate city departments by the council.

(d) Ex Parte Communications. Any communication by an applicant/permittee, protesting party, City of Cedar Park staff member, or any other party in interest with the City of Cedar Park or other member(s) of the city council regarding any pending appeal or decision affecting permit, other than in public meeting of the city council, is prohibited.

(1988 Revised Code of Ordinances, Chapter 8, Section 7J)

Sec. 9.711 Savings Clause; Amendment; Effective Date; Review

(a) Savings Clause. If any word, clause, sentence, or provision of this article or the application thereof to any person or circumstance shall be held to be invalid, the remainder of the article, and the application of such provision to other persons or circumstances, shall not be affected thereby.

(b) Amendment of the Article, Technical Manual, or Fee Schedule. This article may be amended by the City of Cedar Park city council from time to time after notice and reasonable opportunity for public review. The LCRA NPS Pollution Control Technical Manual may be amended by LCRA's General Manager from time to time after notice and reasonable opportunity for public review. The fee schedule may be amended from time to time by the City of Cedar Park city council after notice and reasonable opportunity for public review.

(c) Review. This article shall be reviewed for its effectiveness for protecting the quality of water in Lake Travis no later than three (3) years from its effective date.

(1988 Revised Code of Ordinances, Chapter 8, Section 7K)

ARTICLE 9.800 UNIFORM CITY SERVICE ADDRESS SYSTEM

Sec. 9.801 General

The term "city service address" shall refer to the house number and street name assigned to a property by the city manager or a designee within the corporate limits of the city or within its extraterritorial jurisdiction. A lot which contains multiple buildings or multiple units or suites within a single building will also be assigned building numbers and unit/suite numbers, which will be part of the city service address. (1988 Revised Code of Ordinances, Chapter 8, Section 10A)

RESOLUTION NO. R-16-07-20-7C

WHEREAS, the Brushy Creek Regional Utility Authority, Inc. (BCRUA) desires to retain professional municipal advisory services related to the issuance of City of Leander Contract Revenue Bonds; and

WHEREAS, FirstSouthwest has submitted an engagement letter to provide said services; and

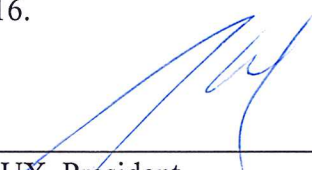
WHEREAS, the BCRUA wishes to enter into an engagement letter with FirstSouthwest, Now Therefore

BE IT RESOLVED BY THE BRUSHY CREEK REGIONAL UTILITY AUTHORITY,

That the Board President is hereby authorized and directed to execute on behalf of the BCRUA an engagement letter with FirstSouthwest, a copy of same being attached hereto as Exhibit "A" and incorporated herein for all purposes.

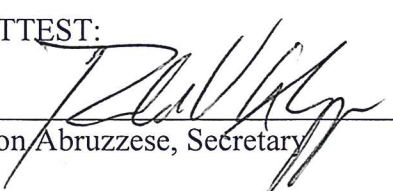
The Board hereby finds and declares that written notice of the date, hour, place and subject of the meeting at which this Resolution was adopted was posted and that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof were discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended.

RESOLVED this 20th day of July, 2016.



JON LUX, President
Brushy Creek Regional Utility Authority

ATTEST:



Ron Abruzzese, Secretary



Chris W. Allen
Managing Director

July 14, 2016

Mr. Steve Sheets
Sheets & Crossfield, P.C.
309 East Main Street
Round Rock, Texas 78664

Re: Municipal Advisory Services, Brushy Creek Regional Utility Authority, Inc.

Dear Mr. Sheets:

On behalf of FirstSouthwest, a Division of Hilltop Securities Inc. ("FirstSouthwest"), we appreciate the opportunity to provide municipal advisory services to Brushy Creek Regional Utility Authority, Inc. ("BCRUA" or the "Issuer") related to the issuance of City of Leander Contract Revenue Bonds and/or other similar instruments by the Issuer (the "Municipal Advisory Services"). The following outlines the terms of the engagement:

Scope of Services:

FirstSouthwest will provide its professional services as a municipal advisor to advise the Issuer regarding the issuance of municipal securities and any municipal financial products, all as more fully described in the Scope of Municipal Advisory Services attached hereto as Appendix A.

Duration:

This engagement shall begin upon the written acceptance by an authorized representative of the Issuer below and shall remain in effect until terminated by either party upon giving of at least thirty (30) days prior written notice to the other party of its intention to terminate, specifying in such notice the effective date of such termination. In the event of such termination, it is understood and agreed that only the amounts due FirstSouthwest for services provided and expenses incurred to the date of termination will be due and payable.

Compensation and Expenses:

In consideration for providing the Municipal Advisory Services as set forth in Appendix A, it is understood and agreed that the fee due to FirstSouthwest for each issuance will be 0.225% of the par amount of municipal securities sold relating to Phase 1 Improvements and 0.175% of the par amount of municipal securities sold thereafter (with a \$25,000 minimum fee due on any single issuance of municipal securities). Payment of fees related to the issuance of municipal securities shall be contingent upon and payable upon the delivery of the municipal securities. The above charges shall be multiplied by 1.25 times for the issuance of refunding bonds, reflecting the additional services required.

Hilltop Securities Inc.
300 West 6th Street
Suite 1940
Austin, Texas 78701

EXHIBIT "A"

direct 512.481.2000
mobile 512.750.1492
fax 512.481.2010
Chris.Allen@hilltopsecurities.com
HilltopSecurities.com

The Issuer shall be responsible for transaction related expenses including but not limited to bond counsel, bond printing, rating agency fees, CPA fees for refundings, Official Statement preparation and printing, paying agent fees, escrow agent fees, verification agent fees, travel expenses, and miscellaneous costs associated with the issuance of municipal securities. The Issuer agrees to reimburse FirstSouthwest for all such expenses advanced by FirstSouthwest. The payment of reimbursable expenses that FirstSouthwest assumes on behalf of the Issuer is not contingent upon the delivery of the municipal securities and shall be due and payable upon receipt of an invoice submitted by FirstSouthwest therefor.

FirstSouthwest will provide any additional services to those outlined herein upon mutual agreement of the parties as to both the services to be performed and the payment of additional compensation.

Conflict of Interest Disclosures:

FirstSouthwest is providing its Disclosure Statement of Municipal Advisor (the "Disclosure Statement"), attached hereto as Appendix B, current as of the date of this agreement, setting forth disclosures by FirstSouthwest of material conflicts of interest, if any, and of any legal or disciplinary events required to be disclosed pursuant to MSRB Rule G-42. The Disclosure Statement also describes how FirstSouthwest addresses or intends to manage or mitigate any disclosed conflicts of interest, as well as the specific type of information regarding, and the date of the last material change, if any, to the legal and disciplinary events required to be disclosed on Forms MA and MA-I filed by FirstSouthwest with the SEC.

We look forward to working with BCRUA during this engagement. Please acknowledge acceptance of these terms with the signature of an authorized representative of the Issuer in the space provided below and return two copies to me.

Sincerely,



Chris W. Allen
Managing Director

Agreed and Accepted:
Brushy Creek Regional Utility Authority, Inc.

By: _____

Title: _____

Name: _____

Date: _____

APPENDIX A
SCOPE OF MUNICIPAL ADVISORY SERVICES

This Appendix A sets out the scope of the Municipal Advisory Services to be performed by FirstSouthwest.

New Issuances of Municipal Securities. At the direction of or upon the request of the Issuer, FirstSouthwest shall provide advice to the Issuer on any new issuances, including reofferings of outstanding issuances that are treated for purposes of the federal securities laws and/or federal tax laws as new issuances, throughout the term of this Agreement. The activities to be performed by FirstSouthwest may include, depending on the specific circumstances of an issuance and any request or direction of the Issuer, one or more of the following:

Planning for New Issuance

1. ***Survey and Analysis.*** Surveying the financial resources of the Issuer in connection with its capacity to authorize, issue and service the contemplated issuance. This survey would be expected to include an analysis of any existing debt structure as compared with the existing and projected sources of revenues which may be pledged to secure payment of debt service and, where appropriate, would include a study of the trend of the assessed valuation, taxing power and present and future taxing requirements of the Issuer. In the event revenues of existing or projected facilities operated by the Issuer are to be pledged to repayment of the contemplated issuance, the survey would be expected to take into account any outstanding indebtedness payable from such revenues, additional revenues to be available from any proposed rate increases, and additional revenues resulting from improvements to be financed by the contemplated issuance, as projected by consulting engineers engaged by the Issuer.

2. ***Future Financings.*** In connection with the contemplated issuance, considering and analyzing future financing needs as projected by the Issuer's staff and consulting engineers or other experts, if any, engaged by the Issuer.

3. ***Recommendations.*** Making recommendations to the Issuer on the contemplated issuance, including such elements as the date of issue, interest payment dates, schedule of principal maturities, options for repayment, security provisions, and such other provisions as may be appropriate.

4. ***Market Information.*** Advising the Issuer of FirstSouthwest's view of current bond market conditions, other related forthcoming bond issues and general information (including applicable economic data) which might normally be expected to influence interest rates or bidding conditions relevant to setting an appropriate date and time for the sale of the issuance.

5. ***Elections.*** In the event it is necessary to hold an election to authorize the contemplated issuance, assisting in coordinating the assembly of such data as may be required for the preparation of necessary petitions, orders, resolutions, ordinances, notices and certificates in connection with the election, including assistance in the transmission of such data to the Issuer's bond counsel.

Debt Management and Financial Implementation for New Issuance

6. ***Method of Sale.*** Evaluating the particular financing being contemplated, giving consideration to the complexity, market acceptance, rating, size and structure in order to make a recommendation as to an appropriate method of sale, and:

a. If the issuance is to be sold by a competitive sale:

- (1) Supervising the sale of the municipal securities;
- (2) Disseminating information to prospective bidders, organizing such informational meetings as may be necessary, and facilitating prospective bidders' efforts in making timely submission of proper bids;
- (3) Assisting the staff of the Issuer in coordinating the receipt of bids, the safekeeping of good faith checks and the tabulation and comparison of submitted bids;
- (4) Advising the Issuer regarding the best bid and provide advice regarding acceptance or rejection of the bids; and
- (5) Obtaining CUSIP numbers on behalf of the Issuer.

b. If the issuance is to be sold by negotiated sale:

- (1) Recommending for the Issuer's final approval and acceptance one or more investment banking firms, as sole underwriter or as managers of an underwriting syndicate, for the purpose of negotiating the purchase of the municipal securities;
- (2) Cooperating with and assisting any selected sole or managing underwriter and its counsel, as well as any disclosure counsel retained by the Issuer, in connection with the preparation of any preliminary or final official statement or offering memorandum. FirstSouthwest will cooperate with and assist the underwriters in the preparation of a bond purchase contract, an underwriters' agreement and other related documents;
- (3) Assisting the staff of the Issuer in the safekeeping of any good faith checks and providing a cost comparison to the then-current market of expenses, interest rates and prices which are proposed by the underwriters;
- (4) Advising the Issuer on the fairness of the price offered by the underwriters;
- (5) Advising the Issuer in connection with any terms and conditions it may wish to establish with respect to order priorities and other similar matters relating to the underwriting of the new issuance;
- (6) If the new issuance will have a retail order period, advising the Issuer on retail eligibility criteria and other features of the retail order period and reviewing information provided by the underwriters to the Issuer in connection with retail orders received; and
- (7) At the request of the Issuer, reviewing required disclosures by underwriters to the Issuer relating to their role as underwriter, conflicts of interests, material terms and risks of the issuance, and any other matters, and providing any appropriate advice to the Issuer in connection with such disclosures.

7. ***Offering Documents for Competitive Offerings.*** Coordinating the preparation of the notice of sale and bidding instructions, preliminary official statement (including cooperating with and assisting any disclosure counsel retained by the Issuer), official bid form and such other documents as may be required and submitting all such documents to the Issuer for examination, approval and certification. After such examination, approval and certification, FirstSouthwest shall provide the Issuer with a supply of all such documents sufficient to its needs and distribute sets of the same to prospective bidders for the municipal securities. FirstSouthwest also shall provide copies of the final official statement to

the winning bidder purchasing the municipal securities in the MSRB-designated electronic format and in accordance with the notice of sale and bidding instructions promptly after the Issuer approves the final official statement for distribution.

