Application  The project consists of replacing approximately 10,500 linear feet of 10-inch water line.

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Additional Attachments
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  Document - Additional_Attachments

Associated PIF PDF
  Document - PIF #500107
Legal Authority

The legal authority under which the applicant was created and operates.: HOME_RULE

General Information

County: Parker
County: Tarrant
Name of Entity: Azle

System Contact Physical Address
Address 1: 603 SE Parkway
Address 2:
City: Azle
State: TX
Zip: 76020-3654
Phone: (817) 444-4128
Fax: (817) 444-7149
Website: www.cityofazle.org

System Contact Mailing Address
Address 1: 613 SE Parkway
Address 2:
City: Azle
State: TX
Zip: 76020-3654

Description

Brief description of the project: The project consists of replacing approximately 10,500 linear feet of 10-inch water line.

Officers/Members

Applicant's Officers and Members

Alan Brundett
Mayor
Bill Jones
Mayor Pro-Tem

William Chambers
Councilmember Place 1

David McClure
Councilmember Place 2

Paul Crabtree
Councilmember Place 4

Rouel Rothenberger, Jr
Councilmember Place 5

Lee Barrett
Councilmember Place 6

Primary Contact

Name: Rick White
Title: Public Services Director
Address 1: 603 SE Parkway
Address 2:
City: Azle
State: TX
Zip: 76020-0000
Phone: (817) 444-4128
Fax: (817) 444-7149
Email: rwhite@cityofazle.org

Applicant's Contributors

<table>
<thead>
<tr>
<th>Contributor Type</th>
<th>Firm Name</th>
<th>Contact Name</th>
<th>Address</th>
<th>Phone</th>
<th>Fax</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant Engineer</td>
<td>Jacob &amp; Martin, LLC</td>
<td>Derek Turner</td>
<td>1508 Santa Fe Drive, Suite 203 Weatherford TX 76086-0000</td>
<td>817-594-9880</td>
<td>817-594-9882</td>
<td><a href="mailto:adt@jacobmartin.com">adt@jacobmartin.com</a></td>
</tr>
<tr>
<td>Bond Counsel</td>
<td>Norton Rose Fulbright US LLP</td>
<td>Bob Dransfield</td>
<td>2200 Ross Ave, Ste 3600 Dallas TX 75201-0000</td>
<td>214-855-8068</td>
<td>214-855-8200</td>
<td><a href="mailto:robert.dransfield@nortonrosefulbright.com">robert.dransfield@nortonrosefulbright.com</a></td>
</tr>
<tr>
<td>Contributor Role</td>
<td>Name</td>
<td>Address</td>
<td>Phone 1</td>
<td>Phone 2</td>
<td>Email</td>
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</tr>
<tr>
<td>Financial Advisor</td>
<td>First Southwest Boyd London</td>
<td>1201 Elm Street, Ste 3500 Dallas TX 75201-0000</td>
<td>214-953-4013</td>
<td>214-840-5006</td>
<td><a href="mailto:boyd.london@hilltopsecurities.com">boyd.london@hilltopsecurities.com</a></td>
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</tr>
<tr>
<td>Certified Public Accountant (or other appropriate rep)</td>
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<td></td>
<td></td>
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<td></td>
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<tr>
<td>Legal Counsel</td>
<td></td>
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<tr>
<td>Any other Contributor representing the Applicant before the board</td>
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</table>

Contributor Contracts (documents follow this page)

503900
Engineering
503901
Bond Counsel
503902
Financial Advisor
MASTER CONTRACT FOR PROFESSIONAL SERVICES

CONTRACT Date: __________, 2017

CLIENT: CITY OF AZLE, TEXAS

Project Name: Water Line Replacement

Project Location: Azle, Texas

Project Number: 16770

This CONTRACT is made and entered into on the 18th day of April, 2017, by and between CITY OF AZLE, TEXAS, whose address is 613 Southeast Parkway, Azle, Texas 76020 hereinafter called CLIENT, and Jacob & Martin, LLC., whose address is 1508 Santa Fe Drive, Suite 203, Texas 76086, hereinafter called JM. The CLIENT engages JM to perform professional services for the Project described above.

SECTION I - SERVICES

A. JM shall provide professional services as described in ATTACHMENT “A”.

B. JM has assigned Derek Turner, P.E. as the Project Manager for this CONTRACT described above.

C. JM will serve as CLIENT’s professional engineering representative in those phases of the Project to which this CONTRACT applies and will give consultation and advice to CLIENT during the performance of JM’s services.

SECTION II - COMPENSATION

A. The method of payment by CLIENT to JM for services provided under this CONTRACT shall be:

- X Lump Sum Total Amount $91,000.00
- ______ Hourly, not to exceed Amount $_______
- X Hourly

Planning phase services shall be paid at a lump sum fee of $55,000. Hourly rates shall be as described in ATTACHMENT “B”. For multiple project services or phases, a breakdown of individual costs and associated scope will be provided in ATTACHMENT “B”.

B. For and in consideration of the Basic Services to be rendered by JM, the CLIENT shall pay, and JM shall receive compensation hereinafter set forth for the Design and Construction Phases of the project. All remittances by the CLIENT of such compensation shall either be mailed or delivered to JM’s office in Abilene, Taylor County, Texas.

1. DESIGN AND CONSTRUCTION PHASES: Payment for the Basic Services under the Design and Construction Phases of the Project listed in the Attachment A “Scope of Services” of this Agreement and as set forth herein shall be paid at a lump sum fee of $91,000.00.

2. The total of the monthly engineering payments for engineering design shall not exceed eighty percent (80%) of the total compensation with twenty percent (20%) being paid during construction.

   Design Fee
   ($91,000 x 80%) = $72,800.00

   Construction Review
   ($91,000 x 15%) = $13,650.00

   Final Fee
   ($91,000 x 5%) = $4,550.00

3. The compensation for preliminary engineering and design services shall be payable as follows:

   (1) A sum of eighty percent (80%) of the total compensation, payable for the design phase of the project which shall include completion and submission of the construction drawings, specifications, cost estimates and contract documents and the acceptance of same by the CLIENT. Monthly statements for work performed during the Design Phase of the project will be submitted to the CLIENT for reimbursement to JM. These monthly statements will reflect the percentage of completion of the construction plans and contract documents, multiplied by the total.
estimated amount of reimbursement due JM for completion of the Design Phase. At no time shall the sum of the monthly statements exceed eighty percent (80%) of the total $91,000.00 fee due JM.

(2) A sum equal to fifteen percent (15%) of the compensation will be paid on a monthly basis for construction review work during the construction period and for the preparation of the monthly estimates and change orders, on a percentage ratio identical to that approved by JM as a basis on which to make partial payments to the Contractor(s).

4. However, final five percent (5%) payment under this paragraph and of such additional sums as are due JM by reason of any necessary adjustments in the payment computations will be in an amount so that the aggregate of all sums paid to JM under Section II will equal one hundred percent (100%) of the lump sum fee. Final payment shall not be made until it is determined that all services required by this Contract have been completed.

C. Additional Services listed in Attachment A shall be paid by the Hour and Expense per Attachment B.

SECTION III - CLIENT'S RESPONSIBILITIES

A. The CLIENT shall designate a Project Manager during the term of this CONTRACT. The CLIENT’s project manager has the authority to administer this CONTRACT and shall monitor compliance with all terms and conditions stated herein. All requests for information from or a decision by the CLIENT on any aspect of the work shall be directed to the CLIENT’s project manager.

B. The CLIENT shall review submittals by JM and provide prompt response to questions and rendering of decisions pertaining thereto to minimize delay in the progress of JM’s work. The CLIENT will keep JM advised concerning the progress of the CLIENT’s review of the work.

C. The CLIENT shall provide full requirements for the Project.

D. CLIENT shall assist JM by placing at JM’s disposal all available information pertinent to the Project, including previous reports and any other data relative to the Project’s design and construction.

E. CLIENT shall furnish JM property, boundary, right-of-way, topographic and utility surveys; core borings, probing and subsurface exploration; hydrographic surveys, laboratory tests and inspections of samples and materials in CLIENT’s possession or to which CLIENT has reasonable access, all of which JM may rely on in providing the services described on ATTACHMENT “A”.

F. CLIENT will guarantee access and make all provisions for JM to enter on public and private lands as required for JM to perform work under this CONTRACT.

G. CLIENT will examine all studies, reports, sketches, estimates, specifications, drawings, proposals and other documents presented by JM and render pertinent decisions in writing within a reasonable time, so as not to delay the work of JM.

H. Unless included in JM’s services as described on ATTACHMENT “A”, CLIENT shall advertise for proposals from bidders, open the proposals at the appointed time and place, and pay for all incidental costs.

I. CLIENT will provide any legal, accounting and insurance counseling services required for the Project.

J. CLIENT will designate in writing its Project Manager as a person to act as CLIENT’s representative with respect to the work to be performed under this CONTRACT who will have complete authority to transmit instructions, receive information and interpret and define CLIENT’s policies and decisions with respect to materials, equipment, elements and systems pertinent to the services provided by JM pursuant to this CONTRACT.

K. CLIENT shall give prompt written notice to JM whenever CLIENT observes or otherwise becomes aware of any defect in the Project.

L. Unless included in JM’s services as described in ATTACHMENT “A”, CLIENT shall obtain approval of all governmental authorities having
jurisdiction over the Project and obtain approvals and consents from other individuals or bodies as may be necessary for completion of the Project.

M. If the Project involves more than one general contract, or separate construction contracts for different building trades or separate equipment contracts, CLIENT will ensure that the general conditions of all contracts are substantially identical.

N. When required, CLIENT shall provide title searches, legal descriptions, detailed ALTA surveys and environmental assessments to the extent necessary for CLIENT to proceed with right-of-way acquisition.

SECTION IV – JM’S RESPONSIBILITY

A. JM shall diligently and competently render engineering services which shall be reasonably necessary or advisable for the expeditious, economical and sound design of that portion of the Project included in ATTACHMENT “A” hereto and for such other preparatory work as is necessary to place such portion of the Project in service, except where such duties are excluded from the terms of this CONTRACT.

B. JM shall take out and maintain through the contract period minimum insurance as set forth on ATTACHMENT “C”.

C. JM shall prepare in collaboration with CLIENT, a work in progress report schedule.

D. JM shall prepare, pursuant to the attachments to this CONTRACT, complete and detailed plans and specifications, drawings, maps and other documents as required for the construction of the Project (all of the foregoing being herein sometimes collectively called the “Plans and Specifications”).

E. All Plans and Specifications and other documents required to be prepared or submitted by JM under this CONTRACT shall conform to industry standards generally acceptable on the date of this CONTRACT.

SECTION V – TERMS AND CONDITIONS

A. This CONTRACT shall be governed by the laws of the State of Texas.

B. All reports, plans, specifications, computer files and other documents prepared by JM as instruments of service shall remain the property of JM.

JM shall retain all common law, statutory and other reserved rights including copyrights.

C. The obligations and duties to be performed by JM under this CONTRACT shall be performed by persons qualified to perform such duties efficiently. JM may, at its option, replace any resident engineer or other person employed by JM in connection with the Project. The term “engineer” or “resident engineer” as used in this CONTRACT shall mean a person properly trained and experienced to perform the services required under the terms of this CONTRACT, and does not mean that the person performing those duties must be a licensed or a registered professional engineer.

D. JM shall comply with all applicable statutes pertaining to engineering and warrants that the Project Engineer possesses a license issued to him or her by the State of Texas, and that such license has not been revoked or suspended and is in full force and effect on the date of this CONTRACT.

E. Prior to the time when any payment shall be made to JM pursuant to this CONTRACT, JM, if requested by the CLIENT, shall furnish to the CLIENT, as a condition precedent to such payment, a certificate to the effect that all salaries or wages earned by the employees of JM in connection with the Project have been fully paid by JM up to and including a date not more than thirty (30) days prior to the date of such invoice. Before the time when the final payment provided to be made pursuant to this CONTRACT shall be made to JM by CLIENT, JM shall also furnish to CLIENT as a condition precedent to such payment, a certificate that all of the employees of JM have been paid by it for services rendered by them in connection with the Project and that all other obligations which might become a lien upon the Project have been paid.

F. CLIENT shall have the right, upon reasonable notice, to inspect and audit all payrolls, records and accounts of JM relevant to the work for the purposes of this CONTRACT and JM agrees to provide all reasonable facilities necessary for such inspection and audit.

G. Compensation payable to JM under any of the attachments to this CONTRACT shall be in addition to taxes or levies (excluding federal, state and local income taxes), which may be assessed against JM by the state or political subdivision directly on services performed or payments for services performed by JM
pursuant to this CONTRACT. Such taxes or levies, which JM may be required to collect or pay, shall in turn, be added by JM to invoices submitted to CLIENT pursuant to this CONTRACT.

H. Interest at the rate of twelve percent (12%) per annum shall be paid by CLIENT to JM on any unpaid balance due JM commencing forty-five (45) days after the due date, provided that the delay in payment beyond the due date shall not have been caused by any condition within the control of JM. Such compensation shall be paid ten (10) days after the amount of the interest has been determined. All amounts received by JM shall be applied first to accrued unpaid interest and then to outstanding invoices for services and associated expenses.