8. **Credit Ratings.** Making recommendations to the Issuer on the advisability of obtaining one or more credit ratings for the issuance and, when directed by the Issuer, coordinating the preparation of such information as may be appropriate for submission to any rating agency. In those cases where the advisability of personal presentation of information to a rating agency may be indicated, FirstSouthwest will arrange for such personal presentations, utilizing such composition of representatives from the Issuer as may be approved or directed by the Issuer.

9. **Trustee, Paying Agent, Registrar, Professionals and Other Transaction Participants.** Upon request, providing advice to the Issuer in the selection of a trustee and/or paying agent/registrar, legal, accounting or other professionals, and other transaction participants relating to any issuance, and assisting in the negotiation of agreements pertinent to these services and the fees incident thereto.

10. **Financial Publications.** When appropriate, advising financial publications of the forthcoming sale of the municipal securities and providing them with all pertinent information.

11. **Consultants.** After consulting with and receiving directions from the Issuer, arranging for such reports and opinions of recognized independent consultants as may be appropriate for the successful marketing of the issuance.

12. **Auditors.** In the event formal verification by an independent auditor of any calculations incident to the issuance is required, making arrangements for such services.

13. **Issuer Meetings.** Attending meetings of the governing body of the Issuer, its staff, representatives or committees as requested when FirstSouthwest may be of assistance or service and matters within the scope of this engagement are to be discussed.

14. **Printing.** To the extent authorized by the Issuer, coordinating all work incident to printing or final production, physical or electronic, of the offering documents.

15. **Bond Counsel.** Maintaining liaison with bond counsel in the preparation of all legal documents pertaining to the authorization, sale and issuance of the municipal securities.

16. **Changes in Laws.** Providing to the Issuer copies of proposed or enacted changes in federal and state laws, rules and regulations having, or expected to have, a significant effect on the municipal bond market of which FirstSouthwest becomes aware in the ordinary course of its business, it being understood that FirstSouthwest does not and may not act as an attorney for, or provide legal advice or services to, the Issuer.

17. **Delivery of the Municipal Securities.** As soon as a bid for the purchase of a competitive issuance is accepted by the Issuer or the bond purchase contract for a negotiated issuance is signed by the Issuer, coordinating the efforts of all concerned to the end that the municipal securities may be delivered and paid for as expeditiously as possible and assisting the Issuer in the preparation or verification of final closing figures incident to the delivery of the municipal securities.

18. **Debt Service Schedule; Authorizing Resolution.** After the closing of the sale and delivery of the issuance, delivering to the Issuer a schedule of annual debt service requirements for the issuance and, in coordination with bond counsel, assuring that the paying agent/registrar and/or trustee has been provided with a copy of the authorizing ordinance, order or resolution.

APPENDIX B
DISCLOSURE STATEMENT OF MUNICIPAL ADVISOR

This Disclosure Statement is provided by **FirstSouthwest, a Division of Hilltop Securities Inc.** (“the Firm”) to you (the “Client”) in connection with our current municipal advisory agreement, (“the Agreement”). This Disclosure Statement provides information regarding conflicts of interest and legal or disciplinary events of The Firm that are required to be disclosed to Client pursuant to MSRB Rule G-42(b) and (c)(ii).

PART A – Disclosures of Conflicts of Interest

MSRB Rule G-42 requires that municipal advisors provide to their clients disclosures relating to any actual or potential material conflicts of interest, including certain categories of potential conflicts of interest identified in Rule G-42, if applicable.

Material Conflicts of Interest – The Firm makes the disclosures set forth below with respect to material conflicts of interest in connection with the Scope of Services under the Agreement with the Firm, together with explanations of how the Firm addresses or intends to manage or mitigate each conflict.

General Mitigations – As general mitigations of the Firm’s conflicts, with respect to all of the conflicts disclosed below, the Firm mitigates such conflicts through its adherence to its fiduciary duty to Client, which includes a duty of loyalty to Client in performing all municipal advisory activities for Client. This duty of loyalty obligates the Firm to deal honestly and with the utmost good faith with Client and to act in Client’s best interests without regard to the Firm’s financial or other interests. In addition, because the Firm is a broker-dealer with significant capital due to the nature of its overall business, the success and profitability of the Firm is not dependent on maximizing short-term revenue generated from individualized recommendations to its clients but instead is dependent on long-term profitability built on a foundation of integrity, quality of service and strict adherence to its fiduciary duty. Furthermore, the Firm’s municipal advisory supervisory structure, leveraging our long-standing and comprehensive broker-dealer supervisory processes and practices, provides strong safeguards against individual representatives of the Firm potentially departing from their regulatory duties due to personal interests. The disclosures below describe, as applicable, any additional mitigations that may be relevant with respect to any specific conflict disclosed below.

I. Affiliate Conflict. The Firm, directly and through affiliated companies, provides or may provide services/advice/products to or on behalf of clients that are related to the Firm’s advisory activities within the Scope of Services outlined in the Agreement. First Southwest Asset Management (FSAM), a SEC-registered affiliate of the Firm, provides post issuance services including arbitrage rebate and treasury management. The Firm’s arbitrage team verifies rebate and yield restrictions on the investments of bond proceeds on behalf of clients in order to meet IRS restrictions. The treasury management division performs portfolio management/advisor services on behalf of public sector clients. The Firm, through affiliate First Southwest Advisory, provides a multi-employer trust tailor-made for public entities which allows them to prefund Other Post-Employment Benefit liabilities. The Firm has a structured products desk that provides advice to help clients mitigate risk through investment management, debt management and commodity price risk management products. These products consist of but are not limited to swaps (interest rate, currency, commodity), options, repos, escrow structuring and other securities. Continuing Disclosure services provided by the Firm work with issuers to assist them in meeting disclosure requirements set forth in SEC rule 15c2-12. Services include but are not limited to ongoing maintenance of issuer compliance, automatic tracking of issuer’s annual filings and public notification of material events. The Firm administers two government investment pools for Texas governments; the Short-Term Asset Reserve Fund (TexSTAR) and the Local Government Investment Cooperative (LOGIC). These programs offer Texas government entities

investment options for their cash management programs based on the entities specific needs. The Firm and the aforementioned affiliate's business with a client could create an incentive for the Firm to recommend to a client a course of action designed to increase the level of a client's business activities with the affiliates or to recommend against a course of action that would reduce or eliminate a client's business activities with the affiliates. Furthermore, this potential conflict is mitigated by the fact that the Firm and affiliates are subject to their own comprehensive regulatory regime as a member of multiple self-regulatory organizations in which compliance is verified by not only internal tests but annual external examinations.

II. Other Municipal Advisor or Underwriting Relationships. The Firm serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of Client. For example, the Firm serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to Client. These other clients may, from time to time and depending on the specific circumstances, have competing interests, such as accessing the new issue market with the most advantageous timing and with limited competition at the time of the offering. In acting in the interests of its various clients, the Firm could potentially face a conflict of interest arising from these competing client interests. In other cases, as a broker-dealer that engages in underwritings of new issuances of municipal securities by other municipal entities, the interests of the Firm to achieve a successful and profitable underwriting for its municipal entity underwriting clients could potentially constitute a conflict of interest if, as in the example above, the municipal entities that the Firm serves as underwriter or municipal advisor have competing interests in seeking to access the new issue market with the most advantageous timing and with limited competition at the time of the offering. None of these other engagements or relationships would impair the Firm's ability to fulfill its regulatory duties to Client.

III. Secondary Market Transactions in Client's Securities. The Firm, in connection with its sales and trading activities, may take a principal position in securities, including securities of Client, and therefore the Firm could have interests in conflict with those of Client with respect to the value of Client's securities while held in inventory and the levels of mark-up or mark-down that may be available in connection with purchases and sales thereof. In particular, the Firm or its affiliates may submit orders for and acquire Client's securities issued in an Issue under the Agreement from members of the underwriting syndicate, either for its own account or for the accounts of its customers. This activity may result in a conflict of interest with Client in that it could create the incentive for the Firm to make recommendations to Client that could result in more advantageous pricing of Client's bond in the marketplace. Any such conflict is mitigated by means of such activities being engaged in on customary terms through units of the Firm that operate independently from the Firm's municipal advisory business, thereby reducing the likelihood that such investment activities would have an impact on the services provided by the Firm to Client under this Agreement.

IV. Broker-Dealer and Investment Advisory Business. The Firm is dually registered as a broker-dealer and an investment advisor that engages in a broad range of securities-related activities to service its clients, in addition to serving as a municipal advisor or underwriter. Such securities-related activities, which may include but are not limited to the buying and selling of new issue and outstanding securities and investment advice in connection with such securities, including securities of Client, may be undertaken on behalf of, or as counterparty to, Client, personnel of Client, and current or potential investors in the securities of Client. These other clients may, from time to time and depending on the specific circumstances, have interests in conflict with those of Client, such as when their buying or selling of Client's securities may have an adverse effect on the market for Client's securities, and the interests of such other clients could create the incentive for the Firm to make recommendations to Client that could result in more advantageous pricing for the other clients. Furthermore, any potential conflict arising from the firm effecting or otherwise assisting such other clients in connection with such transactions is mitigated by means of such activities being engaged in on customary terms through units

of the Firm that operate independently from the Firm's municipal advisory business, thereby reducing the likelihood that the interests of such other clients would have an impact on the services provided by the Firm to Client.

V. Compensation-Based Conflicts. Fees that are based on the size of the issue are contingent upon the delivery of the Issue. While this form of compensation is customary in the municipal securities market, this may present a conflict because it could create an incentive for the Firm to recommend unnecessary financings or financings that are disadvantageous to Client, or to advise Client to increase the size of the issue. This conflict of interest is mitigated by the general mitigations described above.

Fees based on a fixed amount are usually based upon an analysis by Client and the Firm of, among other things, the expected duration and complexity of the transaction and the Scope of Services to be performed by the Firm. This form of compensation presents a potential conflict of interest because, if the transaction requires more work than originally contemplated, the Firm may suffer a loss. Thus, the Firm may recommend less time-consuming alternatives, or fail to do a thorough analysis of alternatives. This conflict of interest is mitigated by the general mitigations described above.

Hourly fees are calculated with, the aggregate amount equaling the number of hours worked by Firm personnel times an agreed-upon hourly billing rate. This form of compensation presents a potential conflict of interest if Client and the Firm do not agree on a reasonable maximum amount at the outset of the engagement, because the Firm does not have a financial incentive to recommend alternatives that would result in fewer hours worked. This conflict of interest is mitigated by the general mitigations described above.

PART B – Disclosures of Information Regarding Legal Events and Disciplinary History

MSRB Rule G-42 requires that municipal advisors provide to their clients certain disclosures of legal or disciplinary events material to its client's evaluation of the municipal advisor or the integrity of the municipal advisor's management or advisory personnel.

Accordingly, the Firm sets out below required disclosures and related information in connection with such disclosures.

I. Material Legal or Disciplinary Event. The Firm discloses the following legal or disciplinary events that may be material to Client's evaluation of the Firm or the integrity of the Firm's management or advisory personnel:

- For related disciplinary actions please refer to the Firm's BrokerCheck webpage.
- The Firm self-reported violations of SEC Rule 15c2-12: Continuing Disclosure. The Firm settled with the SEC on February 2, 2016. The firm agreed to retain independent consultant and adopt the consultant's finding. Firm paid a fine of \$360,000.
- The Firm settled with the SEC in matters related to violations of MSRB Rules G-23(c), G-17 and SEC rule 15B(c)(1). The Firm disgorged fees of \$120,000 received as financial advisor on the deal, paid prejudgment interest of \$22,400.00 and a penalty of \$50,000.00.

II. How to Access Form MA and Form MA-I Filings. The Firm's most recent Form MA and each most recent Form MA-I filed with the SEC are available on the SEC's EDGAR system at Forms MA and MA-I. The SEC permits certain items of information required on Form MA or MA-I to be provided by reference to such required information already filed by the Firms in its capacity as a broker-dealer on Form BD or Form U4 or as an investment adviser on Form ADV, as applicable. Information provided by the Firm on Form BD or Form U4 is publicly accessible through reports generated by BrokerCheck at <http://brokercheck.finra.org/>, and the Firm's most recent Form ADV is publicly

accessible at the Investment Adviser Public Disclosure website at <http://www.adviserinfo.sec.gov/>. For purposes of accessing such BrokerCheck reports or Form ADV, click previous hyperlinks.

PART C – Future Supplemental Disclosures

As required by MSRB Rule G-42, this Disclosure Statement may be supplemented or amended, from time to time as needed, to reflect changed circumstances resulting in new conflicts of interest or changes in the conflicts of interest described above, or to provide updated information with regard to any legal or disciplinary events of the Firm. The Firm will provide Client with any such supplement or amendment as it becomes available throughout the term of the Agreement.

THE FOLLOWING PAGES CONSIST OF THE
FINAL ADOPTED DOCUMENT

DATE: July 15, 2016

SUBJECT: BCRUA Board Meeting – July 20, 2016

ITEM: 7C. Consider a resolution authorizing the President to execute an Engagement Letter with First Southwest for Municipal Advisory Services related to the issuance of City of Leander Contract Revenue Bonds.

PRESENTER: Tom Gallier, General Manager

BACKGROUND INFO:

As of May 12th of this year, the rating agency, Standard & Poor's Global Ratings, has increased BCRUA's Municipal Bonds from AA to AA+. This rating increase, combined with recent market reductions in municipal bond interest rates, has created an opportunity for all three member cities to refinance the debt that BCRUA has issued on their behalf, and recognize significant long term cost savings.

In order to initiate this process for the City of Leander, a Board Resolution must be passed, which will authorize the Board President to execute an engagement letter with First Southwest, for municipal advisory services. First Southwest currently serves as the financial advisor for the City of Leander.

Further action on reissuance of Leander's Contract Revenue Refunding Bonds will be scheduled for an upcoming Board Agenda.

Staff recommends approval of this resolution.

CERTIFICATE OF INTERESTED PARTIES

FORM 1295

1 of 1

Complete Nos. 1 - 4 and 6 if there are interested parties.
Complete Nos. 1, 2, 3, 5, and 6 if there are no interested parties.

OFFICE USE ONLY CERTIFICATION OF FILING

1 Name of business entity filing form, and the city, state and country of the business entity's place of business.
FirstSouthwest, a Division of Hilltop Securities Inc.
Dallas, TX United States

Certificate Number:
2016-84737

Date Filed:
07/14/2016

2 Name of governmental entity or state agency that is a party to the contract for which the form is being filed.
Brushy Creek Regional Utility Authority

Date Acknowledged:

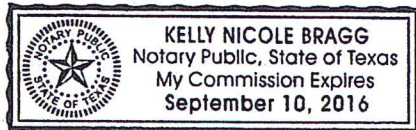
3 Provide the identification number used by the governmental entity or state agency to track or identify the contract, and provide a description of the services, goods, or other property to be provided under the contract.
BCRUA-2016-FA
Financial Advisory

4	Name of Interested Party	City, State, Country (place of business)	Nature of interest (check applicable)	
			Controlling	Intermediary
	Feinberg, Hill A	Dallas, TX United States	X	
	Peterson, Robert W	Dallas, TX United States	X	
	Muschalek, John R.	Dallas, TX United States	X	
	Edge, J Michael	Dallas, TX United States	X	
	Leventhal, Laura	Dallas, TX United States	X	
	Hilltop Securities Holdings LLC	Dallas, TX United States	X	

5 Check only if there is NO Interested Party.

6 AFFIDAVIT

I swear, or affirm, under penalty of perjury, that the above disclosure is true and correct.



Josja Williams
Signature of authorized agent of contracting business entity

AFFIX NOTARY STAMP / SEAL ABOVE

Sworn to and subscribed before me, by the said Josja Williams, this the 14th day of July, 2016, to certify which, witness my hand and seal of office.

Kelly Bragg
Signature of officer administering oath

Kelly Bragg
Printed name of officer administering oath

Notary Public
Title of officer administering oath

CERTIFICATE OF INTERESTED PARTIES

FORM 1295

1 of 1

Complete Nos. 1 - 4 and 6 if there are interested parties.
Complete Nos. 1, 2, 3, 5, and 6 if there are no interested parties.

OFFICE USE ONLY CERTIFICATION OF FILING

1 Name of business entity filing form, and the city, state and country of the business entity's place of business.

FirstSouthwest, a Division of Hilltop Securities Inc.
Dallas , TX United States

Certificate Number:
2016-84737

Date Filed:
07/14/2016

2 Name of governmental entity or state agency that is a party to the contract for which the form is being filed.

Brushy Creek Regional Utility Authority

Date Acknowledged:
07/19/2016

3 Provide the identification number used by the governmental entity or state agency to track or identify the contract, and provide a description of the services, goods, or other property to be provided under the contract.

BCRUA-2016-FA
Financial Advisory

4	Name of Interested Party	City, State, Country (place of business)	Nature of interest (check applicable)	
			Controlling	Intermediary
	Feinberg, Hill A	Dallas, TX United States	X	
	Peterson, Robert W	Dallas, TX United States	X	
	Muschalek, John R.	Dallas, TX United States	X	
	Edge, J Michael	Dallas, TX United States	X	
	Leventhal, Laura	Dallas, TX United States	X	
	Hilltop Securities Holdings LLC	Dallas, TX United States	X	

5 Check only if there is NO Interested Party.

6 AFFIDAVIT

I swear, or affirm, under penalty of perjury, that the above disclosure is true and correct.

Signature of authorized agent of contracting business entity

AFFIX NOTARY STAMP / SEAL ABOVE

Sworn to and subscribed before me, by the said _____, this the _____ day of _____, 20_____, to certify which, witness my hand and seal of office.

Signature of officer administering oath

Printed name of officer administering oath

Title of officer administering oath

CONFLICT OF INTEREST QUESTIONNAIRE
For vendor doing business with local governmental entity

FORM CIQ

This questionnaire reflects changes made to the law by H.B. 23, 84th Leg., Regular Session.
 This questionnaire is being filed in accordance with Chapter 176, Local Government Code, by a vendor who has a business relationship as defined by Section 176.001(1-a) with a local governmental entity and the vendor meets requirements under Section 176.006(a).
 By law this questionnaire must be filed with the records administrator of the local governmental entity not later than the 7th business day after the date the vendor becomes aware of facts that require the statement to be filed. See Section 176.006(a-1), Local Government Code.
 A vendor commits an offense if the vendor knowingly violates Section 176.006, Local Government Code. An offense under this section is a misdemeanor.

OFFICE USE ONLY	
Date Received	

1 Name of vendor who has a business relationship with local governmental entity.
 FirstSouthwest, a Division of Hilltop Securities Inc.

2 Check this box if you are filing an update to a previously filed questionnaire. (The law requires that you file an updated completed questionnaire with the appropriate filing authority not later than the 7th business day after the date on which you became aware that the originally filed questionnaire was incomplete or inaccurate.)

3 Name of local government officer about whom the information is being disclosed.

 Not Applicable

 Name of Officer

4 Describe each employment or other business relationship with the local government officer, or a family member of the officer, as described by Section 176.003(a)(2)(A). Also describe any family relationship with the local government officer. Complete subparts A and B for each employment or business relationship described. Attach additional pages to this Form CIQ as necessary.

A. Is the local government officer or a family member of the officer receiving or likely to receive taxable income, other than investment income, from the vendor?

Yes No

B. Is the vendor receiving or likely to receive taxable income, other than investment income, from or at the direction of the local government officer or a family member of the officer AND the taxable income is not received from the local governmental entity?

Yes No

5 Describe each employment or business relationship that the vendor named in Section 1 maintains with a corporation or other business entity with respect to which the local government officer serves as an officer or director, or holds an ownership interest of one percent or more.
 Not Applicable

6 Check this box if the vendor has given the local government officer or a family member of the officer one or more gifts as described in Section 176.003(a)(2)(B), excluding gifts described in Section 176.003(a-1).

7 FirstSouthwest, a Division of Hilltop Securities Inc.
 By Joyce Williams
 Signature of vendor doing business with the governmental entity

7-14-2016
 Date



Chris W. Allen

Managing Director

July 14, 2016

Mr. Steve Sheets
Sheets & Crossfield, P.C.
309 East Main Street
Round Rock, Texas 78664

Re: Municipal Advisory Services, Brushy Creek Regional Utility Authority, Inc.

Dear Mr. Sheets:

On behalf of FirstSouthwest, a Division of Hilltop Securities Inc. ("FirstSouthwest"), we appreciate the opportunity to provide municipal advisory services to Brushy Creek Regional Utility Authority, Inc. ("BCRUA" or the "Issuer") related to the issuance of City of Leander Contract Revenue Bonds and/or other similar instruments by the Issuer (the "Municipal Advisory Services"). The following outlines the terms of the engagement:

Scope of Services:

FirstSouthwest will provide its professional services as a municipal advisor to advise the Issuer regarding the issuance of municipal securities and any municipal financial products, all as more fully described in the Scope of Municipal Advisory Services attached hereto as Appendix A.

Duration:

This engagement shall begin upon the written acceptance by an authorized representative of the Issuer below and shall remain in effect until terminated by either party upon giving of at least thirty (30) days prior written notice to the other party of its intention to terminate, specifying in such notice the effective date of such termination. In the event of such termination, it is understood and agreed that only the amounts due FirstSouthwest for services provided and expenses incurred to the date of termination will be due and payable.

Compensation and Expenses:

In consideration for providing the Municipal Advisory Services as set forth in Appendix A, it is understood and agreed that the fee due to FirstSouthwest for each issuance will be 0.225% of the par amount of municipal securities sold relating to Phase 1 Improvements and 0.175% of the par amount of municipal securities sold thereafter (with a \$25,000 minimum fee due on any single issuance of municipal securities). Payment of fees related to the issuance of municipal securities shall be contingent upon and payable upon the delivery of the municipal securities. The above charges shall be multiplied by 1.25 times for the issuance of refunding bonds, reflecting the additional services required.

Hilltop Securities Inc.
300 West 6th Street
Suite 1940
Austin, Texas 78701

direct 512.481.2000
mobile 512.750.1492
fax 512.481.2010
Chris.Allen@hilltopsecurities.com
HilltopSecurities.com

BCRUA R-16-07-20-7C

The Issuer shall be responsible for transaction related expenses including but not limited to bond counsel, bond printing, rating agency fees, CPA fees for refundings, Official Statement preparation and printing, paying agent fees, escrow agent fees, verification agent fees, travel expenses, and miscellaneous costs associated with the issuance of municipal securities. The Issuer agrees to reimburse FirstSouthwest for all such expenses advanced by FirstSouthwest. The payment of reimbursable expenses that FirstSouthwest assumes on behalf of the Issuer is not contingent upon the delivery of the municipal securities and shall be due and payable upon receipt of an invoice submitted by FirstSouthwest therefor.

FirstSouthwest will provide any additional services to those outlined herein upon mutual agreement of the parties as to both the services to be performed and the payment of additional compensation.

Conflict of Interest Disclosures:

FirstSouthwest is providing its Disclosure Statement of Municipal Advisor (the "Disclosure Statement"), attached hereto as Appendix B, current as of the date of this agreement, setting forth disclosures by FirstSouthwest of material conflicts of interest, if any, and of any legal or disciplinary events required to be disclosed pursuant to MSRB Rule G-42. The Disclosure Statement also describes how FirstSouthwest addresses or intends to manage or mitigate any disclosed conflicts of interest, as well as the specific type of information regarding, and the date of the last material change, if any, to the legal and disciplinary events required to be disclosed on Forms MA and MA-I filed by FirstSouthwest with the SEC.