I. The obligations of JM under this CONTRACT shall not be assigned without the approval in writing of CLIENT.

J. If, after execution of this CONTRACT, a service not listed on ATTACHMENT “A” is added to this CONTRACT, an amendment to this CONTRACT is required.

K. Indemnification provisions with respect to this CONTRACT are set out in ATTACHMENT “D”.

L. If the performance of the CONTRACT, or of any obligation hereunder is prevented, restricted or interfered with by reason of fires, breakdown of plant, labor disputes, embargoes, government ordinances or requirements, civil or military authorities, acts of God or the public enemy, acts or omissions of carriers, or other causes beyond the reasonable control of the party whose performance is affected, then the party affected, upon giving prompt notice to the other party, shall be excused from such performance on a day-for-day basis to the extent of such prevention, restriction or interference (and the other party shall likewise be excused from performance of its obligations on the day-for-day basis to the extent such party’s obligations relate to the performance so prevented, restricted or interfered with); provided that the party so affected shall use its best efforts to avoid or remove such causes.

M. CLIENT and JM agree to submit to binding arbitration as a required resolution of any disputes arising under this CONTRACT. JM and CLIENT agree that, prior to submission to binding arbitration, any disputes arising under this CONTRACT shall first be submitted to mediation.

N. CLIENT and JM acknowledge and agree that each party has invested significant time and resources in the recruitment and training of its employees. Therefore, to the extent permitted by applicable law, both parties agree that during the term of this CONTRACT, and for one (1) year thereafter, neither party will directly or indirectly solicit or seek to employ the employees of the other party except by mutual agreement of CLIENT and JM.

SECTION VI – TESTS AND INSPECTIONS

It shall be CLIENT’s responsibility to arrange for all required tests and site inspections necessary to insure that work and materials performed by JM and/or other contractors are properly performed in a timely manner in accordance with the plans, specifications, contract documents and JM’s recommendations.

SECTION VII – RESPONSIBILITIES

Except as expressly provided elsewhere in this CONTRACT, JM’s work shall not include determining, supervising or implementing the means, methods, techniques, sequences or procedures of construction. JM shall not be responsible for evaluating, reporting or affecting job conditions concerning health, safety or welfare unless the scope of work set out on ATTACHMENT “A” hereto includes construction site inspection services. JM’s work or failure to perform same shall not in any way excuse any contractor, subcontractor or supplier from performance of its work in accordance with the CONTRACT documents.

SECTION VIII – WARRANTY

A. JM’s services will be performed, its findings obtained and its reports prepared in accordance with the scope of work as described in ATTACHMENT “A” hereto. In performing its professional services, JM will use that degree of care and skill ordinarily exercised under the same or similar circumstances by members of the engineering profession. CLIENT recognizes that conditions may vary from those observed at specific locations where borings, surveys or other site explorations are made, and that site conditions may change over time. This warranty is in lieu of all other warranties or representations, either express or implied.

B. If JM or any of its employees,
officers or agents be found to have been negligent in the performance of its work or to have made and breached any express or implied warranty, representation or contract, CLIENT, all parties claiming through CLIENT and all parties claiming to have in any way relied upon JM’s work must bring any actions arising from the same in the State of Texas in a court of competent jurisdiction. Venue for any action brought pursuant to this paragraph shall lie in Taylor County, Texas.

C. The foregoing notwithstanding, JM shall not be liable for consequential and/or exemplary damages. No action or claim, whether in tort, contract or otherwise, may be brought against JM, arising from or related to this CONTRACT after the expiration date under the statute of limitations provided for such action under Texas law.

SECTION IX - TERMINATION

Either party to this CONTRACT may terminate the CONTRACT by giving to the other party ten (10) days written notice. Upon delivery of this notice by the CLIENT to JM, and upon expiration of the ten (10) day period, JM shall discontinue all services in connection with the performance of this CONTRACT and shall proceed to promptly cancel all existing orders and contracts insofar as such orders or contracts are chargeable to this CONTRACT. As soon as practical after the receipt of a notice of termination, JM shall submit a statement showing in detail the services performed under this CONTRACT to the date of termination. CLIENT shall then pay JM to the date of termination. CLIENT shall then pay JM promptly that proportion of the prescribed charges which the services actually performed bear to the total services called for under this CONTRACT, less payments on account which have been previously made. Copies of all completed or partially completed designs, plans and specifications prepared under this CONTRACT shall be delivered to CLIENT when and if this CONTRACT is terminated.

SECTION X - NOTICES

All notices required by this CONTRACT shall be sent by United States Postal Service, Federal Express or hand delivery to the addresses on Page 1 of this CONTRACT.

SECTION XI – CONFLICT OF INTEREST

JM agrees to disclose any financial or economic interest in or with the Project Property, or any property affected by the Project, existing prior to the execution of this CONTRACT. Further, JM agrees to disclose any financial or economic interest in or with the Project Property, or any property affected by the Project, if JM gains such interest during the course of this CONTRACT. If JM gains financial or economic interest in the Project Property during the course of this CONTRACT, CLIENT may in its sole discretion, terminate this CONTRACT. JM shall not engage the services of any present or former employee of CLIENT who was involved as a decision-maker in the selection or approval processes, or who negotiated or approved billings or contract modifications for this CONTRACT. JM agrees that it will not perform services on this Project for the general contractor, any subcontractor or any supplier of or for this Project. JM will not negotiate or make any agreement with the contractor, any subcontractor or any supplier with regard to any of the work under this Project or any services, equipment or facilities to be used on this Project.

SECTION XII – COVENANT AGAINST CONTINGENT FEES

JM affirms that it has not employed or retained any company or person, other than a bona fide employee working for JM, to solicit or secure this CONTRACT, and that it has not paid or agreed to pay any company or person, other than a bona fide employee, any fee, commission, percentage, brokerage fee, gift or any other consideration contingent upon or resulting from the award or making of this CONTRACT. For a breach or violation of this section, CLIENT may terminate this CONTRACT without liability, or in its discretion may deduct from the CONTRACT a price or consideration, or otherwise recover, the full amount of such fee, commission, percentage, brokerage fee, gift or contingent fee.

SECTION XIII – ADDITIONAL SERVICES

Additional services which are outside the scope of ATTACHMENT “A” to this CONTRACT shall not be performed by JM without prior written authorization from CLIENT. Additional services, when authorized by an additional contract or an amendment to this CONTRACT shall be compensated for by a fee mutually agreed upon in writing between CLIENT and JM.

SECTION XIV – SUCCESSORS AND ASSIGNS

This CONTRACT shall not be assignable.
except pursuant to the written consent of CLIENT and JM. If assigned, this CONTRACT shall extend to and be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this CONTRACT to be duly executed and agree that this CONTRACT will be effective on the date first shown, said date being the ___ day of _______, 2017.

SIGNED:

CITY OF AZLE, TEXAS

By: ________________________________

Printed Name

Title

JM warrants that the person who is signing this CONTRACT on behalf of JM is authorized to do so and to execute all other documents necessary to carry out the terms of this CONTRACT.

JACOB AND MARTIN, LLC.

By: ________________________________

Derek Turner, P.E.
Printed Name

Vice-President

Title
**FEES FOR PROFESSIONAL SERVICES**

<table>
<thead>
<tr>
<th>Position</th>
<th>Fee</th>
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<tbody>
<tr>
<td>Principal Engineer</td>
<td>$175.00</td>
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<tr>
<td>Licensed Architect</td>
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<tr>
<td>Registered Professional Engineer - 1</td>
<td>$150.00</td>
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<tr>
<td>Registered Professional Engineer - 2</td>
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<tr>
<td>Engineer-in-Training (E.I.T.)</td>
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<tr>
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<td>Engineering Technician - 2</td>
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<tr>
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<td>CAD Draftsman - 1</td>
<td>$75.00</td>
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<tr>
<td>CAD Draftsman - 2</td>
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<tr>
<td>Registered Professional Land Surveyor</td>
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<td>Surveyor-in-Training (S.I.T.)</td>
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**FIELD WORK**

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<tr>
<td>1-Man Crew or Technician</td>
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<tr>
<td>2-Man Crew</td>
<td>$110.00</td>
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<td>3-Man Crew</td>
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<td>GPS Equipment</td>
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<td>Mule</td>
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Sales tax will be added where applicable.

1. Vehicle charge - $50.00 per day plus IRS rate per mile.
2. Reproduction - $3.00/per copy

**A FACTOR OF 1.10 SHALL BE APPLIED TO THE FOLLOWING:**

3. Actual cost of subsistence and lodging.
4. Actual cost of postage and shipping fees.
5. Actual cost of materials required for the project used in surveying, drafting and associated activities, including printing and reproduction costs.
6. Actual cost of special tests and services of special consultants, if required.
CONSTRUCTION MATERIALS ENGINEERING AND TESTING FEES

SERVICE TIME

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<td>Pier Observation, Hot Mix, Reinforcing Steel</td>
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CONCRETE

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<td>Entrained Air Content Test</td>
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<td>Slump Tests, when cylinders are not made</td>
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SOILS

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<thead>
<tr>
<th>Service Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atterberg Limits (Liquid Limit, Plastic Limit &amp; P.I.)</td>
<td>$70.00</td>
</tr>
<tr>
<td>Field Compaction Tests</td>
<td>$24.00</td>
</tr>
<tr>
<td>Moisture-Density Curve (Proctor)</td>
<td>$245.00</td>
</tr>
<tr>
<td>Washed Sieve Analysis (Soil)</td>
<td>$65.00</td>
</tr>
<tr>
<td>Washed Sieve Analysis (Base Material)</td>
<td>$60.00</td>
</tr>
<tr>
<td>Unit Weight</td>
<td>$40.00</td>
</tr>
<tr>
<td>Absorption</td>
<td>$40.00</td>
</tr>
<tr>
<td>Decantation</td>
<td>$40.00</td>
</tr>
<tr>
<td>Moisture Content</td>
<td>$40.00</td>
</tr>
</tbody>
</table>

ASPHALT

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice Theoretical Specific Gravity</td>
<td>$75.00</td>
</tr>
<tr>
<td>Field Density, Hot Mix (Nuclear Method)</td>
<td>$24.00</td>
</tr>
</tbody>
</table>

Local Vehicle charge (within 20 miles of Abilene) - $20.00 per trip to the project.
Travel from and return to office at IRS rate per mile, plus service time at above rates.
Travel Charges (outside 20 miles of Abilene) - Roundtrip mileage at IRS current rate, plus...

**A FACTOR OF 1.10 SHALL BE APPLIED TO THE FOLLOWING:**
1. Actual cost of subsistence and lodging.
2. Actual cost of postage and all shipping fees.
3. Actual cost of material required for the job and used in surveying, drafting and associated activities, including printing and reproduction costs.
4. Actual cost of special tests and services of special consultants, if required.

Effective 2-1-17
ATTACHMENT C
TO MASTER CONTRACT FOR PROFESSIONAL SERVICES

INSURANCE

A. Types of Insurance. The types of insurance required in this CONTRACT are those indicated by initials below. If no initials appear on any of the Items 1 through 6, insurance described in Items 1 through 4 shall be required.

<table>
<thead>
<tr>
<th>Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Workers compensation (employer’s liability statutory)</td>
<td>$100,000.00 (per occurrence)</td>
</tr>
<tr>
<td>2. Commercial (public) liability including but not limited to:</td>
<td></td>
</tr>
<tr>
<td>premises / operations</td>
<td>$500,000.00 combined single limit for</td>
</tr>
<tr>
<td>Independent Contractors</td>
<td>bodily injury and property damage (per occurrence)</td>
</tr>
<tr>
<td>Product / Completed operations</td>
<td></td>
</tr>
<tr>
<td>Contractual liability</td>
<td></td>
</tr>
<tr>
<td>Insuring above indemnity</td>
<td></td>
</tr>
<tr>
<td>Explosion collapse and underground (where such exposures exist)</td>
<td></td>
</tr>
<tr>
<td>3. Business automobile liability to include coverage</td>
<td>$500,000.00 combined single limit for</td>
</tr>
<tr>
<td>for: Owned / leased autos</td>
<td>bodily injury and property damage (per occurrence)</td>
</tr>
<tr>
<td>Non-owned autos</td>
<td></td>
</tr>
<tr>
<td>Hired or rental vehicles</td>
<td></td>
</tr>
<tr>
<td>4. Liability (per occurrence)</td>
<td>$500,000.00 combined single limit</td>
</tr>
<tr>
<td>5. See addendum to this Attachment for special coverages and/or revisions</td>
<td></td>
</tr>
<tr>
<td>6. No insurance required</td>
<td></td>
</tr>
</tbody>
</table>

B. General Requirements. JM agrees to purchase and maintain the type and amounts of insurance required above throughout the term of the CONTRACT. JM is solely responsible for providing the required Certificates of Insurance. The Certificates of Insurance shall:

1. Name CLIENT as an additional insured with respect to the operations for which this CONTRACT is made except for professional liability and workers compensation.