We look forward to working with BCRUA during this engagement. Please acknowledge acceptance of these terms with the signature of an authorized representative of the Issuer in the space provided below and return two copies to me.

Sincerely,



Chris W. Allen
Managing Director

**Agreed and Accepted:
Brushy Creek Regional Utility Authority, Inc.**

By: _____

Name: John Lux

Title: Board President

Date: 7-20-16

APPENDIX A
SCOPE OF MUNICIPAL ADVISORY SERVICES

This Appendix A sets out the scope of the Municipal Advisory Services to be performed by FirstSouthwest.

New Issuances of Municipal Securities. At the direction of or upon the request of the Issuer, FirstSouthwest shall provide advice to the Issuer on any new issuances, including reofferings of outstanding issuances that are treated for purposes of the federal securities laws and/or federal tax laws as new issuances, throughout the term of this Agreement. The activities to be performed by FirstSouthwest may include, depending on the specific circumstances of an issuance and any request or direction of the Issuer, one or more of the following:

Planning for New Issuance

1. ***Survey and Analysis.*** Surveying the financial resources of the Issuer in connection with its capacity to authorize, issue and service the contemplated issuance. This survey would be expected to include an analysis of any existing debt structure as compared with the existing and projected sources of revenues which may be pledged to secure payment of debt service and, where appropriate, would include a study of the trend of the assessed valuation, taxing power and present and future taxing requirements of the Issuer. In the event revenues of existing or projected facilities operated by the Issuer are to be pledged to repayment of the contemplated issuance, the survey would be expected to take into account any outstanding indebtedness payable from such revenues, additional revenues to be available from any proposed rate increases, and additional revenues resulting from improvements to be financed by the contemplated issuance, as projected by consulting engineers engaged by the Issuer.
2. ***Future Financings.*** In connection with the contemplated issuance, considering and analyzing future financing needs as projected by the Issuer's staff and consulting engineers or other experts, if any, engaged by the Issuer.
3. ***Recommendations.*** Making recommendations to the Issuer on the contemplated issuance, including such elements as the date of issue, interest payment dates, schedule of principal maturities, options for prepayment, security provisions, and such other provisions as may be appropriate.
4. ***Market Information.*** Advising the Issuer of FirstSouthwest's view of current bond market conditions, other related forthcoming bond issues and general information (including applicable economic data) which might normally be expected to influence interest rates or bidding conditions relevant to setting an appropriate date and time for the sale of the issuance.
5. ***Elections.*** In the event it is necessary to hold an election to authorize the contemplated issuance, assisting in coordinating the assembly of such data as may be required for the preparation of necessary petitions, orders, resolutions, ordinances, notices and certificates in connection with the election, including assistance in the transmission of such data to the Issuer's bond counsel.

Debt Management and Financial Implementation for New Issuance

6. ***Method of Sale.*** Evaluating the particular financing being contemplated, giving consideration to the complexity, market acceptance, rating, size and structure in order to make a recommendation as to an appropriate method of sale, and:
 - a. If the issuance is to be sold by a competitive sale:

- (1) Supervising the sale of the municipal securities;
- (2) Disseminating information to prospective bidders, organizing such informational meetings as may be necessary, and facilitating prospective bidders' efforts in making timely submission of proper bids;
- (3) Assisting the staff of the Issuer in coordinating the receipt of bids, the safekeeping of good faith checks and the tabulation and comparison of submitted bids;
- (4) Advising the Issuer regarding the best bid and provide advice regarding acceptance or rejection of the bids; and
- (5) Obtaining CUSIP numbers on behalf of the Issuer.

b. If the issuance is to be sold by negotiated sale:

- (1) Recommending for the Issuer's final approval and acceptance one or more investment banking firms, as sole underwriter or as managers of an underwriting syndicate, for the purpose of negotiating the purchase of the municipal securities;
- (2) Cooperating with and assisting any selected sole or managing underwriter and its counsel, as well as any disclosure counsel retained by the Issuer, in connection with the preparation of any preliminary or final official statement or offering memorandum. FirstSouthwest will cooperate with and assist the underwriters in the preparation of a bond purchase contract, an underwriters' agreement and other related documents;
- (3) Assisting the staff of the Issuer in the safekeeping of any good faith checks and providing a cost comparison to the then-current market of expenses, interest rates and prices which are proposed by the underwriters;
- (4) Advising the Issuer on the fairness of the price offered by the underwriters;
- (5) Advising the Issuer in connection with any terms and conditions it may wish to establish with respect to order priorities and other similar matters relating to the underwriting of the new issuance;
- (6) If the new issuance will have a retail order period, advising the Issuer on retail eligibility criteria and other features of the retail order period and reviewing information provided by the underwriters to the Issuer in connection with retail orders received; and
- (7) At the request of the Issuer, reviewing required disclosures by underwriters to the Issuer relating to their role as underwriter, conflicts of interests, material terms and risks of the issuance, and any other matters, and providing any appropriate advice to the Issuer in connection with such disclosures.

7. ***Offering Documents for Competitive Offerings.*** Coordinating the preparation of the notice of sale and bidding instructions, preliminary official statement (including cooperating with and assisting any disclosure counsel retained by the Issuer), official bid form and such other documents as may be required and submitting all such documents to the Issuer for examination, approval and certification. After such examination, approval and certification, FirstSouthwest shall provide the Issuer with a supply of all such documents sufficient to its needs and distribute sets of the same to prospective bidders for the municipal securities. FirstSouthwest also shall provide copies of the final official statement to

the winning bidder purchasing the municipal securities in the MSRB-designated electronic format and in accordance with the notice of sale and bidding instructions promptly after the Issuer approves the final official statement for distribution.

8. **Credit Ratings.** Making recommendations to the Issuer on the advisability of obtaining one or more credit ratings for the issuance and, when directed by the Issuer, coordinating the preparation of such information as may be appropriate for submission to any rating agency. In those cases where the advisability of personal presentation of information to a rating agency may be indicated, FirstSouthwest will arrange for such personal presentations, utilizing such composition of representatives from the Issuer as may be approved or directed by the Issuer.

9. **Trustee, Paying Agent, Registrar, Professionals and Other Transaction Participants.** Upon request, providing advice to the Issuer in the selection of a trustee and/or paying agent/registrar, legal, accounting or other professionals, and other transaction participants relating to any issuance, and assisting in the negotiation of agreements pertinent to these services and the fees incident thereto.

10. **Financial Publications.** When appropriate, advising financial publications of the forthcoming sale of the municipal securities and providing them with all pertinent information.

11. **Consultants.** After consulting with and receiving directions from the Issuer, arranging for such reports and opinions of recognized independent consultants as may be appropriate for the successful marketing of the issuance.

12. **Auditors.** In the event formal verification by an independent auditor of any calculations incident to the issuance is required, making arrangements for such services.

13. **Issuer Meetings.** Attending meetings of the governing body of the Issuer, its staff, representatives or committees as requested when FirstSouthwest may be of assistance or service and matters within the scope of this engagement are to be discussed.

14. **Printing.** To the extent authorized by the Issuer, coordinating all work incident to printing or final production, physical or electronic, of the offering documents.

15. **Bond Counsel.** Maintaining liaison with bond counsel in the preparation of all legal documents pertaining to the authorization, sale and issuance of the municipal securities.

16. **Changes in Laws.** Providing to the Issuer copies of proposed or enacted changes in federal and state laws, rules and regulations having, or expected to have, a significant effect on the municipal bond market of which FirstSouthwest becomes aware in the ordinary course of its business, it being understood that FirstSouthwest does not and may not act as an attorney for, or provide legal advice or services to, the Issuer.

17. **Delivery of the Municipal Securities.** As soon as a bid for the purchase of a competitive issuance is accepted by the Issuer or the bond purchase contract for a negotiated issuance is signed by the Issuer, coordinating the efforts of all concerned to the end that the municipal securities may be delivered and paid for as expeditiously as possible and assisting the Issuer in the preparation or verification of final closing figures incident to the delivery of the municipal securities.

18. **Debt Service Schedule; Authorizing Resolution.** After the closing of the sale and delivery of the issuance, delivering to the Issuer a schedule of annual debt service requirements for the issuance and, in coordination with bond counsel, assuring that the paying agent/registrar and/or trustee has been provided with a copy of the authorizing ordinance, order or resolution.

APPENDIX B
DISCLOSURE STATEMENT OF MUNICIPAL ADVISOR

This Disclosure Statement is provided by **FirstSouthwest, a Division of Hilltop Securities Inc.** (“the Firm”) to you (the “Client”) in connection with our current municipal advisory agreement, (“the Agreement”). This Disclosure Statement provides information regarding conflicts of interest and legal or disciplinary events of The Firm that are required to be disclosed to Client pursuant to MSRB Rule G-42(b) and (c)(ii).

PART A – Disclosures of Conflicts of Interest

MSRB Rule G-42 requires that municipal advisors provide to their clients disclosures relating to any actual or potential material conflicts of interest, including certain categories of potential conflicts of interest identified in Rule G-42, if applicable.

Material Conflicts of Interest – The Firm makes the disclosures set forth below with respect to material conflicts of interest in connection with the Scope of Services under the Agreement with the Firm, together with explanations of how the Firm addresses or intends to manage or mitigate each conflict.

General Mitigations – As general mitigations of the Firm’s conflicts, with respect to all of the conflicts disclosed below, the Firm mitigates such conflicts through its adherence to its fiduciary duty to Client, which includes a duty of loyalty to Client in performing all municipal advisory activities for Client. This duty of loyalty obligates the Firm to deal honestly and with the utmost good faith with Client and to act in Client’s best interests without regard to the Firm’s financial or other interests. In addition, because the Firm is a broker-dealer with significant capital due to the nature of its overall business, the success and profitability of the Firm is not dependent on maximizing short-term revenue generated from individualized recommendations to its clients but instead is dependent on long-term profitability built on a foundation of integrity, quality of service and strict adherence to its fiduciary duty. Furthermore, the Firm’s municipal advisory supervisory structure, leveraging our long-standing and comprehensive broker-dealer supervisory processes and practices, provides strong safeguards against individual representatives of the Firm potentially departing from their regulatory duties due to personal interests. The disclosures below describe, as applicable, any additional mitigations that may be relevant with respect to any specific conflict disclosed below.

I. Affiliate Conflict. The Firm, directly and through affiliated companies, provides or may provide services/advice/products to or on behalf of clients that are related to the Firm’s advisory activities within the Scope of Services outlined in the Agreement. First Southwest Asset Management (FSAM), a SEC-registered affiliate of the Firm, provides post issuance services including arbitrage rebate and treasury management. The Firm’s arbitrage team verifies rebate and yield restrictions on the investments of bond proceeds on behalf of clients in order to meet IRS restrictions. The treasury management division performs portfolio management/advisor services on behalf of public sector clients. The Firm, through affiliate First Southwest Advisory, provides a multi-employer trust tailor-made for public entities which allows them to prefund Other Post-Employment Benefit liabilities. The Firm has a structured products desk that provides advice to help clients mitigate risk through investment management, debt management and commodity price risk management products. These products consist of but are not limited to swaps (interest rate, currency, commodity), options, repos, escrow structuring and other securities. Continuing Disclosure services provided by the Firm work with issuers to assist them in meeting disclosure requirements set forth in SEC rule 15c2-12. Services include but are not limited to ongoing maintenance of issuer compliance, automatic tracking of issuer’s annual filings and public notification of material events. The Firm administers two government investment pools for Texas governments; the Short-Term Asset Reserve Fund (TexSTAR) and the Local Government Investment Cooperative (LOGIC). These programs offer Texas government entities

investment options for their cash management programs based on the entities specific needs. The Firm and the aforementioned affiliate's business with a client could create an incentive for the Firm to recommend to a client a course of action designed to increase the level of a client's business activities with the affiliates or to recommend against a course of action that would reduce or eliminate a client's business activities with the affiliates. Furthermore, this potential conflict is mitigated by the fact that the Firm and affiliates are subject to their own comprehensive regulatory regime as a member of multiple self-regulatory organizations in which compliance is verified by not only internal tests but annual external examinations.