2. Provide for thirty (30) day advanced written notice of cancellation or material change.
3. The required insurance must be issued by a company or companies of sound and adequate financial responsibility and authorized to do business in the State of Texas. All policies are subject to examination and approval by CLIENT.

4. The required insurance naming CLIENT as additional insured must be primary insurance and not contributing with any other insurance available to CLIENT under any third party liability policy.

5. JM must provide CLIENT with the required Certificates of Insurance or a certified copy of the required Certificates of Insurance on or before CLIENT executes the notice to proceed with any work under the CONTRACT. Thereafter, JM must furnish new Certificates of Insurance or certified copies of the same before the expiration date.
ATTACHMENT D
TO MASTER CONTRACT FOR PROFESSIONAL SERVICES

INDEMNITY

A. JM shall hold CLIENT and CLIENT’s employees, agents, officers and directors harmless from any and all claims for injuries to persons or for damage to property happening by reason of any negligence, default or misconduct on the part of JM, its agents, servants or employees during the performance of this CONTRACT. This indemnity shall include, but not be limited to, all expenses of litigation, court costs and reasonable attorney’s fees. CLIENT shall hold JM and JM’s employees, agents, officers and directors harmless from any and all claims for injuries to persons or for damage to property happening by reason of any negligence, default or misconduct on the part of CLIENT, his or its agents, servants or employees during the performance of this CONTRACT. This indemnity shall include, but not be limited to, all expenses of litigation, court costs and reasonable attorney’s fees.

B. In no event will JM be liable for consequential damages, including loss of profits, loss of investment or other incidental damages incurred from CLIENT’s investment based on the scope of work to be performed by JM under this CONTRACT. JM’s total liability for work performed shall never exceed the amount paid by CLIENT for services performed under this CONTRACT.
ATTACHMENT E
TO MASTER CONTRACT FOR PROFESSIONAL SERVICES
ADDITIONAL TERMS & CONDITIONS

SUBCONTRACTORS

1) To drill test borings or perform other explorations, JM may engage a contractor experienced in this work. The Contractor's invoices plus a ten (10) percent service charge will be added to JM's invoice. On occasion, JM engages the specialized services of individual consultants or other companies to participate in a project. When considered necessary, these firms or other consultants will be used with Client's approval. The cost of such services plus a ten (10) percent service charge will be included in our invoice. Such specialists will be wholly responsible for their work product.

2) Alternatively, at Client's request, JM will recommend contractor(s) or specialist(s) for Client to enter into direct contract(s) with. In that event, invoices for these outside services will be mailed to Client for direct payment to the contractor(s). JM review and approval of each invoice will be provided on request. Under either alternative, JM does not guarantee and is not responsible for the performance of the contractor(s) or the accuracy of their results.

DAMAGE TO SUBSURFACE STRUCTURES

Reasonable care will be exercised in locating subsurface structures in the vicinity of proposed subsurface explorations. This will include contact with the local agency coordinating subsurface utility information (i.e., "Call Before You Dig" service) and a review of plans provided by Client for the site to be investigated. JM shall rely upon any information provided by Client or Client's agent or representative. If the locations of underground structures are not known accurately or cannot be confirmed, then there will be a degree of risk to Client associated with conducting the work. In the absence of confirmed underground structure locations, Client agrees to accept the risk of damage and possible costs associated with repair and restoration of damage resulting from the exploration work.

PETROLEUM PRODUCTS AND HAZARDOUS MATERIALS

1) Petroleum products, hazardous materials, or asbestos may exist at a site where there is no reason to believe they should be present. If, at any time, evidence of the existence or possible existence of such substances is discovered, JM reserves the right to renegotiate any consulting agreement, the fees for our services and our continued involvement in the project. JM will notify Client as soon as possible should unanticipated hazardous materials or suspected hazardous materials be discovered.

2) The discovery of hazardous materials or suspected hazardous materials may make it necessary for JM to take immediate measures to protect human health and safety and/or the environment. Client agrees to compensate JM for the cost of any and all measures that, in our professional onsite judgment are justified to preserve and protect the health and safety of our personnel, Client's employees and/or the public, and/or the environment. In addition, Client waives any claims against JM and, to the full extent permitted by law, agrees to indemnify, defend and hold JM harmless from any and all claims, damages and liability, including but not limited to cost of defense, in any way connected with petroleum products, hazardous materials or asbestos.

STANDARD OF CARE

In accepting our proposal for consulting services, Client acknowledges the inherent risks associated with any subsurface investigation. In performing professional services, JM will use that degree of care and skill ordinarily exercised under similar circumstances by members of the profession practicing in the same or similar localities. JM makes no express or implied warranty beyond our commitment to conform to this high standard of professional practice.

ATTACHMENT “E”
April ____, 2017

Honorable Mayor and City Council
City of Azle, Texas
613 S. E. Parkway
Azle, Texas 76020

Re: City of Azle, Texas, Tax and Waterworks and Sewer System (Surplus Pledge) Revenue Certificates of Obligation, Series 2017A

Mayor and Members of the City Council:

This letter confirms that Norton Rose Fulbright US LLP will represent the City of Azle, Texas as bond counsel in connection with the proposed authorization, sale, and issuance of the referenced obligations (the “Obligations”). Our acceptance of that representation (the “Representation”) becomes effective upon the execution and return of the enclosed copy of this letter.

Terms of Engagement

This letter sets out the terms of our engagement in the Representation. Certain of those terms are included in the body of this letter, and additional terms are contained in the attached document, entitled Additional Terms of Engagement. That document is expressly incorporated into this letter, and it should be read carefully. The execution and return of the enclosed copy of this letter constitutes an unqualified agreement to all the terms set forth in this letter and in the attached Additional Terms of Engagement.

It is understood and agreed that our engagement is limited to the Representation. We are not being retained as general counsel, and our acceptance of this engagement does not imply any undertaking to provide legal services other than those set forth in this letter.

As bond counsel, we expect to perform the following duties:

1. subject to completion of proceedings to our satisfaction, render our legal opinion (the "Bond Opinion") regarding the validity and binding effect of the Obligations, the source of payment and security for the Obligations, and the federal income tax treatment of interest on the Obligations;

2. prepare and review documents necessary or appropriate to the authorization, issuance, sale, and delivery of the Obligations, and coordinate the authorization and execution of such documents;

3. assist you in seeking from other governmental authorities such approvals, permissions, and exemptions as we determine are necessary or appropriate in connection with the authorization, issuance, sale, and delivery of the Obligations;

4. review legal issues relating to the structure of the Obligations;

5. prepare election proceedings if appropriate;
(6) assist you in reviewing those sections of the official statement, private placement memorandum, or other form of offering or disclosure document which describe the terms of the Obligations and the opinion described in paragraph (1) above to be disseminated in connection with the sale of the Obligations; and

(7) assist in presenting information relating to the legality of the Obligations to bond rating organizations and providers of credit enhancement if applicable.

The Bond Opinion will be based on facts and law existing as of its date. In rendering our Bond Opinion, we will rely upon the certified proceedings and other certifications of public officials and other persons furnished to us without undertaking to verify the same by independent investigation.

Our engagement is to advise you with respect to legal issues only; we understand that you have engaged FirstSouthwest, a Division of Hilltop Securities Inc. as your financial advisor, and unless otherwise instructed by you we will consult with and take direction from you and your financial advisor in the issuance of the Obligations. Our duties as bond counsel specifically do not include:

(1) except as described in paragraph (6) above, or except as specifically engaged for such purpose, assisting in the preparation or review of an official statement or any other disclosure document with respect to the Obligations, or performing an independent investigation to determine the accuracy, completeness or sufficiency of any such document or rendering advice that the official statement or other disclosure document does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading;

(2) preparing requests for tax rulings from the Internal Revenue Service;

(3) preparing blue sky or investment surveys with respect to the Obligations;

(4) drafting of state constitutional amendments or preparation of authorizing legislation;

(5) making an investigation or expressing any view of the creditworthiness of you or of the Obligations or any obligor therefor;

(6) except if specifically engaged for such purpose, assisting in the preparation of, or opining on, a continuing disclosure undertaking pertaining to the Obligations and, after initial delivery of the Obligations, providing advice concerning any actions necessary to assure compliance with any continuing disclosure undertaking;

(7) responding to Internal Revenue Service audits or Securities and Exchange Commission investigations; or

(8) any other matter not specifically set forth above that is not required to render the Bond Opinion.

Our Personnel Who Will Be Working on the Obligations

I would have primary responsibility for servicing the account of the City. However, we would propose a project team approach, which project team would include Jenny Hackler, a senior paralegal and myself. Tax support would be provided by Joy Ellis, a partner in our tax section. Additionally, Paul Braden, a public finance partner, and Jordan Sawyer, a public finance associate, of our office, are available to assist the City. You may call, write, or e-mail me whenever you have any questions about the Representation. Other firm personnel, including firm lawyers and paralegals will participate in the Representation if, in our judgment, their participation is necessary or appropriate.
Our Legal Fees and Costs
For and in consideration of serving as Bond Counsel, our suggested fee schedule is attached hereto as Attachment 1. It should also be noted that payment of our fee and the reimbursement of expenses is contingent on the issuance and delivery of the obligations.

Conflicts of Interest
Before accepting the Representation, we have undertaken reasonable and customary efforts to determine whether there are any potential conflicts of interest that would bar our firm from representing you in connection with the issuance of the Obligations. Based on information available to us, we are not aware of any potential disqualification. We reviewed that issue in accordance with the rules of professional responsibility adopted in Texas. We believe that those rules, rather than the rules of any other jurisdiction, are applicable to the Representation; and the execution and return of the enclosed copy of this letter by you represents an express agreement to the applicability of those rules.

Conclusion
This letter and the attached Additional Terms of Engagement constitute the entire terms of the engagement of Norton Rose Fulbright US LLP in the Representation. These written terms of engagement are not subject to any oral agreements or understandings, and they can be modified only by further written agreement signed both by you and Norton Rose Fulbright US LLP. Unless expressly stated in these terms of engagement, no obligation or undertaking shall be implied on the part of either the City of Azle, Texas or Norton Rose Fulbright US LLP.

Please carefully review this letter and the attached Additional Terms of Engagement. If both documents are acceptable, please sign and return the enclosed copy of this letter so that we may commence the Representation.

Sincerely,

NORTON ROSE FULBRIGHT US LLP

By __________________________
Robert D. Dransfield

CITY OF AZLE, TEXAS, AGREES TO AND ACCEPTS THIS LETTER AND THE ATTACHED TERMS OF ENGAGEMENT:

CITY OF AZLE, TEXAS

By: __________________________
Title: __________________________
Date: __________________________
ATTACHMENT 1
FEE SCHEDULE

For and in consideration of serving as Bond Counsel, our fee would be $7,500.00, plus $1.00 per $1,000 in principal amount of Obligations issued. In addition to our fee, we would also seek reimbursement for our out of pocket expenses incurred, such as telephone, travel, reproduction charges (at 10 cents per page), delivery charges, etc. Assuming no travel costs are incurred and exclusive of the processing fee of the Attorney General of Texas, such out-of-pocket expenses generally do not exceed $750.00 per issue. Our fee will be contingent upon, and will be billed and become due promptly after, the actual delivery of the Obligations to or for the account of the initial purchaser. In the event the City receives a grant or other source of funding for the project for which the Obligations are to be issued, we would seek a fee of $2,500.00 plus reimbursement for any out-of-pocket expenses incurred.
NORTON ROSE FULBRIGHT US LLP

ADDITIONAL TERMS OF ENGAGEMENT

This is a supplement to our engagement letter, dated April ____, 2017. The purpose of this document is to set out additional terms of our agreement to provide the representation described in our engagement letter (the “Representation”) concerning representation of you in connection with the issuance of the Obligations described in the engagement letter. Because these additional terms of engagement are a part of our agreement to provide legal services, you should review them carefully and should promptly communicate to us any questions concerning this document. We suggest that you retain this statement of additional terms along with our engagement letter and any related documents.

The Scope of the Representation

As lawyers, we undertake to provide representation and advice on the legal matters for which we are engaged. It is important for our clients to have a clear understanding of the legal services that we have agreed to provide. Thus, if there are any questions about the scope of the Representation that we are to provide in connection with issuance of the Obligations, please raise those questions promptly, so that we may resolve them at the outset of the Representation.

Any expressions on our part concerning the outcome of the Representation, or any other legal matters, are based on our professional judgment and are not guarantees. Such expressions, even when described as opinions, are necessarily limited by our knowledge of the facts and are based on our views of the state of the law at the time they are expressed.

Upon accepting this engagement on your behalf, Norton Rose Fulbright US LLP agrees to do the following: (1) provide legal counsel in accordance with these terms of engagement and the related engagement letter, and in reliance upon information and guidance provided by you; and (2) keep you reasonably informed about the status and progress of the Representation.

To enable us to provide effective representation, you agree to do the following: (1) disclose to us, fully and accurately and on a timely basis, all facts and documents that are or might be material or that we may request, (2) keep us apprised on a timely basis of all developments relating to the Representation that are or might be material, (3) attend meetings, conferences, and other proceedings when it is reasonable to do so, and (4) otherwise cooperate fully with us.

Our firm has been engaged to provide legal services as Bond Counsel in connection with the Representation, as specifically defined in our engagement letter. After completion of the Representation, changes may occur in the applicable laws or regulations that could affect your future rights and liabilities in regard to the Obligations. Unless we are actually engaged after the completion of the Representation to provide additional advice on such issues, the firm has no continuing obligation to give advice with respect to any future legal developments that may pertain to the Obligations, as specifically defined in our engagement letter. After completion of the Representation, changes may occur in the applicable laws or regulations that could affect your future rights and liabilities in regard to the Obligations.

It is further agreed that the attorney-client relationship terminates upon initial issuance of the Obligations.
Who Will Provide the Legal Services

Customarily, each client of the firm has a relationship principally with one attorney, or perhaps a few attorneys. At the same time, however, the work required in the Representation, or parts of it, may be performed by other firm personnel, including lawyers and legal assistants. Such delegation may be for the purpose of involving other firm personnel with special expertise in a given area or for the purpose of providing services on an efficient and timely basis.

Our Relationships With Others

Our law firm represents many companies and individuals. In some instances, the applicable rules of professional conduct may limit our ability to represent clients with conflicting or potentially conflicting interests. Those rules of conduct often allow us to exercise our independent judgment in determining whether our relationship with one client prevents us from representing another. In other situations, we may be permitted to represent a client only if the other clients consent to that representation.

Rules concerning conflicts of interest vary with the jurisdiction. In order to avoid any uncertainty, it is our policy that the governing rules will be those applicable to the particular office of our firm that prepares the engagement letter for a particular matter. The acceptance by you of our engagement letter constitutes an express agreement with that policy, unless the engagement letter specifically states that some other rules of professional responsibility will govern our attorney-client relationship.

If a controversy unrelated to the Obligations develops between you and any other client of the firm, we will follow the applicable rules of professional responsibility to determine whether we may represent either you or the other client in the unrelated controversy.

You understand that we represent many investment banking firms, commercial banks, and other parties to public finance transactions from time to time in connection with other issues, including your financial advisor and potential underwriters for your securities, and you do not object to our continued representation (in connection with other issues) of any such firm with respect to which you choose to do business in connection with issuance of the Obligations, since doing so is how we are able to gain the experience we need to represent you effectively.

In addition to our representation of other companies and individuals, we also regularly represent lawyers and law firms. As a result, opposing counsel to any party in connection with the issuance of the Obligations may be a lawyer or law firm that we may represent now or in the future. Likewise, opposing counsel to any party in connection with the issuance of the Obligations may represent our firm now or in the future. Further, we have professional and personal relationships with many other attorneys, often because of our participation in bar associations and other professional organizations. It is our professional judgment that such relationships with other attorneys do not adversely affect our ability to represent any client. The acceptance of these terms of engagement represents an unqualified consent to any such relationships between our firm and other lawyers or law firms, even counsel who is representing a party that is adverse to you in connection with the issuance of the Obligations that is the subject of this engagement or in some other matter.
Disclaimer

Norton Rose Fulbright US LLP has made no promises or guarantees to you about the outcome of the Representation or the issuance of the Obligations, and nothing in these terms of engagement shall be construed as such a promise or guarantee. Our representation of you will not affect our responsibility to render an objective bond counsel Bond Opinion.

Termination

At any time, you may, with or without cause, terminate the Representation by notifying us of your intention to do so. Any such termination of services will not affect the obligation to pay legal services rendered and expenses incurred before termination, as well as additional services and charges incurred in connection with an orderly transition of the matters relating to issuance of the Obligations.

We are subject to the codes or rules of professional responsibility for the jurisdictions in which we practice. There are several types of conduct or circumstances that could result in our withdrawing from representing a client, including, for example, the following: non-payment of fees or costs; misrepresentation or failure to disclose material facts; fraudulent or criminal conduct; action contrary to our advice; and conflict of interest with another client. We try to identify in advance and discuss with our clients any situation that may lead to our withdrawal.

A failure by you to meet any obligations under these terms of engagement shall entitle Norton Rose Fulbright US LLP to terminate the Representation. In that event, you will take all steps necessary to release Norton Rose Fulbright US LLP of any further obligations in the Representation or the issuance of the Obligations, including without limitation the execution of any documents necessary to effectuate our withdrawal from the Representation or the issuance of the Obligations. The right of Norton Rose Fulbright US LLP to withdraw in such circumstances is in addition to any rights created by statute or recognized by the governing rules of professional conduct.

Billing Arrangements and Terms of Payment

Our engagement letter specifically explains our fees for services in connection with issuance of the Obligations. It is agreed that you will make full payment within 30 days of receiving our statement. We will give notice if an account becomes delinquent, and it is further agreed that any delinquent account must be paid upon the giving of such notice. If the delinquency continues and you do not arrange satisfactory payment terms, we may withdraw from the Representation and pursue collection of our account.

Document Retention

At the close of any matter, we send our files in that matter to a storage facility for storage at our expense. The attorney closing the file determines how long we will maintain the files in storage. After that time, we will destroy the documents in the stored files.

At the conclusion of the Representation, we return to the client any documents that are specifically requested to be returned. As to any documents so returned, we may elect to keep a copy of the documents in our stored files.
Charges for Other Expenses and Services

Typically, our invoices will include amounts, not only for legal services rendered, but also for other expenses and services. Examples include charges for photocopying, long-distance telephone calls, travel and conference expenses, messenger deliveries, computerized research, and facsimile and other electronic transmissions. In addition, we reserve the right to send to you for direct payment any invoices delivered to us by others, including experts and any vendors.

It is not our policy to make any profit on any of these other expenses and services. Our invoices will reflect the cost to us of the products and services. In some situations, the actual cost of providing the product or service is difficult to establish, in which case we will use our professional judgment on the charges to be made. In some situations, we can arrange for ancillary services to be provided by third parties with direct billing to the client. Attached is a copy of our current recharge schedule for other expenses and services, which is subject to change from time to time.

Standards of Professionalism and Attorney Complaint Information

Pursuant to rules promulgated by the Texas Supreme Court and the State Bar of Texas, we are to advise our clients of the contents of the Texas Lawyer’s Creed, a copy of which is attached. In addition, 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.
THE TEXAS LAWYER’S CREED — A Mandate for Professionalism

The Texas Supreme Court and the Texas Court of Criminal Appeals adopted this Creed, with the requirement that lawyers advise their clients of its contents when undertaking representation.

I am a lawyer; I am entrusted by the People of Texas to preserve and improve our legal system. I am licensed by the Supreme Court of Texas. I must therefore abide by the Texas Disciplinary Rules of Professional Conduct, but I know that Professionalism requires more than merely avoiding the violation of laws and rules. I am committed to this Creed for no other reason than it is right.

I. OUR LEGAL SYSTEM. A lawyer owes to the administration of justice personal dignity, integrity, and independence. A lawyer should always adhere to the highest principles of professionalism. I am passionately proud of my profession. Therefore, “My word is my bond.” I am responsible to assure that all persons have access to competent representation regardless of wealth or position in life. I commit myself to an adequate and effective pro bono program. I am obligated to educate my clients, the public, and other lawyers regarding the spirit and letter of this Creed. I will always be conscious of my duty to the judicial system.

II. LAWYER TO CLIENT. A lawyer owes to a client allegiance, learning, skill, and industry. A lawyer shall employ all appropriate means to protect and advance the client’s legitimate rights, claims, and objectives. A lawyer shall not be deterred by any real or imagined fear of judicial disfavor or public unpopularity, nor be influenced by mere self-interest. I will advise my client of the contents of this Creed when undertaking representation. I will endeavor to achieve my client’s lawful objectives in legal transactions and in litigation as quickly and economically as possible. I will be loyal and committed to my client’s lawful objectives, but I will not permit that loyalty and commitment to interfere with my duty to provide objective and independent advice. I will advise my client that civility and courtesy are expected and are not a sign of weakness. I will advise my client of proper and expected behavior. I will treat adverse parties and witnesses with fairness and due consideration. A client has no right to demand that I abuse anyone or indulge in any offensive conduct. I will advise my client that we will not pursue conduct which is intended primarily to harass or drain the financial resources of the opposing party. I will advise my client that we will not pursue tactics which are intended primarily for delay. I will advise my client that we will not pursue any course of action which is without merit. I will advise my client that I reserve the right to determine whether to grant accommodations to opposing counsel in all matters that do not adversely affect my client’s lawful objectives. A client has no right to instruct me to refuse reasonable requests made by other counsel. I will advise my client regarding the availability of mediation, arbitration, and other alternative methods of resolving and settling disputes.

III. LAWYER TO LAWYER. A lawyer owes to opposing counsel, in the conduct of legal transactions and the pursuit of litigation, courtesy, candor, cooperation, and scrupulous observance of all agreements and mutual understandings. Ill feelings between clients shall not influence a lawyer’s conduct, attitude, or demeanor toward opposing counsel. A lawyer shall not engage in unprofessional conduct in retaliation against other unprofessional conduct. I will be courteous, civil, and prompt in oral and written communications. I will not quarrel over matters of form or style, but I will concentrate on matters of substance. I will identify for other counsel or parties all changes I have made in documents submitted for review. I will attempt to prepare documents which correctly reflect the agreement of the parties. I will not include provisions which have not been agreed upon or omit provisions which are necessary to reflect the agreement of the parties. I will notify opposing counsel, and, if appropriate, the Court or other persons, as soon as practicable, when hearings, depositions, meetings, conferences or closings are canceled. I will agree to reasonable requests for extensions of time and for waiver of procedural formalities, provided legitimate objectives of my client will not be adversely affected. I will not serve motions or pleadings in any manner that unfairly limits another party’s opportunity to respond. I will attempt to resolve by agreement my objections to matters contained in pleadings and discovery requests and responses. I can disagree without being disagreeable. I recognize that effective representation does not require antagonistic or obnoxious behavior. I will neither encourage nor knowingly permit my client or anyone under my control to do anything which would be unethical or improper if done by me. I will not, without good cause, attribute bad motives or unethical conduct to opposing counsel nor bring the profession into disrepute by unfounded accusations of impropriety. I will avoid disparaging personal remarks or acrimony towards opposing counsel, parties and witnesses. I will not be influenced by any ill feeling between clients. I will abstain from any allusion to personal peculiarities or idiosyncrasies of opposing counsel. I will not take advantage, by causing any default or dismissal to be rendered, when I know the identity of an opposing counsel, without first inquiring about that counsel’s intention to proceed. I will promptly submit orders to the Court. I will deliver copies to opposing counsel before or contemporaneously with submission to the court. I will promptly approve the form of orders which accurately reflect the substance of the rulings of the Court. I will not attempt to gain an unfair advantage by sending the Court or its staff correspondence or copies of correspondence. I will not arbitrarily schedule a deposition, Court appearance, or hearing until a good faith effort has been made to schedule it by agreement. I will readily stipulate to undisputed facts in order to avoid needless costs or inconvenience for any party. I will refrain from excessive and abusive discovery. I will comply with all reasonable discovery requests. I will not resist discovery requests which are not objectionable. I will not make objections nor give instructions to a witness for the purpose of delaying or obstructing the discovery process. I will encourage witnesses to respond to all deposition questions which are reasonably understandable. I will neither encourage nor permit my witness to quibble about words where their meaning is reasonably clear. I will not seek Court intervention to obtain discovery which is clearly improper and not discoverable. I will not seek sanctions or disqualification unless it is necessary for protection of my client’s lawful objectives or is fully justified by the circumstances.

IV. LAWYER AND JUDGE. Lawyers and judges owe each other respect, diligence, candor, punctuality, and protection against unjust and improper criticism and attack. Lawyers and judges are equally responsible to protect the dignity and independence of the Court and the profession. I will always recognize that the position of judge is the symbol of both the judicial system and administration of justice. I will refrain from conduct that degrades this symbol. I will conduct myself in court in a professional manner and demonstrate my respect for the Court and the law. I will treat counsel, opposing parties, the Court, and members of the Court staff with courtesy and civility. I will be punctual. I will not engage in any conduct which offends the dignity and decorum of proceedings. I will not knowingly misrepresent, mischaracterize, misquote or miscite facts or authorities to gain an advantage. I will respect the rulings of the Court. I will give the issues in controversy deliberate, impartial and studied analysis and consideration. I will be considerate of the time constraints and pressures imposed upon the Court, Court staff and counsel in efforts to administer justice and resolve disputes.
July 2, 1985

FINANCIAL ADVISORY AGREEMENT

Honorable Mayor and City Council
City of Azle
613 S.E. Parkway
Azle, Texas 76020

Mayor and Members of the Council:

1. We understand that you have under consideration the authorization and issuance of securities in amounts and at times which cannot now be determined for various projects within the City of Azle (the "City"), and that in connection with the authorization, sale, issuance and delivery of securities you desire this proposal from us to perform professional services in the capacity of Financial Advisor.

2. By this proposal we offer our professional services and our facilities as Financial Advisor and agree to direct and coordinate the entire program of financing herein contemplated, and to assume and pay the expenses hereinafter enumerated. It is understood and agreed, however, that this obligation on our part shall not cover the cost of any litigation.