II. Other Municipal Advisor or Underwriting Relationships. The Firm serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of Client. For example, the Firm serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to Client. These other clients may, from time to time and depending on the specific circumstances, have competing interests, such as accessing the new issue market with the most advantageous timing and with limited competition at the time of the offering. In acting in the interests of its various clients, the Firm could potentially face a conflict of interest arising from these competing client interests. In other cases, as a broker-dealer that engages in underwritings of new issuances of municipal securities by other municipal entities, the interests of the Firm to achieve a successful and profitable underwriting for its municipal entity underwriting clients could potentially constitute a conflict of interest if, as in the example above, the municipal entities that the Firm serves as underwriter or municipal advisor have competing interests in seeking to access the new issue market with the most advantageous timing and with limited competition at the time of the offering. None of these other engagements or relationships would impair the Firm's ability to fulfill its regulatory duties to Client.

III. Secondary Market Transactions in Client's Securities. The Firm, in connection with its sales and trading activities, may take a principal position in securities, including securities of Client, and therefore the Firm could have interests in conflict with those of Client with respect to the value of Client's securities while held in inventory and the levels of mark-up or mark-down that may be available in connection with purchases and sales thereof. In particular, the Firm or its affiliates may submit orders for and acquire Client's securities issued in an Issue under the Agreement from members of the underwriting syndicate, either for its own account or for the accounts of its customers. This activity may result in a conflict of interest with Client in that it could create the incentive for the Firm to make recommendations to Client that could result in more advantageous pricing of Client's bond in the marketplace. Any such conflict is mitigated by means of such activities being engaged in on customary terms through units of the Firm that operate independently from the Firm's municipal advisory business, thereby reducing the likelihood that such investment activities would have an impact on the services provided by the Firm to Client under this Agreement.

IV. Broker-Dealer and Investment Advisory Business. The Firm is dually registered as a broker-dealer and an investment advisor that engages in a broad range of securities-related activities to service its clients, in addition to serving as a municipal advisor or underwriter. Such securities-related activities, which may include but are not limited to the buying and selling of new issue and outstanding securities and investment advice in connection with such securities, including securities of Client, may be undertaken on behalf of, or as counterparty to, Client, personnel of Client, and current or potential investors in the securities of Client. These other clients may, from time to time and depending on the specific circumstances, have interests in conflict with those of Client, such as when their buying or selling of Client's securities may have an adverse effect on the market for Client's securities, and the interests of such other clients could create the incentive for the Firm to make recommendations to Client that could result in more advantageous pricing for the other clients. Furthermore, any potential conflict arising from the firm effecting or otherwise assisting such other clients in connection with such transactions is mitigated by means of such activities being engaged in on customary terms through units

of the Firm that operate independently from the Firm's municipal advisory business, thereby reducing the likelihood that the interests of such other clients would have an impact on the services provided by the Firm to Client.

V. Compensation-Based Conflicts. Fees that are based on the size of the issue are contingent upon the delivery of the Issue. While this form of compensation is customary in the municipal securities market, this may present a conflict because it could create an incentive for the Firm to recommend unnecessary financings or financings that are disadvantageous to Client, or to advise Client to increase the size of the issue. This conflict of interest is mitigated by the general mitigations described above.

Fees based on a fixed amount are usually based upon an analysis by Client and the Firm of, among other things, the expected duration and complexity of the transaction and the Scope of Services to be performed by the Firm. This form of compensation presents a potential conflict of interest because, if the transaction requires more work than originally contemplated, the Firm may suffer a loss. Thus, the Firm may recommend less time-consuming alternatives, or fail to do a thorough analysis of alternatives. This conflict of interest is mitigated by the general mitigations described above.

Hourly fees are calculated with, the aggregate amount equaling the number of hours worked by Firm personnel times an agreed-upon hourly billing rate. This form of compensation presents a potential conflict of interest if Client and the Firm do not agree on a reasonable maximum amount at the outset of the engagement, because the Firm does not have a financial incentive to recommend alternatives that would result in fewer hours worked. This conflict of interest is mitigated by the general mitigations described above.

PART B – Disclosures of Information Regarding Legal Events and Disciplinary History

MSRB Rule G-42 requires that municipal advisors provide to their clients certain disclosures of legal or disciplinary events material to its client's evaluation of the municipal advisor or the integrity of the municipal advisor's management or advisory personnel.

Accordingly, the Firm sets out below required disclosures and related information in connection with such disclosures.

I. Material Legal or Disciplinary Event. The Firm discloses the following legal or disciplinary events that may be material to Client's evaluation of the Firm or the integrity of the Firm's management or advisory personnel:

- For related disciplinary actions please refer to the Firm's [BrokerCheck](#) webpage.
- The Firm self-reported violations of SEC Rule 15c2-12: Continuing Disclosure. The Firm settled with the SEC on February 2, 2016. The firm agreed to retain independent consultant and adopt the consultant's finding. Firm paid a fine of \$360,000.
- The Firm settled with the SEC in matters related to violations of MSRB Rules G-23(c), G-17 and SEC rule 15B(c)(1). The Firm disgorged fees of \$120,000 received as financial advisor on the deal, paid prejudgment interest of \$22,400.00 and a penalty of \$50,000.00.

II. How to Access Form MA and Form MA-I Filings. The Firm's most recent Form MA and each most recent Form MA-I filed with the SEC are available on the SEC's EDGAR system at [Forms MA and MA-I](#). The SEC permits certain items of information required on Form MA or MA-I to be provided by reference to such required information already filed by the Firms in its capacity as a broker-dealer on Form BD or Form U4 or as an investment adviser on Form ADV, as applicable. Information provided by the Firm on Form BD or Form U4 is publicly accessible through reports generated by BrokerCheck at <http://brokercheck.finra.org/>, and the Firm's most recent Form ADV is publicly

accessible at the Investment Adviser Public Disclosure website at <http://www.adviserinfo.sec.gov/>. For purposes of accessing such BrokerCheck reports or Form ADV, click previous hyperlinks.

PART C – Future Supplemental Disclosures

As required by MSRB Rule G-42, this Disclosure Statement may be supplemented or amended, from time to time as needed, to reflect changed circumstances resulting in new conflicts of interest or changes in the conflicts of interest described above, or to provide updated information with regard to any legal or disciplinary events of the Firm. The Firm will provide Client with any such supplement or amendment as it becomes available throughout the term of the Agreement.

RESOLUTION NO. R-17-02-15-8B

WHEREAS, the Brushy Creek Regional Utility Authority, Inc. (BCRUA) desires to retain professional bond counsel services related to the issuance of City of Leander's proposed refunding bonds or other financing; and

WHEREAS, the firm of Bickerstaff Heath Delgado Acosta LLP has submitted an engagement letter to provide said services; and

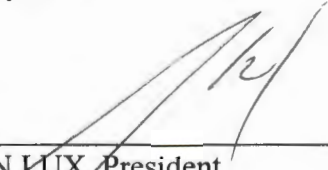
WHEREAS, the BCRUA wishes to enter into an engagement letter with Bickerstaff Heath Delgado Acosta LLP, Now Therefore

BE IT RESOLVED BY THE BRUSHY CREEK REGIONAL UTILITY AUTHORITY,

That the Board President is hereby authorized and directed to execute on behalf of the BCRUA an engagement letter with Bickerstaff Heath Delgado Acosta LLP, a copy of same being attached hereto as Exhibit "A" and incorporated herein for all purposes.

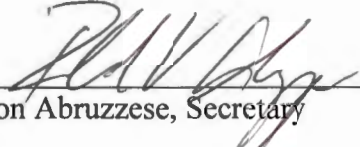
The Board hereby finds and declares that written notice of the date, hour, place and subject of the meeting at which this Resolution was adopted was posted and that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof were discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended.

RESOLVED this 15th day of February, 2017.



JOHN LUX, President
Brushy Creek Regional Utility Authority

ATTEST:



Ron Abruzzese, Secretary



February 15, 2017

Brushy Creek Regional Utility Authority, Inc.
221 East Main Street
Round Rock, Texas 78664

Attention: Tom Gallier, General Manager

RE: Bond Counsel Agreement – City of Leander, Texas Contract Revenue Refunding Bonds,
Series 2017 (Brushy Creek Regional Water Treatment and Distribution Project)

Dear Mr. Gallier:

This letter is submitted to state our fees and describe our legal services in performing the duties of bond counsel for the Brushy Creek Regional Utility Authority, Inc. (the “Authority”) with reference to the issuance of the City of Leander’s proposed refunding bonds or other financing (the “Bonds”).

Generally, we will perform all usual and necessary legal services as bond counsel in connection with the authorization, issuance, and delivery of the Bonds. Specifically, we will prepare and direct the legal proceedings and perform the other necessary legal services with reference to the authorization, issuance, and delivery of the Bonds, including the following:

1. Prepare all resolutions, orders, notices and other instruments pursuant to which the Bonds will be authorized, issued, delivered and secured, including election proceedings, if necessary, in cooperation and upon consultation with the Board of Directors (the “Board”), their consultants, and other legal and financial advisors and consultants of the Authority.
2. If an election is required, prepare documents for calling bond election.
3. Attend meetings of the Board with reference to the authorization and issuance of the Bonds to the extent required or requested.
4. Cooperate with the Board and all other interested parties in the sale of the Bonds to the purchasers.
5. Submit bond transcript to the Attorney General for approval.
6. Supervise the execution of the Bonds and the delivery thereof to the purchasers.

7. Prepare documents for closings, provide instructions and advice for closings, and attend closings.
8. When the Bonds are issued, we will give our approving opinion covering the validity of the Bonds and the exemption of interest from federal income taxes, it being understood that the approving opinion will be fully acceptable nationally in regular commercial investment banking bond marketing channels.

The fee covering the legal services of this firm, as bond counsel, for the issuance of the Bonds, is as follows:

Refunding

\$11,000 for the first million dollars of Bonds;
\$1.00 per \$1,000 of Bonds thereafter.

Also, we would expect to be reimbursed for our actual client costs advanced (expenses) reasonably and necessarily incurred in connection with the authorization, issuance, and delivery of such Bonds, *i.e.*, travel, photocopies, courier, Form 8038-G filing and the Attorney General's filing fee. A list of our current costs for expenses is enclosed.

The foregoing legal services as bond counsel do not include any direct responsibility for the "disclosure obligations" owed to the investing public under the federal securities laws and the various state securities laws, and this is to state that our engagement is not that broad. We will, however, provide assistance to the Authority in identifying what the Authority's responsibility is in meeting its continuing disclosure responsibilities.

Your financial advisor will be responsible for the preparation of an Official Statement or any other disclosure document with respect to the Bonds. While we are not responsible for performing an independent investigation to determine the accuracy, completeness or sufficiency of any such document, our responsibility will include the preparation or review of any description within the Official Statement of: (i) federal law pertinent to the validity of the Bonds and the tax treatment of interest paid on the Bonds, (ii) the terms of the Bonds, and (iii) our opinion.

Our fees and expenses in connection with the issuance of the Bonds will be payable at the time of the delivery of and payment for the Bonds, but our fees for these services are wholly contingent upon actual issuance of the Bonds. Should the Bonds not be issued, the Authority would be responsible only for payment of the costs of any newspaper publications or translation services incurred.

If the arrangement proposed is satisfactory, please indicate the Authority's acceptance by signing the acceptance clause below and return one copy of this letter to me.

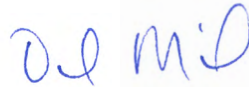
Mr. Tom Gallier
Brushy Creek Regional Utility Authority
February 15, 2017

Page 3

The fees discussed do not apply in litigation work in reference to the Bonds. All fees in respect to litigation shall be agreed upon separately between the Authority and our firm.

Respectfully submitted,

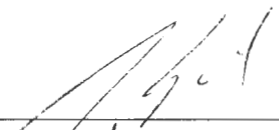
BICKERSTAFF HEATH DELGADO ACOSTA LLP



David Méndez

ACCEPTED this the 15th day of February, 2017:

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.

By: 
Name: Jim Lutz
Title: President

BCRIA R-17-6 2-15-13

Client Costs Advanced
Bickerstaff Heath Delgado Acosta LLP

The firm incurs expenses on behalf of clients only when required by the legal needs of the clients. Some cases or matters require extensive use of outside copy facilities, and other cases may not be so paper-intensive. Standard services handled within the firm are not charged, and client specific expenses are billed to the client needing those services. An explanation of the billing structure is as follows:

Not Charged: Secretarial and word processing time, routine postage, file setup, file storage, local or ordinary long distance charges, fax charges, and computerized legal research data charges.

Delivery Services: Outside delivery services are used for pickup and delivery of documents to the client as well as to courts, agencies, and opposing parties. Outside delivery fees are charged to the client at the rate charged to the firm. Overnight delivery services are also charged at the rate charged to the firm. Firm Office Services Department personnel may provide delivery service in urgent situations and charges for such in-house service will not exceed the charge that would be made by an outside service in a similar situation.

Postage: Our postal equipment calculates exact U.S. postage for all sizes and weights of posted material. The rate charged for postage is the same as the amount affixed to the material that is mailed. We will not charge clients for postage on routine correspondence; however, the cost of large-volume mail, certified mail, or other additional mail services will be charged to the client.

Copies and Prints: Our standard rate for black and white copies and prints made by firm personnel is \$0.15 per page. Color copies and prints are charged at a standard rate of \$0.55 per page. These charges cover paper, equipment costs, and other supplies. If savings can be realized within the required time frame by sending copy jobs to subcontractors, the firm uses only qualified legal services copiers and the cost charged to the client is the same as the amount billed to the firm.

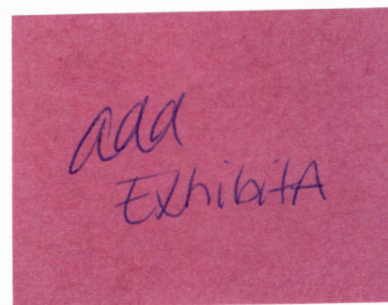
Phone Charges: Only charges for conference calls or international calls are charged, and charges are billed at the same amount billed to the firm by the outside provider.

Travel: Attorney and other timekeeper time spent traveling on behalf of a client is billed to the client. Hotel, meals, local transportation, and similar expenses are charged based on receipts and travel expense forms submitted by the attorney. Documentation is available to the client if requested.

Maps: Maps produced in conjunction with a project will be billed at \$50 for each 34 x 44 inch map and \$20 for each smaller map, plus cost (time fees) for preparation.

Other Expenses: Expenses incurred with outside providers in connection with the client's legal services will be paid by the client directly to the outside provider unless specifically arranged in advance. If the firm agrees to pay outside providers, the cost charged to the client is the same as the amount billed to the firm. Examples of such charges include: court reporter fees, filing fees, newspaper charges for publication notices, expert witness fees, consultants and other similar expenses.

January 31, 2017



Brushy Creek Regional Utility Authority, Inc.
221 East Main Street
Round Rock, Texas 78664

Attention: Tom Gallier, General Manager

RE: Bond Counsel Agreement – City of Leander, Texas Contract Revenue Refunding Bonds, Series 2017 (Brushy Creek Regional Water Treatment and Distribution Project)

Dear Mr. Gallier:

This letter is submitted to state our fees and describe our legal services in performing the duties of bond counsel for the Brushy Creek Regional Utility Authority, Inc. (the “Authority”) with reference to the issuance of the City of Leander’s proposed refunding bonds or other financing (the “Bonds”).

Generally, we will perform all usual and necessary legal services as bond counsel in connection with the authorization, issuance, and delivery of the Bonds. Specifically, we will prepare and direct the legal proceedings and perform the other necessary legal services with reference to the authorization, issuance, and delivery of the Bonds, including the following:

1. Prepare all resolutions, orders, notices and other instruments pursuant to which the Bonds will be authorized, issued, delivered and secured, including election proceedings, if necessary, in cooperation and upon consultation with the Board of Directors (the “Board”), their consultants, and other legal and financial advisors and consultants of the Authority.
2. If an election is required, prepare documents for calling bond election.
3. Attend meetings of the Board with reference to the authorization and issuance of the Bonds to the extent required or requested.
4. Cooperate with the Board and all other interested parties in the sale of the Bonds to the purchasers.
5. Submit bond transcript to the Attorney General for approval.
6. Supervise the execution of the Bonds and the delivery thereof to the purchasers.

7. Prepare documents for closings, provide instructions and advice for closings, and attend closings.
8. When the Bonds are issued, we will give our approving opinion covering the validity of the Bonds and the exemption of interest from federal income taxes, it being understood that the approving opinion will be fully acceptable nationally in regular commercial investment banking bond marketing channels.

The fee covering the legal services of this firm, as bond counsel, for the issuance of the Bonds, is as follows:

Refunding

\$11,000 for the first million dollars of Bonds;
\$1.00 per \$1,000 of Bonds thereafter.

Also, we would expect to be reimbursed for our actual client costs advanced (expenses) reasonably and necessarily incurred in connection with the authorization, issuance, and delivery of such Bonds, *i.e.*, travel, photocopies, courier, Form 8038-G filing and the Attorney General's filing fee. A list of our current costs for expenses is enclosed.

The foregoing legal services as bond counsel do not include any direct responsibility for the "disclosure obligations" owed to the investing public under the federal securities laws and the various state securities laws, and this is to state that our engagement is not that broad. We will, however, provide assistance to the Authority in identifying what the Authority's responsibility is in meeting its continuing disclosure responsibilities.

Your financial advisor will be responsible for the preparation of an Official Statement or any other disclosure document with respect to the Bonds. While we are not responsible for performing an independent investigation to determine the accuracy, completeness or sufficiency of any such document, our responsibility will include the preparation or review of any description within the Official Statement of: (i) federal law pertinent to the validity of the Bonds and the tax treatment of interest paid on the Bonds, (ii) the terms of the Bonds, and (iii) our opinion.

Our fees and expenses in connection with the issuance of the Bonds will be payable at the time of the delivery of and payment for the Bonds, but our fees for these services are wholly contingent upon actual issuance of the Bonds. Should the Bonds not be issued, the Authority would be responsible only for payment of the costs of any newspaper publications or translation services incurred.

If the arrangement proposed is satisfactory, please indicate the Authority's acceptance by signing the acceptance clause below and return one copy of this letter to me.

The fees discussed do not apply in litigation work in reference to the Bonds. All fees in respect to litigation shall be agreed upon separately between the Authority and our firm.

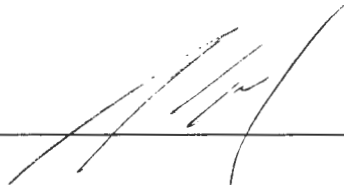
Respectfully submitted,

BICKERSTAFF HEATH DELGADO ACOSTA LLP

David Méndez

ACCEPTED this the ____ day of _____, 2017:

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.

By:  _____
Name: _____
Title: _____

Client Costs Advanced
Bickerstaff Heath Delgado Acosta LLP

The firm incurs expenses on behalf of clients only when required by the legal needs of the clients. Some cases or matters require extensive use of outside copy facilities, and other cases may not be so paper-intensive. Standard services handled within the firm are not charged, and client specific expenses are billed to the client needing those services. An explanation of the billing structure is as follows:

Not Charged: Secretarial and word processing time, routine postage, file setup, file storage, local or ordinary long distance charges, fax charges, and computerized legal research data charges.

Delivery Services: Outside delivery services are used for pickup and delivery of documents to the client as well as to courts, agencies, and opposing parties. Outside delivery fees are charged to the client at the rate charged to the firm. Overnight delivery services are also charged at the rate charged to the firm. Firm Office Services Department personnel may provide delivery service in urgent situations and charges for such in-house service will not exceed the charge that would be made by an outside service in a similar situation.

Postage: Our postal equipment calculates exact U.S. postage for all sizes and weights of posted material. The rate charged for postage is the same as the amount affixed to the material that is mailed. We will not charge clients for postage on routine correspondence; however, the cost of large-volume mail, certified mail, or other additional mail services will be charged to the client.

Copies and Prints: Our standard rate for black and white copies and prints made by firm personnel is \$0.15 per page. Color copies and prints are charged at a standard rate of \$0.55 per page. These charges cover paper, equipment costs, and other supplies. If savings can be realized within the required time frame by sending copy jobs to subcontractors, the firm uses only qualified legal services copiers and the cost charged to the client is the same as the amount billed to the firm.

Phone Charges: Only charges for conference calls or international calls are charged, and charges are billed at the same amount billed to the firm by the outside provider.

Travel: Attorney and other timekeeper time spent traveling on behalf of a client is billed to the client. Hotel, meals, local transportation, and similar expenses are charged based on receipts and travel expense forms submitted by the attorney. Documentation is available to the client if requested.

Maps: Maps produced in conjunction with a project will be billed at \$50 for each 34 x 44 inch map and \$20 for each smaller map, plus cost (time fees) for preparation.

Other Expenses: Expenses incurred with outside providers in connection with the client's legal services will be paid by the client directly to the outside provider unless specifically arranged in advance. If the firm agrees to pay outside providers, the cost charged to the client is the same as the amount billed to the firm. Examples of such charges include: court reporter fees, filing fees, newspaper charges for publication notices, expert witness fees, consultants and other similar expenses.

Kathleen Hartnett White, *Chairman*
Larry R. Soward, *Commissioner*
Martin A. Hubert, *Commissioner*
Glenn Shankle, *Executive Director*



PWS/2460009/CO
CN600407951
RN101422376

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

November 6, 2006

Mr. Roger K. Noack, P.E.
Senior Professional Associate
HDR Engineering, Inc.
4401 West Gate Blvd.
Austin, Texas 78745

Subject: Public Drinking Water System
Revised CT Study for
City of Cedar Park - PWS ID No. 2460009
Williamson County, Texas

Dear Mr. Noack:

We are in receipt of your letter dated July 7, 2005 requesting a revised CT study to reflect the modifications to the current disinfection protocol for the City of Cedar Park Water Treatment Plant (WTP). The City of Cedar Park has recently received increase in capacity exceptions for surface overflow rate (SOR) from 10.00 to 12.76 gpm/ft² and a hydraulic loading rate (HLR) from 5.00 to 6.38 gpm/ft² for their US Filter/ Microfloc Trident® modular package treatment units. These increases in rates translate into a new plant treatment capacity of 26 Million Gallons Per Day (MGD). The information in this letter will replace, not supplement the most recent CT study dated August 20, 2003.

The City of Cedar Park WTP receives raw water from Lake Travis. The WTP contains two separate treatment trains, operating in parallel with each containing a static mixer. One train contains seven U.S. Filter/Microfloc Trident® package-type treatment units and the other train contains three Trident® package units. Each package plant consists of a flocculation/adsorption/clarification zone followed by a filtration zone. The filtered water from each train flows to a transfer well at the end of each train. The filtered water from both transfer wells combine and are pumped to two 0.21-MG clearwells which operate in parallel. These finished water lines combine and flow to a 0.50-MG clearwell. The effluent from the last clearwell flows through 225 linear feet of 30-inch line to a pump station and is then pumped through 20,316 linear feet of 33-inch transmission line to three ground storage tanks which operate in parallel. Disinfection is accomplished by injection of chlorine upstream of each Trident® unit with ammonia and chlorine being injected upstream of the clearwells. Residual monitoring for free chlorine is downstream of each Trident® unit train. Total chlorine residual monitoring is downstream of Clearwell No. 3 and downstream of the ground storage tanks, prior to entry into the distribution system.