3. We agree to perform the following duties normally performed by such advisors, and to perform such other duties as, in our judgment, may be necessary or advisable:

a. We will make a survey of the financial resources of the City to determine the extent of its borrowing capacity. This survey will include an analysis of the existing debt structure as compared to existing and projected sources of income which may be pledged to secure payment of debt service. The survey will take into account any outstanding obligations which are payable from the net revenues thereof, additional net revenues to arise from any proposed rate increase, and the additional net revenues as projected by your consulting engineers as a result of the improvements to be financed by the bonds in question. We will also take into account your future financing needs and operations as projected by your staff and/or your consulting engineers and other experts.

b. On the basis of the information developed by the survey described in the above and foregoing paragraph, and on the basis of other information and experience available to us, we will submit our written recommendations on the financing in question. Our plan will include recommendations as to the date of issue, interest payment dates, schedule of principal maturities, options of prior payment, and any other necessary additional security provisions designed to make the issue attractive to investors. All recommendations will be based on our best professional judgment, with the goal of designing Bonds which can be sold under terms most advantageous to the City, and at the lowest interest cost consistent with all other considerations.

c. We will advise you of current bond market conditions, forthcoming bond issues, and other general information and economic data which might normally be expected to influence the interest rates or bidding conditions, so that the date for the sale of the Bonds can be set at a time, which in our opinion, will be favorable.
d. We understand you have retained, or will retain, a firm of municipal bond attorneys ("Bond Counsel"), whose fee will be paid by you. We will assist in coordinating the assembly and transmittal to Bond Counsel of such data as may be required for the preparation of the necessary petitions, orders, resolutions, notices and certificates in connection with the financing.

e. We will coordinate the preparation and submission of the Notice of Sale, the Official Statement, and such other market documents which may be required. We will also supervise preparation of the uniform bid form, containing provisions recognized by the municipal securities industry as being consistent with the bonds offered for sale. We will submit to you all such offering documents, including the Official Statement, for your proper examination, approval and certification. After such examination, approval and certification, we will furnish you with a supply of such documents and shall mail a set of the same to a list of prospective bidders, and to banks, life, fire and casualty insurance companies, investment counselors and other prospective purchasers of the Bonds. We will also supply sufficient copies of the Official Statement to the purchaser of the Bonds in accordance with the terms of the Notice of Sale. The cost of preparing, printing and distributing these documents will be paid by you. In consultation with the Board of Directors and/or City staff, we will arrange for such reports and opinions of recognized independent consultants which we deem necessary and required in the successful marketing of the Bonds. The fees and charges for such services will be paid by you. We will organize such information meetings as in our judgment may be necessary, and will arrange for these meetings at your expense.

f. We will advise financial publications of the forthcoming sale of your Bonds and furnish them with the pertinent information.

g. We will make recommendations to the City on the matter of a credit rating or ratings for the proposed issue and when directed by you shall coordinate the preparation of such information as in our opinion is required for submission to the rating agency or agencies. Any fees incurred in obtaining a rating or ratings will be paid by you. In those cases where the advisability of personal presentation of information to the rating agency or agencies may be indicated, we will arrange for the personal presentation. The travel expense for such presentation will be paid by you, with the exception of travel incurred by representatives of First Southwest Company.

h. We will assist you at the sale for the purpose of coordinating the receipt of bids, and the furnishing of good faith checks where indicated, and for the purpose of tabulation and comparison of bids, and will advise you as to the best bid, and will provide our recommendation as to acceptance or rejection of such bid.

i. As soon as a bid for the Bonds is accepted by you, we will proceed to coordinate the efforts of all concerned to the end that the Bonds may be delivered and paid for as expeditiously as possible. We shall assist you in the preparation or verification of final closing figures, and when requested, will provide suggestions on a program of temporary investment of proceeds, in consultation with the City's staff and other consultants, consistent with the construction timetable for the project.
j. We will act as your agent in arranging for the printing of the Bonds, the cost of which will be paid by you. We will attend to their delivery, it being understood that title to and ownership of the printed bonds shall be the City's until they are delivered to the purchaser.

k. We will maintain liaison with Bond Counsel in the preparation of all legal documents pertaining to the authorization, sale, issuance and delivery of the Bonds. Bond Counsel will furnish an unqualified approving legal opinion on the Bonds at the time of delivery.

l. After closing, we will deliver to you a schedule of annual debt service requirements on the obligations being delivered to the purchaser. We will furnish to the paying agent or paying agents a copy of the authorizing resolution.

m. We will attend any and all meetings of your governing body, or any representatives thereof, as desired by you, whenever we may be of assistance and the subject of financing is to be discussed.

n. If so directed by you, we will advise and assist you and your other consultants in the preparation and submission of any application for funding made to a State or Federal Agency. Further, if so requested, a representative of this firm shall accompany and assist you and your other consultants in any meetings or hearings before the appropriate Agency. The expenses in connection therewith shall be borne by you. The extent of our services in these matters and compensation therefor shall be as mutually agreed upon on a case by case basis.

4. In consideration for the services rendered by us, it is understood and agreed that our fee for each issue of Bonds will be as follows:

<table>
<thead>
<tr>
<th>Base Fee - Any Issue</th>
<th>$3,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plus $12.50 per $1,000 up to $250,000</td>
<td>$250,000</td>
</tr>
<tr>
<td>Plus 11.00 per $1,000 next</td>
<td>$250,000</td>
</tr>
<tr>
<td>Plus 7.00 per $1,000 next</td>
<td>$500,000</td>
</tr>
<tr>
<td>Plus 4.65 per $1,000 next</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>Plus 2.75 per $1,000 next</td>
<td>$2,500,000</td>
</tr>
<tr>
<td>Plus 2.50 per $1,000 next</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Plus 1.95 per $1,000 next</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Plus 1.35 per $1,000 next</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Plus 1.30 per $1,000 next</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>Plus 1.25 per $1,000 over</td>
<td>$30,000,000</td>
</tr>
</tbody>
</table>

If application to a State or Federal Agency is necessary to obtain funds, it is understood and agreed that our fee shall be 125% of the above schedule.

Our fee and reimbursable expenses shall become due and payable simultaneously with the delivery of the Bonds to the purchaser.

5. If the City chooses to sell Bonds on a negotiated bid basis, it is understood and agreed that we will not be part of any syndicate or account organized or formed for the purpose of purchasing the Bonds from the City. If we assist the City in the private placement of Bonds directly with a purchaser, other than a State or Federal
Agency, in addition to the above fee we will receive a placement fee equal to $5.00 per $1,000 par value of Bonds so issued and delivered. When the City offers its Bonds at a competitive advertised public sale, it is understood and agreed that we reserve the right to submit a bid for the Bonds when so offered.

6. This agreement may be terminated by you upon thirty (30) days' written notice to us. In the event of termination, it is understood and agreed that only the amount due us for services or expenses to date of termination would be due and payable, and that no penalty for cancellation of the contract would be allowed. It is the intent of this provision that our services be satisfactory to you at all times.

This proposal is submitted in duplicate originals. When accepted by you, it will constitute the entire agreement between the City and the undersigned for the purposes and considerations herein specified. Your acceptance will be indicated by the signature of your authorized officials or representatives on both copies, and the returning of one executed copy to us.

Respectfully submitted,

FIRST SOUTHWEST COMPANY

By

W. Boyd London, Jr.

ACCEPTANCE

Accepted pursuant to Motion adopted by the City Council on this the 2 day of January, 1985.

Mayor

ATTEST:

City Secretary

(SEAL)
Contract_3 N/A
Contract_4 N/A
A6 & A7

Counties

Parker
Tarrant

Identify the Applicant's total service area population:: 10,947

Funding Program(s)

Funding Programs

SWIFT: $1,350,000

Other Funding Sources

Other Funding Sources

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Type of Funds (Loan, Grant, etc.)</th>
<th>Amount ($)</th>
<th>Date Applied for Funding</th>
<th>Anticipated or Funding Secured Date</th>
</tr>
</thead>
</table>

Other Funding Comments:
Funding_1 N/A
Funding & Project Type

Has this project received TWDB funding for any other project phases?: N
Requesting Funding for Planning: Y
Requesting Funding for Acquisition: Y
Requesting Funding for Design: Y
Requesting Funding for Construction: Y

Is the project a water project?: Y

Is the project a wastewater project?: N

Is Applicant requesting funding to refinance existing debt?: N

DUNS:

Federal Awards information:
1. Did applicant receive over 80% of their revenue from Federal Awards last year?:
2. Did applicant receive over $25 million in Federal Awards last year?:
3. Does the public have access to executive compensation information via SEC or IRS reports?:

Describe procedures for collecting monthly customer bills (include procedures for collection of delinquent accounts):
Contractors & Loan/Grant Participation Summary

Have you already solicited contractors?:
Have contracts already been awarded?:

Legal Information

Cite the legal authority under which the Applicant can issue the proposed debt including the authority to make a proposed pledge of revenues.: Texas Local Government Code, Subchapter C of Chapter 271 and Texas Government Code, Chapter 1502.

What type of pledge will be used to repay the proposed debt?: COMBO

Provide the full legal name of the security for the proposed debt issue(s).: Azle, TX Tax & WSS (Surplus Pledge) Rev CO 2017A

Describe the pledge being offered and any existing rate covenants.: Ad valorem taxes and surplus pledge of net revenues of the City's Waterworks and Sewer System. There will be no rate covenant.
RESOLUTION 2017-08

Application Filing and Authorized Representative Resolution

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

BE IT RESOLVED BY THE City Council OF THE City of Azle, Texas:

SECTION 1: That an application is hereby approved and authorized to be filed with the Texas Water Development Board seeking financial assistance in an amount not to exceed $1,350,000 to provide for the costs of Main Street Waterline Project, which includes approximately 10,500 ft of 10-inch waterline.

SECTION 2: That Tom Muir, City Manager, be and is hereby designated the authorized representative of the City of Azle, Texas 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: That 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 Azle, Texas before any hearing held by the Texas Water Development Board on such application, to wit:

1201 Elm St., Suite 3500, Dallas, TX 75270, 214-953-4013

Engineer: Jacob Martin, LLC, Attn. Derek Turner, P.E.
1508 Santa Fe Dr., Suite 203, Weatherford, TX 76086, 817-594-9880

Bond Counsel: Norton Rose Fulbright US LLP, Attn. Bob Dransfield
2200 Ross Ave., Suite 3600 Dallas, TX 75201. 214-855-8068

PASSED AND APPROVED, this the 18 day of April, 2017

ATTEST: [Signature]

By: [Signature]
Application Affidavit

THE STATE OF TEXAS

COUNTY OF Tarrant / Parker

APPLICANT City of Azle

§

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

1. The decision by the City of Azle (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 Azle (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 Azle (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 Azle (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 Azle (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.

Tom Muir
Official Representative

Title: City Manager

SWORN TO AND SUBSCRIBED BEFORE ME, by Tom Muir

on this 2nd day of April, 2017.

Yael Forsey
Notary Public, State of Texas
Application Resolution - Certificate of Secretary

THE STATE OF TEXAS

COUNTY OF Tarrant / Parker

APPLICANT City of Azle

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

1. That on the 18th day of April, 2017, a regular/special meeting of the Azle City Council was held; the duly constituted members of the Azle City Council, being as follows:
   Mayor Pro-tem Bill Jones, Councilmembers; William Chambers, David McClure, Rouel Rothenberger, Lee Barrett
   all of whom were present at the meeting, except the following:
   Mayor Alan Brundrett, Councilmember Paul Crabtree
   Among other business considered at the meeting, the attached resolution entitled:

   "A RESOLUTION by the City Council of the City of Azle 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 Azle City Council for passage and adoption. After presentation and consideration of the resolution, and upon a motion made by Councilmember Rothenberger and seconded by Councilmember McClure, the resolution was passed and adopted by the Azle City Council by the following vote:

   5 voted "For"  0 voted "Against"  0 abstained

   all as shown in the official minutes of the Azle 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 Azle; 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 Azle, this the 18th day of April, 2017.

(SIGNATURE)

(Juel Forney)

(SEAL)
Bonds, CCN, Enforcement Action

Does the applicant possess a Certificate of Convenience and Necessity (CCN)?: Y

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?: N
Public Utility Commission
of Texas

By These Presents Be It Known To All That

CITY OF AZLE

having duly applied for certification to provide water utility service for the convenience and necessity of the public, and it having been determined by this Commission that the public convenience and necessity would in fact be advanced by the provision of such service by this Applicant, is entitled to and is hereby granted this

Certificate of Convenience and Necessity

 numbered 10059, to provide water utility service to that service area or those service areas designated by final Order or Orders duly entered by this Commission, which Order or Orders are on file at the Commission offices in Austin, Texas; and are matters of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of this Grantee to provide such utility service in accordance with the laws of this State and the Rules of this Commission, subject only to any power and responsibility of this Commission to revoke or amend this Certificate in whole or in part upon a subsequent showing that the public convenience and necessity would be better served thereby.

Issued at Austin, Texas, this 1st day of November, 1979.