REPLY TO: REGION 10 • 3870 EASTEX FWY. • BEAUMONT, TEXAS 77703-1830 • 409/898-3838 • FAX 409/892-2119

P.O. Box 13087 • Austin, Texas 78711-3087 • 512/239-1000 • Internet address: www.tceq.state.tx.us

printed on recycled paper using soy-based ink

November 6, 2006

Revised CT Study

City of Cedar Park - PWS ID No. 2460009

A disinfection zone is a segment of the treatment process which begins at a disinfectant application point and ends at the subsequent disinfectant application or residual sampling point. Each disinfectant application point represents the beginning of a separate disinfection zone regardless of frequency of use. However, a plant may have only one disinfectant point and choose to monitor at more than one point, creating multiple disinfection zones. Based on the disinfectant application and residual sampling points, three disinfection zones are defined for the City of Cedar Park Water Treatment Plant. Disinfection zone (D1) contains two trains. (D1A) contains seven Trident® units and a transfer well, and (D1B) includes three Trident® units and a transfer well. Disinfection zone (D2) consists of the three clearwells and a filtered water line. The final disinfection zone (D3) contains the 33-inch transmission line and three ground storage tanks.

CT calculations are used to evaluate the disinfection process. As the operators need T_{10} values to calculate the CT for the treatment process, the following T_{10} table was developed for the City of Cedar Park WTP. The T_{10} values shown in this table are based on your CT Template dated July 3, 2006, our files, and the CT study of August 20, 2003.

TABLE 1: T_{10} TABLE FOR CITY OF CEDAR PARK WATER TREATMENT PLANT

DISINFECTION ZONE	TREATMENT UNIT	VOLUME (Gallons)	FLOW RATE (MGD)	BAFFLING FACTOR	T_{10} (min.)	SUM T_{10} (min.)
D1A	Clarification Section	10,250 ⁽¹⁾	2.601 ⁽⁹⁾	0.7 ⁽¹²⁾	4.0	11.1
	Filtration Section	17,800 ⁽²⁾		0.7 ⁽¹²⁾	6.9	
	Transfer Well	23,900 ⁽³⁾	18.204 ⁽¹⁰⁾	0.1 ⁽¹³⁾	0.2	
D1B	Clarification Section	10,250 ⁽¹⁾	2.601 ⁽⁹⁾	0.7 ⁽¹²⁾	4.0	11.3
	Filtration Section	17,800 ⁽²⁾		0.7 ⁽¹²⁾	6.9	
	Transfer Well	23,900 ⁽³⁾	7.800 ⁽¹⁰⁾	0.1 ⁽¹³⁾	0.4	
D2	Clearwell No. 1 & No. 2	420,000 ⁽⁴⁾	26.001 ⁽¹¹⁾	0.5 ⁽¹⁴⁾	11.6	17.9
	Clearwell No. 3	211,500 ⁽⁵⁾		0.5 ⁽¹⁴⁾	5.9	
	Effluent Line to HSPS	8,300 ⁽⁶⁾		1.0 ⁽¹⁵⁾	0.5	
D3	Transmission Line	902,800 ⁽⁷⁾	26.001 ⁽¹¹⁾	1.0 ⁽¹⁵⁾	50.0	64.8
	Ground Storage Tanks (3)	2,675,000 ⁽⁸⁾		0.1 ⁽¹³⁾	14.8	

Notes: (1) Based on a 13.12 feet long by 10.89 feet wide clarification section of a U.S. Filter/Microfloc Trident package plant with a side water depth of 9.59 as per the CT template submitted by HDR Engineering, Inc., dated July 3, 2006.

Revised CT Study

City of Cedar Park - PWS ID No. 2460009

- (2) Based on a 25.7 feet long by 10.89 feet wide filtration section of a U.S. Filter/Microfloc Trident package plant with a water depth of 6.4 feet, media depth of 2.8 feet, underdrain of 0.70 feet, and a media porosity of 50%, as per the CT template submitted by HDR Engineering, Inc., dated July 3, 2006.
- (3) Based on "worst case" operating conditions. A minimum operating level of 75% of the nominal capacity is assumed for a 38 feet by 14 feet transfer well with a side water depth of 8 feet and a minimum operating level of 6 feet, as per the CT template submitted by HDR Engineering, Inc., dated July 3, 2006.
- (4) Based on "worst case" operating conditions. Based on two 38.5-foot diameter clearwells with a "worst case" operating level of 10 feet, as per the CT template submitted by HDR Engineering, Inc., dated July 3, 2006.
- (5) Based on "worst case" operating conditions. Based on a 60-foot diameter clearwells with a "worst case" operating level of 10 feet, as per the CT template submitted by HDR Engineering, Inc., dated July 3, 2006.
- (6) Based on 225 linear feet of 30-inch finished water line, as per the CT template submitted by HDR Engineering, Inc., dated July 3, 2006.
- (7) Based on 20,316 linear feet of 33-inch transmission line, as per the CT template submitted by HDR Engineering, Inc., dated July 3, 2006.
- (8) Based on "worst case" operating conditions. A minimum operating level of 21 % of the nominal capacity of the combined volumes of a 0.75, 1.5, and 3.1-MG ground storage tanks, as per the CT template submitted by HDR Engineering, Inc., dated July 3, 2006.
- (9) Based on treatment capacity of one US Filter/ Microfloc Trident package plant, as per the CT template submitted by HDR Engineering, Inc., dated July 3, 2006.
- (10) Based on the combined treatment capacity of either seven or three US Filter/Microfloc Trident package plants. Each modular treatment units is rated for 2.6 MGD, as per the CT template submitted by HDR Engineering, Inc., dated July 3, 2006.
- (11) Based on the maximum combined treatment capacity of ten US Filter/Microfloc Trident package plants, as per the CT template submitted by HDR Engineering, Inc., dated July 3, 2006.
- (12) Based on the assumption of "superior" baffling characteristics for filters.
- (13) Based on the assumption of "unbaffled" baffling characteristics for storage tanks.
- (14) Based on the assumption of "average" baffling characteristics for baffled clearwells with four or five baffling walls.
- (15) Based on the assumption of "perfect" baffling characteristics for pipe.

We have prepared a Disinfection Process Parameters table to help operators complete their SWMORs. We have also provided the operators with the disinfection requirements that they must meet on an on-going basis.

TABLE 2: DISINFECTION PROCESS PARAMETERS FOR CEDAR PARK WTP

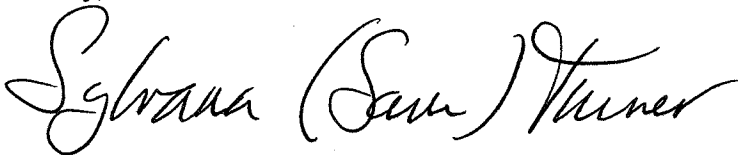
APPROVED CT STUDY PARAMETERS						PERFORMANCE STD's	
PARAMETERS	Disinfection Zones					Log Inactivation	
	D1A	D1B	D2	D3	D4	<i>Giardia</i>	Viruses
Flow Rate (MGD)	2.601	2.601	26.00	26.00	na	0.5	2.0
T ₁₀ Time (minutes)	11.1	11.3	17.9	64.8	na		

November 6, 2006

Revised CT Study
City of Cedar Park - PWS ID No. 2460009

If you have any questions concerning our evaluation or if we may be of other assistance, please contact me at (409) 899-8798, at the address on the letterhead, or by e-mail at sturner@tceq.state.tx.us.

Sincerely,

A handwritten signature in cursive script that reads "Sylvana (Sam) Turner". The signature is written in black ink and is positioned below the word "Sincerely,".

Sylvana (Sam) Turner
Technical Review & Oversight Team
Public Drinking Water Section, Reg. 10
Water Supply Division

Enclosure: CT Study Worksheet

cc w/ enclosure: TCEQ Tracer Study File
TCEQ PWS File
TCEQ Region 11, Austin

cc w/o enclosure: Mr. Gary Chauvin, TCEQ, Technical Review & Oversight Team, MC-155

CT STUDY

FOR PUBLIC WATER SYSTEMS THAT ARE USING SURFACE WATER SOURCES
OR GROUND WATER SOURCES UNDER THE INFLUENCE OF SURFACE WATER (cont.)

Description Worksheet

PUBLIC WATER

SYSTEM NAME: City of Cedar Park PWS ID No.: 2460009

PLANT NAME Don H. Webster Water Treatment Plant Month: October

OR NUMBER: Don H. Webster Water Treatment Plant Day: 9

Year: 2006

Enter a detailed narrative description of the plant treatment processes and disinfection protocol.

The Cedar Park WTP draws raw water from Lake Travis. Raw water is split between two treatment trains for a total treatment capacity of 26 MGD. On June 5, 2006, TCEQ approved an exception for clarification and filtration loading rates from an SOR of 10.0 gpm/sf to 12.76 gpm/sf and a HLR of 5.00 gpm/sf to 6.38 gpm/sf. Train No.1 (D1A) consists of a static mixer, seven Microfloc Trident modular treatment units and transfer well; Train No. 2 (D1B) contains a static mixer, three UF Filter/Microfloc Trident modular treatment units and a transfer well. All of the modular units are rated for 2.6 MGD for a total plant capacity of 26 MGD.

Subsequent to the Trident units are three clearwells, two 0.21 MG clearwells operate in parallel and the third clearwell, a 0.50-MG, operates in series. All three clearwells are baffled. The finished water is pumped from the clearwells to the Dies Road Booster Pump Station via a 33" transmission line and distributed to three unbaffled ground storage tanks, which operate in parallel.

The disinfection protocol consists of chlorine injection upstream of the static mixers and chlorine and ammonia injection upstream of the clearwells. Residual monitoring for free chlorine is downstream of each trident unit transfer well. Total chlorine monitoring will be downstream of the Clearwell No. 3 and downstream of the ground storage tanks, prior to entry onto the distribution system.

The Don H. Webster WTP contains three disinfection zones:

D1 contains two trains:

D1A includes seven Trident modular treatment units and a transfer well;

D1B contains three Trident modular treatment units and a transfer well;

D2 consists of the three clearwells and a transfer line; and

D3 encompasses the 33" finished water transmission line and the three ground storage tanks.

CT STUDY

FOR PUBLIC WATER SYSTEMS THAT ARE USING SURFACE WATER SOURCES
OR GROUND WATER SOURCES UNDER THE INFLUENCE OF SURFACE WATER (cont.)

Schematic Worksheet

PUBLIC WATER SYSTEM NAME: _____

City of Cedar Park

PLANT NAME OR NUMBER: _____

Don H. Webster Water Treatment Plant

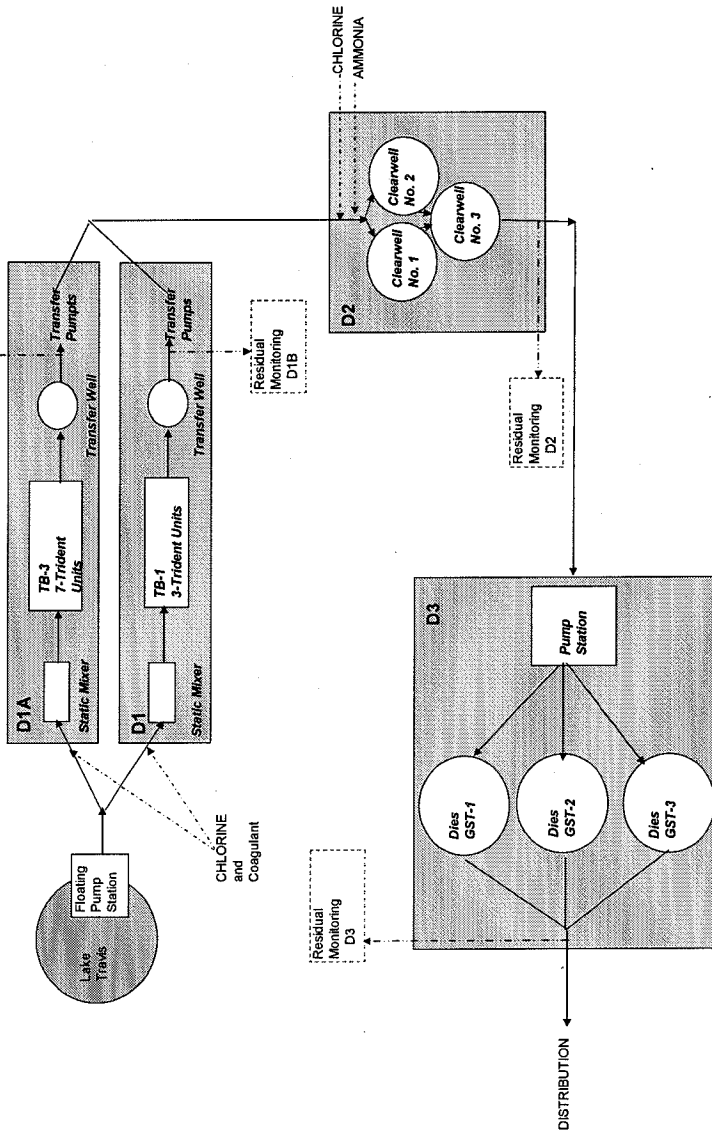
PWS ID No.: _____

2460008

Date: _____

October 9, 2008

Use this worksheet to create your plant schematic with the Microsoft Drawing Tools. If you are not familiar with the drawing tools, you may create your schematic using any other suitable medium. Please refer to Section 3.3 of the Guidance Manual for instructions and guidance.



CT STUDY

FOR PUBLIC WATER SYSTEMS THAT ARE USING SURFACE WATER SOURCES
OR GROUND WATER SOURCES UNDER THE INFLUENCE OF SURFACE WATER (cont.)

Summary Worksheet

PUBLIC WATER SYSTEM NAME: City of Cedar Park PWS ID No.: 2460009

PLANT NAME OR NUMBER: Don H. Webster Water Treatment Plant Date: October 9, 2006

Disinfection Zone	Treatment Unit	Volume* (each) (gal)	Flow Rate* (each) (MGD)	Baffling Factor*	T ₁₀ * (min)	
					Unit	Zone
D1A	TB-3 Clarification Zone (7)	10,251	2.601	0.7	4.0	11.1
	TB-3 Filtration Zone (7)	17,808	2.601	0.7	6.9	
	TB-3 Transfer Well (1)	23,881	18.204	0.1	0.2	
D1B	TB-1 Clarification Zone (3)	10,251	2.601	0.7	4.0	11.3
	TB-1 Filtration Zone (3)	17,808	2.601	0.7	6.9	
	TB-1 Transfer Well (1)	23,881	7.800	0.1	0.4	
D2	Clearwell No. 1 & No 2 (1)	420,000	26.001	0.5	11.6	17.9
	Clearwell No. 3 (1)	211,534	26.001	0.5	5.9	
	Effluent Line to HSPS (1)	8,263	26.001	1	0.5	
D3	Transmission Line to Dies Road PS (1)	902,780	26.001	1	50.0	64.8
	Dies Road Ground Storage Tanks (0.75, 1.5, 3.1-MG) (3)	2,675,000	26.001	0.1	14.8	

* These values are calculated on the T10 Details Sheet

CT STUDY

FOR PUBLIC WATER SYSTEMS THAT ARE USING SURFACE WATER SOURCES
OR GROUND WATER SOURCES UNDER THE INFLUENCE OF SURFACE WATER (cont.)

T10 Details Worksheet

PUBLIC WATER SYSTEM NAME: City of Cedar Park PWS ID No.: 2460009

PLANT NAME OR NUMBER: Don H. Webster Water Treatment Plant Date: October 9, 2006

Treatment Plant Capacity 18,056 gpm
26.001 mgd

Disinfection Zone: D1A Disinfectant: Free Chlorine

Unit - 1 Type: Clarifier Shape: Rectangular

Further Description: TB-3 Clarification Zone

<u>Characteristic</u>		<u>Comments</u>
Number of Units	7	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Length	13.12 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Width	10.89 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Side Water Depth	9.59 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Volume (each)	10,251 gal	
Flow Rate (each)	1,806 gpm	Treatment capacity of one Trident package unit
Detention Time	5.7 min	
Baffling Factor	0.7	Baffling Characteristics: <u>Superior</u>
T ₁₀	4.0 min	Approved Baffling Factor: _____

Unit - 2 Type: Filter Shape: Rectangular

Further Description: TB-3 Filtration Zone

<u>Characteristic</u>		<u>Comments</u>
Number of Units	7	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Length	25.7 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Width	10.89 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Media Depth	2.81 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006

Underdrain Depth	0.7 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Minimum Water Depth Over Media	6.4 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Average Porosity	50 %	Porosity assumed
Volume (each)	17,808 gal	
Flow Rate (each)	1,806 gpm	Treatment capacity of one Trident package unit
Detention Time	9.9 min	
Baffling Factor	0.7	
		Baffling Characteristics: <u>Superior</u>
		Approved Baffling Factor: _____
T ₁₀	6.9 min	

Unit - 3 Type: Transfer Well Shape: Rectangular

Further Description: TB-3 Transfer Well

<u>Characteristic</u>		<u>Comments</u>
Number of Units	1	
Length	38 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Width	14 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Side Water Depth	8 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Maximum Volume (each)	31,841 gal	
Minimum Operating Level	6 ft	Based on "worst case" operating level, CT template submitted by HDR Engineering, Inc., 7/3/2006
Worst Case Volume (each)	23,881 gal	
Percent of Maximum Volume	75 %	
Worst Case Volume (each)	23,881 gal	
Flow Rate (each)	12,642 gpm	Treatment capacity of seven Trident package units
Detention Time	1.9 min	
Baffling Factor	0.1	
		Baffling Characteristics: <u>Unbaffled</u>
		Approved Baffling Factor: _____
T ₁₀	0.2 min	

D1A FLOW RATE	2.601 mgd
----------------------	------------------

T10 SUM FOR D1A	11.1 min
------------------------	-----------------

Disinfection Zone: D1B Disinfectant: Free Chlorine

Unit - 1 Type: Clarifier Shape: Rectangular

Further Description: TB-1 Clarification Zone

<u>Characteristic</u>		<u>Comments</u>
Number of Units	3	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Length	13.12 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Width	10.89 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Side Water Depth	9.59 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Volume (each)	10,251 gal	
Flow Rate (each)	1,806 gpm	Treatment capacity of one Trident package unit
Detention Time	5.7 min	
Baffling Factor	0.7	
		Baffling Characteristics: <u>Superior</u>
		Approved Baffling Factor: _____
T ₁₀	4.0 min	
Unit - 2	Type: <u>Filter</u>	Shape: <u>Rectangular</u>

Further Description: TB-1 Filtration Zone

<u>Characteristic</u>		<u>Comments</u>
Number of Units	3	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Length	25.7 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Width	10.89 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Media Depth	2.81 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Underdrain Depth	0.7 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Minimum Water Depth Over Media	6.4 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Average Porosity	50 %	
Volume (each)	17,808 gal	
Flow Rate (each)	1,806 gpm	Treatment capacity of one Trident package unit
Detention Time	9.9 min	
Baffling Factor	0.7	
		Baffling Characteristics: <u>Superior</u>
		Approved Baffling Factor: _____
T ₁₀	6.9 min	
Unit - 3	Type: <u>Transfer Well</u>	Shape: <u>Rectangular</u>

Further Description: TB-1 Transfer Well

<u>Characteristic</u>		<u>Comments</u>
Number of Units	1	

Length	38 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Width	14 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Side Water Depth	8 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Maximum Volume (each)	31,841 gal	
Minimum Operating Level	6 ft	Based on "worst case" operating level, CT template submitted by HDR Engineering, Inc., 7/3/2006
Worst Case Volume (each)	23,881 gal	
Percent of Maximum Volume	75 %	
Worst Case Volume (each)	23,881 gal	
Flow Rate (each)	5,417 gpm	Treatment capacity of three Trident package units
Detention Time	4.4 min	
Baffling Factor	0.1	Baffling Characteristics: <u>Unbaffled</u>
T ₁₀	0.4 min	Approved Baffling Factor: _____

D1B FLOW RATE	2.601 mgd
----------------------	------------------

T10 SUM FOR D1B	11.3 min
------------------------	-----------------

Disinfection Zone: D2 Disinfectant: Chloramines

Unit - 1 Type: Clearwell Shape: Other

Further Description: Clearwell No. 1 & No 2

<u>Characteristic</u>		<u>Comments</u>
Number of Units	1	
Maximum Volume (each)	420,000 gal	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Worst Case Volume (each)	420,000 gal	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Percent of Maximum Volume	100 %	
Worst Case Volume (each)	420,000 gal	
Flow Rate (each)	18,056 gpm	Maximum treatment capacity
Detention Time	23.3 min	
Baffling Factor	0.5	Baffling Characteristics: <u>Average</u>
T ₁₀	11.6 min	Approved Baffling Factor: _____

Unit - 2 Type: Clearwell Shape: Circular

Further Description: Clearwell No. 3

<u>Characteristic</u>	<u>Comments</u>
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Number of Units	1	
Diameter	60 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Side Water Depth	23 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Center Water Depth	23 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Maximum Volume (each)	486,529 gal	
Minimum Operating Level	10 ft	Based on "worst case" operating level, CT template submitted by HDR Engineering, Inc., 7/3/2006
Worst Case Volume (each)	211,534 gal	
Percent of Maximum Volume	43 %	
Worst Case Volume (each)	211,534 gal	
Flow Rate (each)	18,056 gpm	Maximum treatment capacity
Detention Time	11.7 min	
Baffling Factor	0.5	Baffling Characteristics: Average Approved Baffling Factor:
T ₁₀	5.9 min	

Unit - 3 Type: Piping Shape: Pipe

Further Description: Effluent Line to HSPS

<u>Characteristic</u>		<u>Comments</u>
Number of Units	1	
Diameter	30 in	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Length	225 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Volume (each)	8,263 gal	
Flow Rate (each)	18,056 gpm	Maximum treatment capacity
Detention Time	0.5 min	
Baffling Factor	1.0	Baffling Characteristics: Perfect Approved Baffling Factor:
T ₁₀	0.5 min	

D2 FLOW RATE	26.001 mgd
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T10 SUM FOR D2	17.9 min
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Disinfection Zone: D3 Disinfectant: Chloramines

Unit - 1 Type: Piping Shape: Pipe

Further Description: Transmission Line to Dies Road PS

<u>Characteristic</u>		<u>Comments</u>
Number of Units	1	

Diameter	33 in	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Length	20316 ft	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Volume (each)	902,780 gal	Maximum treatment capacity
Flow Rate (each)	18,056 gpm	
Detention Time	50.0 min	
Baffling Factor	1.0	Baffling Characteristics: Perfect
T ₁₀	50.0 min	Approved Baffling Factor:
Unit - 2	Type: Clearwell	Shape: Other

Further Description: Dies Road Ground Storage Tanks (0.75, 1.5, 3.1-MG)

Characteristic		Comments
Number of Units	3	
Maximum Volume (each)	5,350,000 gal	Based on CT template submitted by HDR Engineering, Inc, 7/3/2006
Worst Case Volume (each)	2,675,000 gal	Assumed 50% of nominal capacity in absence of site-specific information
Percent of Maximum Volume	50 %	
Worst Case Volume (each)	2,675,000 gal	Maximum treatment capacity
Flow Rate (each)	18,056 gpm	
Detention Time	148.2 min	
Baffling Factor	0.1	Baffling Characteristics: Unbaffled
T ₁₀	14.8 min	Approved Baffling Factor:

D3 FLOW RATE	26.001 mgd
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T10 SUM FOR D3	64.8 min
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Disinfection Zone:	<u>D4</u>	Disinfectant:	_____
Disinfection Zone:	<u>D5</u>	Disinfectant:	_____
Disinfection Zone:	<u>D6</u>	Disinfectant:	_____
Disinfection Zone:	<u>D7</u>	Disinfectant:	_____
Disinfection Zone:	<u>D8</u>	Disinfectant:	_____
Disinfection Zone:	<u>D9</u>	Disinfectant:	_____