Philip F. Ricketts
SECRETARY OF THE COMMISSION
RULES FOR FILING FOR A "CERTIFICATE OF CONVENIENCE AND NECESSITY" FOR AREAS SERVED PRIOR TO SEPTEMBER 1, 1975

<table>
<thead>
<tr>
<th>1.</th>
<th>City of Azle</th>
<th>Applicant's Name</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Applicant's Business Street Address</td>
<td>Applicant's Business Mailing Address</td>
</tr>
<tr>
<td></td>
<td>200 W. Main</td>
<td>Azle Texas Tarrant</td>
</tr>
<tr>
<td></td>
<td>City State County</td>
<td></td>
</tr>
<tr>
<td></td>
<td>817-444-3751</td>
<td></td>
</tr>
</tbody>
</table>

Applicant's Business Phone, including area code

Please check the appropriate blank of the following. Is Applicant:

- Individual ______ Partnership ______ Corporation ______
- Municipally owned utility X Cooperative corporation ______
- Municipal corporation ______ Political subdivision of the State ______

<table>
<thead>
<tr>
<th>2.</th>
<th>James Brawley</th>
<th>Applicant's Authorized Representative, if any</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>City Manager</td>
<td>Official Position of Applicant's Authorized Representative, if any</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3.</th>
<th>Jerry W. Allen, P.E. - Carter &amp; Burgess, Inc.</th>
<th>Person to be contacted with respect to any question regarding filing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>City's Engineer</td>
<td>Official Position, if any</td>
</tr>
<tr>
<td></td>
<td>1100 Macon Street</td>
<td>Business Mailing Address</td>
</tr>
<tr>
<td></td>
<td>Fort Worth Texas Tarrant</td>
<td>City State County</td>
</tr>
<tr>
<td></td>
<td>817-335-2611</td>
<td>Business Phone, including area code</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4.</th>
<th>List any parties affected by this application, e.g. neighboring utilities.</th>
</tr>
</thead>
</table>
5. List all counties presently served by Applicant (provide attachment if needed)
   Parker County
   Tarrant County
   
6. List the docket number given Applicant's map filing, if it was filed prior to making this application. M-326-75, SM-68-75.
   
7. Was Service provided by applicant in the area claimed in #6 above prior to September 1, 1975, as required by Section 53 of the Public Utility Regulatory Act, article 1446c Section 53 V.A.T.S.? Yes    No
   
8. What type of utility service is provided?
   Telephone     Electric     Water    X     Sewer    X
   
9. Does Applicant serve within the corporate limits of any municipality or within the jurisdictional limits of any public utility? Yes    No    X

   If so, furnish a copy, along with this application, of any consent, franchise or permit granted by the municipality or public authority.

10. Attach to this application a written description of the territory shown on Applicant's map as being served by applicant. This description should be by natural boundaries or other limits which can be located on the ground. Roads, creeks, rivers, power lines, and latitudinal and longitudinal lines may be used, as well as lines drawn from one known point to another, such as two road crossings. Descriptions must be made on a county by county basis, as certificates will be granted by county. Therefore, county lines may be used, also. The description must note any "exchange area" lines of Applicant within the county. This usually applies only to telephone and electric utilities.

11. Signature of Applicant or
   
   Signature of Authorized Representative
RULES FOR FILING MAPS WHICH ARE FILED IN SUPPORT OF OR AS PREDICATES FOR "CERTIFICATES OF CONVENIENCE AND NECESSITY" AS REQUIRED BY ART. 1446c §§ 49-62 V.A.T.S.

1. **City of Azle**
   
   Name of Applicant for certificate of convenience and necessity (party on whose behalf map being filed)
   
   200 W. Main, Azle, Tarrant, Texas 76020
   
   Business address of applicant, including county
   
   817-444-3751
   
   Business phone of applicant, including area code
   
   Check whichever is appropriate. Is Applicant an:
   
   Individual _____ Partnership _____ Corporation _____
   
   Municipally owned utility ______ Cooperative corporation ______
   
   Municipal corporation _____ Political subdivision of the state _____

2. **Jerry W. Allen, P.E. - Carter & Burgess, Inc.**
   
   Name of person to be contacted with regard to any question regarding the map filing
   
   1100 Macon Street, Fort Worth, Tarrant, Texas 76102
   
   Business address, including county
   
   817-335-2611
   
   Business phone, including area code

4. The following is a list of instructions for filing maps:
   
a. The map shall be on a State Highway County map 18" X 25" or on any map drawn to scale which is not less than 18" X 25" in size. It must be permanently bound.
   
b. A separate map shall be filed for each county in which the reporting utility operates.
   
c. A separate map or set of maps shall be filed for each utility (electric, water, or sewer) subject to the filing requirement.
4. The following is a list of instructions for filing maps (continued):
   
d. On either the front or back of each map give the Applicant's name, business address including county, business phone including area code, and state whether it is an individual, partnership, municipally owned utility, cooperative corporation, corporation, municipal corporation, or a subdivision of the State.

 e. On either the front or back of each map give the name, business address including county, and business phone including area code, of the person filing the map and give his official position.

 f. On either the front or back of each map give the name, business address including county, and business phone including area code, of the person to be contacted with regard to any question involving the map filing.

 g. The map shall separately indicate the generating facilities, transmission facilities, and distribution facilities as located within the territory claimed. Color coding (of lines, generating facilities, pipes, etc.) may be used and the coding system should be noted on a legend on the map. The location of the facility shall be described with such exactness that it can be located "on the ground" from the map.

 h. A separate map shall be filed for territory claimed but which is not currently being serviced. This map shall include territory on which an application was pending before the Federal Communications Commission or other governmental bodies on September 1, 1975, but on which service had not commenced, or it shall include territory in which facilities were under construction but not completed as of September 1, 1975.

5. 

   Signature of Applicant, or  

   [Signature]

   Signature of Authorized Representative
This page is a placeholder for information submitted with the application that may contain confidential information. Please contact Clay Schultz, Director at (512) 463-6277 to request reviewing this information.
This page is a placeholder for information submitted with the application that may contain confidential information. Please contact Clay Schultz, Director at (512) 463-6277 to request reviewing this information.
This page is a placeholder for information submitted with the application that may contain confidential information. Please contact Clay Schultz, Director at (512) 463-6277 to request reviewing this information.
Municipality

Is the area to be served by the project within the service area of a municipality or other public utility?: N

Board Approved WCP

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.): Y
Enter date of Applicant's WCP adoption: 2014-04-01 00:00:00.0
WATER CONSERVATION PLAN - DROUGHT CONTINGENCY PLAN

April 1, 2014
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CITY OF AZLE

Water Conservation and Drought Contingency Plan

1 INTRODUCTION AND OBJECTIVES

Water supply has always been a key issue in the development of Texas. In recent years, the increasing population and economic development in Region C have led to growing demands for water. At the same time, local and less expensive sources of water supply are largely developed; additional supplies to meet higher demands will be expensive and difficult to develop. Therefore, it is important that we make efficient use of existing supplies and make them last as long as possible. This will delay the need for new supplies, minimize the environmental impacts associated with developing new supplies, and delay the high cost of additional water supply development.

Recognizing the need for efficient use of existing water supplies, the Texas Commission on Environmental Quality (TCEQ) has developed guidelines and requirements governing the development of water conservation and drought contingency plans for public water suppliers. The City of Azle has adopted this Water Conservation and Drought Contingency Plan pursuant to TCEQ guidelines and requirements.

The objectives of the water conservation plan are:

- To reduce water consumption.
- To reduce the loss and waste of water.
- To identify the level of water reuse.
- To improve efficiency in the use of water.
- To extend the life of current water supplies by reducing the rate of growth in demand.

The objectives of the drought contingency plan are:

- To conserve the available water supply in times of drought and emergency.
- To maintain supplies for domestic water use, sanitation, and fire protection.
- To protect and preserve public health, welfare, and safety.
- To minimize the adverse impacts of water supply shortages.
- To minimize the adverse impacts of emergency water supply conditions.
2 TEXAS COMMISSION ON ENVIRONMENTAL QUALITY RULES

2.1 Conservation Plans

The TCEQ rules governing development of water conservation plans for public water suppliers are contained in Title 30, Part 1, Chapter 288, Subchapter A, Rule 288.2 of the Texas Administrative Code. For the purpose of these rules, a water conservation plan is defined as:

“A strategy or combination of strategies for reducing the volume of water withdrawn from a water supply source, for reducing the loss or waste of water, for maintaining or improving the efficiency in the use of water, for increasing the recycling and reuse of water, and for preventing the pollution of water. A water conservation plan may be a separate document identified as such or may be contained within another water management document(s)”

According to TCEQ rules, water conservation plans for public water suppliers must have a certain minimum content (Section 3), must have additional content for public water suppliers that are projected to supply 5,000 or more people in the next ten years (Section 4), and may have additional optional content (Section 5).

2.2 Drought Contingency Plans

The TCEQ rules governing development of drought contingency plans for public water suppliers are contained in Title 30, Part 1, Chapter 288, Subchapter B, Rule 288.20 of the Texas Administrative Code. For the purpose of these rules, a drought contingency plan is defined as:

“A strategy or combination of strategies for temporary supply and demand management responses to temporary and potentially recurring water supply shortages and other water supply emergencies. A drought contingency plan may be a separate document identified as such or may be contained within another water management document(s)”

The Water Conservation and Drought Contingency Plan for the City of Azle is contained in Section 6 of this plan.
3 MINIMUM REQUIRED WATER CONSERVATION PLAN CONTENT

The minimum requirements in the Texas Administrative Code for water conservation plans for public drinking water suppliers covered in this report are as follows:

- §288.2(a)(1)(A) – Utility Profile – Section 3.1
- §288.2(a)(1)(B) – Specification of Goals Before May 1, 2005 – Section 3.2
- §288.2(a)(1)(C) – Specification of Goals After May 1, 2005 – Section 3.2
- §288.2(a)(1)(D) – Accurate Metering – Sections 3.3 and 3.4
- §288.2(a)(1)(E) – Universal Metering – Section 3.4
- §288.2(a)(1)(F) – Determination and Control of Unaccounted Water – Section 3.5
- §288.2(a)(1)(G) – Public Education and Information Program – Section 3.6
- §288.2(a)(1)(H) – Non-Promotional Water Rate Structure – Section 3.7
- §288.2(a)(1)(J) – Means of Implementation and Enforcement – Section 3.8
- §288.2(a)(1)(K) – Coordination with Regional Water Planning Group – Section 3.9
- §288.30(10)(C) - Annual Water Conservation Implementation Reports – Section 3.10

3.1 Utility Profile

The City of Azle has a current population of 11,220 with 4,871 connections both inside and outside the Incorporated City limits. The raw water is supplied by the TRWD (Tarrant Regional Water District) from Eagle Mountain Lake. The water is treated at the Azle Water Plant located at 1500 Lakeview Drive Azle, Texas 76020, and has the capability of treating 6 MGD. The City also operates the Ash Creek Wastewater Treatment Plant located at 816 Park Street Azle, Texas 76020. The Ash Creek Wastewater plant has a permitted limit of 2.45 MGD, and is an activated sludge process.

Table 1.1 summarizes key facts from the Water Utility Profile. The water utility profile form is located at:

3.2 Specification of Water Conservation Goals

Table 1.1 shows historical per capita municipal water use for the City of Azle. Water use is shown in units of gallons per capita per day (gpcd). Municipal water use is total use less wholesale sales to other municipal suppliers less sales to industrial users. Per capita municipal water use is municipal water use divided by population. The per capita municipal water use does not include industrial use.

Projected per capita municipal uses were obtained from the Texas Water Development Board (TWDB) and interpolated to match the appropriate years for the 5-year and 10-year goals.
The TWDB projections are applicable for a dry year, in which outdoor water use would be high. Per capita municipal water use in a year with normal or high precipitation during the summer should be less than projected here.

### Table 1.1 Summary of Water Utility Profile for the City of Azle

| Water Service Area | = 8.8 square miles |
| Miles of Distribution Pipe | = 96 miles |

**Population:**
- Current Population = 11,220 in 2014
- 2000 Population = 9,494
- Projected 2050 Population = 38,682

**Connections:**
- Connections = 4,107 in 2003
- Current Connections = 4,871 in 2014
- Total Increase in Connections in Last 8 Years = 552

**Information on Water Use for the Last Five Years:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Use (MG)</th>
<th>Population*</th>
<th>Estimated per Capita Use (MG)</th>
<th>City Water Use (MG)</th>
<th>Water Loss in (MG)</th>
<th>Peak Day to Average Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>516</td>
<td>11,220</td>
<td>121 pcd</td>
<td>6.033</td>
<td>34.9</td>
<td>2.696 – 1.415</td>
</tr>
<tr>
<td>2012</td>
<td>500</td>
<td>11,220</td>
<td>149 pcd</td>
<td>8.498</td>
<td>40.9</td>
<td>3.621 – 1.370</td>
</tr>
<tr>
<td>2011</td>
<td>526</td>
<td>11,670</td>
<td>129 pcd</td>
<td>6.018</td>
<td>26.7</td>
<td>3.429 – 1.442</td>
</tr>
<tr>
<td>2010</td>
<td>549</td>
<td>11,670</td>
<td>122 pcd</td>
<td>3.900</td>
<td>26.7</td>
<td>3.318 – 1.504</td>
</tr>
<tr>
<td>2009</td>
<td>487</td>
<td>10,950</td>
<td>147 pcd</td>
<td>3.860</td>
<td>16.9</td>
<td>2.868 – 1.334</td>
</tr>
</tbody>
</table>

*Source of population estimate is NCTCOG (North Central Texas Council of Government).

**Water Supply Source(s):** = Eagle Mountain Lake

**Treatment and Distribution System:**
- Treatment Plant Capacity = 6 million gallons per day
- Elevated storage = 1.5 million gallons
- Ground storage = 2.4 million gallons

**Current Total Annual Wastewater Flow:** = 299.77 million gallons in 2013.

The TWDB projections include the impact of low-flow plumbing fixtures and water conservation measures that have been in effect since at least 2000 but do not include the effect of water conservation measures recommended in this plan. The impact of low-flow plumbing fixtures has been itemized to show the total amount of projected water
conservation in the City of Azle. Table 1.2 shows the projected per capita water use after implementation of this Water Conservation and Drought Contingency Plan. Table 1.2 also shows how much of the projected per capita water use is supplied by reclaimed water.

Table 1.2

<table>
<thead>
<tr>
<th>Historical total Per Capita Use and Water Conservation Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year</strong></td>
</tr>
<tr>
<td>-------------------------</td>
</tr>
<tr>
<td>Historical Per Capita Municipal Use</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>5-Yr. Average</td>
</tr>
<tr>
<td>Projected Municipal use in 5 Yrs.</td>
</tr>
<tr>
<td>Projected Municipal use in 10 Yrs.</td>
</tr>
</tbody>
</table>

The City’s water conservation goals include the following:

- Maintain the City’s meter replacement program (Section 3.4).
- Keep the level of water loss in the system less than ten percent (10%) in all subsequent years (Section 3.5).
- Raise public awareness of water conservation and encourage responsible public behavior through a public education and information program, as discussed in Section 3.6.
- Decrease waste in lawn irrigation through implementation and enforcement of a landscape water management ordinance (Section 5.4).

3.3 **Accurate Metering of Raw Water Supplies and Treated Water Deliveries**

The City of Azle meters all raw water diversions from Eagle Mountain Lake and meters all treated water deliveries to the distribution system from the water treatment plant. Each meter has an accuracy of plus or minus 5 percent (5%). The meters are calibrated on an annual basis by a qualified meter technician to maintain the required accuracy and are repaired and/or replaced as needed.

3.4 **Metering of Customer and Public Uses and Meter Testing, Repair, and Replacement**

Water usage for all customers of the City of Azle, including public and governmental users, is metered.
As part of the City of Azle’s ongoing conservation efforts we will continue our meter replacement program, by replacing every meter on a 15-year cycle, based on the replacement of oldest meters in the system first. In addition, meters registering any unusual or questionable readings will be tested and replaced as needed.

3.5 **Determination and Control of Water Loss**

Water loss is the difference between raw water drawn from Eagle Mountain Lake and authorized consumption. Water losses can include categories such as:

- Inaccuracies in customer meters (customer meters tend to run more slowly as they age and under-report actual use).
- Losses due to water main breaks and leaks in the water distribution system.
- Losses due to illegal connections (theft).
- Other.

The City of Azle will conduct a water audit every 5 years using the TWDB Water Loss Manual. It is the City’s plan to base this audit on real losses to include leakage and overflows at the water treatment plant. Identifying and preventing real losses decreases a utility’s costs and decreases water usage. The City will target real losses under this water conservation strategy. Methods for controlling real water losses are discussed in Section 4.1.

Water loss for the City of Azle has varied from 5.0 percent to 9.0 percent in the last five years. With the measures described in this plan, the City of Azle intends to maintain the water loss below 10 percent in subsequent years.

3.6 **Continuing Public Education and Information Campaign**

The continuing public education and information campaign on water conservation for the City of Azle includes the following elements:

- Promote the City’s water conservation measures (presented in Sections 3, 4, and 5).
- Include inserts on water conservation with water bills at least twice per year. Inserts will include material developed by City of Azle staff and material obtained from the TWDB, the TCEQ, the AWWA and other sources.
- Encourage local media coverage of water conservation issues and the importance of water conservation.
- Notify local organizations, schools, and civic groups that City of Azle staff is available to make presentations on the importance of water conservation and ways to save water.
- Make the *Texas Smartscape CD*, water conservation brochures, and other water conservation materials available to the public.
- Make information on water conservation available online at www.cityofazle.org and will include links to the Texas Smartscape website and to information on water conservation on the TWDB and TCEQ web sites.

3.7 **Non-Promotional Water Rate Structure**

With the intent of encouraging water conservation and discouraging waste and excessive use of water, the City of Azle has adopted an increasing block rate water structure where the unit price of water increases with increasing water use. Current water rates are shown in Tables 1.3 and 1.4.

**Table 1.3**

<table>
<thead>
<tr>
<th>Meter Size (in)</th>
<th>Total Charge Residential</th>
<th>Total Charge Commercial</th>
<th>Meter Size (in)</th>
<th>Total Charge Residential</th>
<th>Total Charge Commercial</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8 x 3/4</td>
<td>$24.63</td>
<td>$29.63</td>
<td>5/8 x 3/4</td>
<td>$36.95</td>
<td>$44.45</td>
</tr>
<tr>
<td>1</td>
<td>$35.71</td>
<td>$42.96</td>
<td>1</td>
<td>$53.57</td>
<td>$64.45</td>
</tr>
<tr>
<td>1 1/2</td>
<td>$52.71</td>
<td>$63.41</td>
<td>1 1/2</td>
<td>$79.06</td>
<td>$95.11</td>
</tr>
<tr>
<td>2</td>
<td>$72.90</td>
<td>$87.70</td>
<td>2</td>
<td>$109.36</td>
<td>$131.56</td>
</tr>
<tr>
<td>3</td>
<td>$169.95</td>
<td>$204.45</td>
<td>3</td>
<td>$254.92</td>
<td>$306.67</td>
</tr>
<tr>
<td>4</td>
<td>$286.69</td>
<td>$344.89</td>
<td>4</td>
<td>$430.04</td>
<td>$517.34</td>
</tr>
</tbody>
</table>

**Table 1.4**

<table>
<thead>
<tr>
<th>Cubic Feet Used</th>
<th>Volume Unit Charge ($/100 cuf)</th>
<th>Cubic Feet Used</th>
<th>Volume Unit Charge ($/100 cuf)</th>
</tr>
</thead>
<tbody>
<tr>
<td>275 or less</td>
<td>Included in base rate</td>
<td>275 or less</td>
<td>Included in base rate</td>
</tr>
<tr>
<td>276 – 1500</td>
<td>$2.53</td>
<td>276 – 1500</td>
<td>$3.79</td>
</tr>
<tr>
<td>1500 and up</td>
<td>$3.40</td>
<td>1500 and up</td>
<td>$5.10</td>
</tr>
</tbody>
</table>

3.8 **Implementation and Enforcement of the Water Conservation Plan**

The City of Azle City Council has adopted this Water Conservation and Drought Contingency Plan. The resolution designates responsible officials to implement and enforce the Water Conservation and Drought Contingency Plan. The landscape water management ordinance for the City of Azle, also includes information about enforcement.
3.9 **Coordination with Regional Water Planning Group**

Notification was sent to the Chair of the Region C Water Planning Group of the City’s commitment to this Water Conservation and Drought Contingency Plan.

This plan also requires submittal to TWDB and TRWD of a water conservation implementation report by May 1 each year. TWDB has a reporting form: [https://www.twdb.texas.gov/conservation/municipal/plans/doc/RWS_1966.pdf](https://www.twdb.texas.gov/conservation/municipal/plans/doc/RWS_1966.pdf)

3.10 **Annual Water Conservation Implementation Reports**

The City will submit a water conservation implementation report to the executive administrator of the Texas Water Development Board by May 1 each year. This report will include water use statistics, describe conservation measures implemented, provide data about whether or not targets in the plan are being met, and estimate the actual amount of water saved. The most recent water conservation implementation report may be found at [www.cityofazle.org](http://www.cityofazle.org).

In addition, the City will submit a customer water conservation report to the Tarrant Regional Water District by May 1 each year. This report will include population and service area data, number of connections, water use data, and projected water demands. The most recent TRWD customer water conservation report may be requested from the Superintendent of the Azle Water Treatment Plant by calling 817-444-3751.
4 ADDITIONAL REQUIRED WATER CONSERVATION PLAN CONTENT

The Texas Administrative Code also includes additional requirements for water conservation plans for public drinking water suppliers that serve a population of 5,000 people or more and/or a projected population of 5,000 people or more within the next ten years:

- §288.2(a)(2)(A) – Leak Detection, Repair, and Water Loss Accounting – Sections 3.5 and 4.1
- §288.2(a)(2)(B) – Record Management System – Section 4.2
- §288.2(a)(2)(C) – Wholesale Customers Must Develop Water Conservation Plans – Section 4.3

4.1 Leak Detection and Repair; Pressure Control

Measures to control water loss are part of the routine operations of the City of Azle. Meter readers watch for and report signs of illegal connections so they can be addressed quickly. Crews and personnel look for and report evidence of leaks in the water distribution system. Maintenance crews respond quickly to repair leaks reported by the public and city personnel. The City of Azle spends $750,000 per year to repair and replace water distribution lines and uses two (2) distribution line maintenance crews. Areas of the water distribution system in which numerous leaks and line breaks occur are targeted for replacement as funds are available.

To further reduce water losses, The City of Azle will maintain a proactive water loss program. As part of this program, the City responds quickly to reports of leaks within 24 hours.

4.2 Record Management System

As required by TAC Title 30, Part 1, Chapter 288, Subchapter A, Rule 288.2(a)(2)(B), the record management system for the City of Azle records water pumped, water delivered, and water sold; estimates water losses; and allows for the separation of water sales and uses into residential, commercial, public/institutional, and industrial categories.

4.3 Requirement for Water Conservation Plans by Wholesale Customers

At this time, the City of Azle is not a wholesale water provider. After adoption of this plan, each contract for the wholesale sale of water by the City of Azle will include a requirement that the wholesale customer develop and implement a water conservation plan meeting the requirements of Title 30, Part 1, Chapter 288, Subchapter A, Rule 288.2 of the Texas Administrative Code. This requirement will also extend to each successive wholesale customer in the resale of the water.
5 OPTIONAL WATER CONSERVATION PLAN CONTENT

TCEQ rules also list optional (not required) conservation strategies, which may be adopted by suppliers to achieve the stated goals of the plan. The following optional strategies are listed in the rules and included in this plan:

- §288.2(a)(3)(A) – Conservation Oriented Water Rates – Section 3.7
- §288.2(a)(3)(B) – Ordinances, Plumbing Codes or Rules on Water-Conserving Fixtures – Section 5.1
- §288.2(a)(3)(D) – Reuse and Recycling of Wastewater – Section 5.2
- §288.2(a)(3)(F) – Landscape Water Management Ordinance - Water Waste Prohibition – Section 5.3

5.1 Ordinances, Plumbing Codes, or Rules on Water-Conserving Fixtures

The State of Texas has required water-conserving fixtures in new construction and renovations since 1992. The state standards call for flows of no more than 2.2 gpm for faucets, 2.5 gpm for showerheads, 1.0 gpm for urinals, and 1.6 gallons per flush for toilets. Similar standards are also required under federal law. These state and federal standards assure that all new construction and renovations in the City of Azle will use water-conserving fixtures.

5.2 Reuse and Recycling of Wastewater

The City of Azle operates the Ash Creek Wastewater Treatment Plant; it discharges approximately 2,000 ac-ft/yr of reclaimed water to a holding pond at the Azle Cross-Timbers Golf Course on Reynolds Branch Creek approximately 3 miles west of said wastewater treatment plant, where it is used to irrigate the Cross-Timbers Golf Course. This reuse project provides approximately 100 percent of the Cross-Timbers Golf Courses total irrigation water supply.

5.3 Water Waste Prohibition

As part of the development of this water conservation plan, the City of Azle adopted a landscape water management ordinance. This ordinance is intended to minimize waste in landscape irrigation. This waste includes; watering during any form of precipitation, not maintaining the system (ie. broken heads, missing heads, broken irrigation lines, or watering an impervious surfaces). The ordinance includes the following elements:

- A recommendation that outdoor watering with automatic sprinklers from 10:00 a.m. to 6:00 p.m. is discouraged. (Watering with hand-held hoses, soaker hoses, or dispensers is allowed.)
- Requirement that all new irrigation systems include rain and freeze sensors.
• Requirement that all new irrigation systems be in compliance with state design and installation regulations (Texas Administrative Code Title 30, Part 1, Chapter 344).

• Prohibition of designs and installations that spray directly onto impervious surfaces such as sidewalks and roads or onto other non-irrigated areas.

• Prohibition of use of poorly maintained sprinkler systems that waste water.

• Prohibition of outdoor watering during any form of precipitation.

• Enforcement of the ordinance by a system of verbal warnings, written letters and then followed by fines for continued or repeat violations.
6 DROUGHT CONTINGENCY PLAN

6.1 Introduction

The purpose of this drought contingency plan is as follows:

- To conserve the available water supply in times of drought and emergency.
- To maintain supplies for domestic water use, sanitation, and fire protection.
- To protect and preserve public health, welfare, and safety.
- To minimize the adverse impacts of water supply shortages.
- To minimize the adverse impacts of emergency water supply conditions.

6.2 State Requirements for Drought Contingency Plans

This Water Conservation and Drought Contingency Plan is consistent with Texas Commission on Environmental Quality (TCEQ) guidelines and requirements for the development of drought contingency plans by public drinking water suppliers, contained in Title 30, Part 1, Chapter 288, Subchapter B, Rule 288.20 of the Texas Administrative Code. TCEQ’s minimum requirements for drought contingency plans are addressed in the following subsections of this report:

- 288.20(a)(1)(A) – Provisions to Inform the Public and Provide Opportunity for Public Input – Section 6.3
- 288.20(a)(1)(B) – Provisions for Continuing Public Education and Information – Section 6.4
- 288.20(a)(1)(C) – Coordination with the Regional Water Planning Group – Section 6.14
- 288.20(a)(1)(D) – Criteria for Initiation and Termination of Drought Stages – Section 6.5 and 6.6
- 288.20(a)(1)(F) – Specific, Quantified Targets for Water Use Reductions – Section 6.8, 6.9, and 6.10
- 288.20(a)(1)(G) – Water Supply and Demand Management Measures for Each Stage – Section 6.4, 6.5, and 6.6
- 288.20(a)(1)(I) - Procedures for Granting Variances – Section 6.13
- 288.20(a)(1)(J) - Procedures for Enforcement of Mandatory Restrictions – Section 6.8
- 288.20(a)(3) – Consultation with Wholesale Supplier – 6.14
- 288.20(b) – Notification of Implementation of Mandatory Measures – Section 6.5
- 288.20(c) – Review and Update of Plan – Section 6.15
6.3 **Provisions to Inform the Public and Opportunity for Public Input**

The City of Azle provided opportunity for public input in the development of this Water Conservation and Drought Contingency Plan by the following means:

- Providing written notice of the proposed plan and the opportunity to comment on the plan by newspaper, posted notice, and notice on The City of Azle’s web site, www.cityofazle.org.
- Making the draft plan available on City of Azle’s web site, www.cityofazle.org.
- Providing the draft plan to anyone requesting a copy.
- Hold a public meeting at the City of Azle City Hall at the time of adoption.

6.4 **Provisions for Continuing Public Education and Information**

The City of Azle will inform and educate the public about its Water Conservation and Drought Contingency Plan by the following means:

- Preparing a bulletin describing the plan and making it available at city hall and other appropriate locations.
- Making the plan to the public available through the City of Azle’s web site at www.cityofazle.org.
- Notifying local organizations, schools, and civic groups that City of Azle staff members are available to make presentations on the drought contingency plan (usually in conjunction with presentations on water conservation programs).
- The Consumer Confidence Report (CCR) includes a page about conservation that contains links to websites that promote conservation and drought update information. In addition, as required by House Bill 1461, the CCR contains information on the most recent water loss reported in the TWDB Water Loss Audit.

At any time that the Drought Contingency Plan is activated or the drought stage changes, the City of Azle will notify local media of the issues, the drought response stage, and the specific actions required of the public. The information will also be publicized on the City of Azle web site, www.cityofazle.org. Billing inserts will also be used as appropriate.

6.5 **Initiation of Drought Response Stages**

The City Manager or his/her official designee may order the implementation of a drought response stage or water emergency when one or more of the trigger conditions for that stage is met. The following actions will be taken when a drought stage is initiated:

- The public will be notified through local media.
6.6 Termination of Drought Response Stages

The City Manager or official designee may order the termination of a drought response stage or water emergency when the conditions for termination are met or at his/her discretion. The following actions will be taken when a drought stage is terminated:

- The public will be notified through local media.
- Wholesale customers will be notified by telephone with a follow-up letter or fax.
- When any mandatory provisions of the Drought Contingency Plan that have been activated are terminated, the City of Azle will notify the Executive Director of the TCEQ within 5 business days.

The City Manager or his/her designee may decide not to order the termination of a drought response stage or water emergency even though the conditions for termination of the stage are met. Factors that could influence such a decision include, but are not limited to, the time of the year, weather conditions, or the anticipation of potential changed conditions that warrant the continuation of the drought stage.

6.7 Drought and Emergency Response Stages

The triggering criteria described below are based on a statistical analysis of the vulnerability of the water source under drought of record conditions as developed by the raw water provider, Tarrant Regional Water District (TRWD).

6.8 Stage 1, Water Watch

6.8.1 Triggering and Termination Conditions for Stage 1, Water Watch

- Total combined raw water supply in TRWD western and eastern division reservoirs drops below 75% (25% depleted) of conservation storage capacity.
- Water demand is projected to approach the limit of permitted supply.
- Supply source becomes contaminated.
• Water supply system is unable to deliver water due to the failure or damage of major water system components.

• The City Manager, with concurrence of the City Council, finds that conditions warrant the declaration of a Stage 1 drought.

Stage 1 may terminate when raw water supply exceeds 75% storage capacity, and/or when the circumstances that caused the initiation of Stage 1 no longer prevail when TRWD terminates Stage 1, or at the discretion of the City Manager and Council.

6.8.2 Goal for Use Reductions

Goal – The goal for the Stage 1 water use restriction is a five percent (5%) reduction in system demand compared to system demand prior to implementation of Stage 1.

6.8.3 Actions Available under Stage 1, Water Watch

The City Manager may order the implementation of any of the actions listed below, as deemed necessary. Measures imposing mandatory requirements on customers require notification to TCEQ. TRWD must notify TCEQ within five business days if any mandatory measures are implemented.

Require customers (including indirect customers) to initiate Stage 1 in their drought contingency plans. Indirect customers include any successive wholesale customers of the City’s primary wholesale customers

• Initiate mandatory restrictions to prohibit non-essential water use as follows:
  o Prohibit hosing of paved areas, such as sidewalks, driveways, parking lots, tennis courts, or other impervious surfaces, except to alleviate an immediate health or safety hazard.
  o Prohibit hosing of buildings or other structures for purposes other than fire protection or surface preparation prior to painting.
  o Prohibit using water in such a manner as to allow runoff or other waste, including:
    1) failure to repair a controllable leak, including a broken sprinkler head, a leaking valve, leaking or broken pipes, or a leaking faucet;
    2) operating 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, allowing water to (a) 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.

• Prohibit outdoor watering with sprinklers or irrigation systems between 10 a.m. and 6 p.m.
Limit landscape watering with sprinklers or irrigation systems at each service address to twice per week (Outdoor watering schedule to be determined by the Director of Public Services). Includes landscape watering of parks, golf courses and sports fields.

Exceptions:

- Foundations may be watered up to two hours on any day by handheld hose; or using a soaker hose or drip system placed within 24-inches of the foundation that does not produce a spray of water above the ground.

- Newly installed shrubs (first year) and trees may be watered up to two hours on any day by handheld hose, drip irrigation, soaker hose, or tree bubbler. Tree watering is limited to an area not to exceed the drip line of a tree.

- Establishing new turf is discouraged. If new hydro mulch, grass sod, or grass seed is installed for the purpose of establishing a new lawn, there are no watering restrictions for the first 30 days while it is being established. After that, the watering restrictions set forth in this stage apply. (This exception does not include over seeding with rye since turf already exists.)

- Outdoor watering at service addresses with large multi-station irrigation systems may take place in accordance with a variance granted by the Director of Public Services, if the Director of Public Services determines that a property cannot be completely irrigated with an average of three-quarters of an inch of water in a single day, and that the property should be divided into sections to be watered on different days.

- Twice per week watering restrictions do not apply to locations using well water or treated wastewater effluent for irrigation.

Washing of any motor vehicle, motorbike, boat, trailer, airplane, or other vehicle shall be limited to the use of a hand-held bucket or a hand-held hose equipped with a positive shutoff nozzle for quick rinses. Vehicle washing may be done at any time on the premises of a commercial car wash or commercial service station. Further, such washing may be exempt from these requirements if the health, safety, and welfare of the public are contingent upon frequent vehicle cleansing, such as garbage trucks and vehicles used to transport food and perishables.

All users are encouraged to reduce frequency of draining and refilling swimming pools.

All users are encouraged to use Texas native and drought tolerant plants in landscaping.

In addition to actions listed above the City and Local Government shall:

- Review conditions and problems that caused Stage 1. Take corrective action.
- Increase public education efforts on ways to reduce water use.
- Increase enforcement efforts.
Intensify leak detection and repair efforts.

Audit all city and local government irrigation systems to ensure proper condition, settings, and operation.

Identify and encourage voluntary reduction measures by high-volume water users through water use audits.

Landscape watering of municipal parks, golf courses, and sports fields is limited to twice per week watering schedule; or twice per week per irrigation station if a variance is granted by the Director of Public Services. (See exceptions to outdoor watering restrictions in all water users category for rules that apply to facilities with large multi-station irrigation systems.)

Exceptions:
- Golf courses may water greens and tee boxes without restrictions, however watering must be done before 10 a.m. and after 6 p.m.
- Skinned areas of sports fields may be watered as needed for dust control.

Reduce non-essential water use. As used herein, non-essential water uses are those that do not have any health or safety impact and are not needed to meet the core function of the agency.

Notify wholesale customers of actions being taken and request them to implement the same drought stage and measures.

Commercial or Industrial

All actions listed above for all water users apply to commercial and industrial users.

Landscape watering of parks, golf courses, and sports fields is limited to twice per week watering schedule; or twice per week per irrigation station if a variance is granted by the Director of Public Services. (See exceptions to outdoor watering restrictions in all water users category above for rules that apply to facilities with large multi-station irrigation systems.)

Exceptions:
- Golf courses may water greens and tee boxes without restrictions, however watering must be done before 10 a.m. and after 6 p.m.
- Skinned areas of sports fields may be watered without restrictions as needed for dust control.
- Professional sports fields (playing fields with a stadium only – not surrounding landscaping) may be watered as needed to maintain league standards.

- Stock at commercial plant nurseries is exempt from Stage 1 watering restrictions.
- Hotels, restaurants, and bars are encouraged to serve drinking water to patrons on an “on demand” basis.
Hotels are encouraged to implement laundry conservation measures by encouraging patrons to reuse linens and towels.

6.9 **Stage 2, Water Warning**

6.9.1 **Triggering and Termination Conditions for Stage 2, Water Warning**

- Total raw water supply in TRWD western and eastern division reservoirs drops below 60% (40% depleted) of conservation storage capacity.
- Water demand for all or part of the delivery system approaches delivery capacity because delivery capacity is inadequate.
- Water demand is projected to approach the limit of permitted supply.
- Supply source becomes contaminated.
- Water supply system is unable to deliver water due to the failure or damage of major water system components.
- The City Manager, with concurrence of the City Council, finds that conditions warrant the declaration of a Stage 2 drought.

Stage 2 may terminate when raw water supply exceeds 60% storage capacity, and/or when the circumstances that caused the initiation of Stage 2 no longer prevail when TRWD terminates Stage 2, or at the discretion of the City Manager and Council.

6.9.2 **Goal for Use Reduction**

**Goal** – The goal for the Stage 2 water use restriction is a ten percent (10%) reduction in system demand compared to system demand prior to implementation of Stage 1.

6.9.3 **Actions Available under Stage 2, Water Warning**

The City Manager may order the implementation of any of the actions listed below, as deemed necessary. Measures imposing mandatory requirements on customers require notification to TCEQ. The City must notify TCEQ within five business days if any mandatory measures are implemented.

- Continue or initiate any actions available under Stage 1.
- Require customers (including indirect customers) to initiate Stage 2 in their drought contingency plans. Indirect customers include any wholesale customer of the City’s primary wholesale customers.
- Initiate engineering studies to evaluate water supply alternatives should conditions worsen.
Water Conservation and Drought Contingency Plan  
City of Azle

All Water Users

- Limit landscape watering with sprinklers or irrigation systems at each service address to once every seven days. Outdoor watering schedule to be determined by the City Manager.

  Exceptions:

  - Foundations may be watered up to two hours on any day by handheld hose; or using a soaker hose or drip system placed within 24 inches of the foundation that does not produce a spray of water above the ground.

  - Newly installed shrubs (first year), and trees may be watered up to two hours on any day by handheld hose, drip irrigation, or a soaker hose. Tree watering is limited to an area not to exceed the drip line of a tree.

  - Outdoor watering at service addresses with large multi-station irrigation systems may take place in accordance with a variance granted by the Director of Public Services, if the Director of Public Services determines that a property cannot be completely irrigated with an average three-quarters of an inch of water in a single day, and that the property should be divided into sections to be watered on different days.

  - Once per week watering restrictions do not apply to locations using well water or treated wastewater effluent for irrigation.

- All users are encouraged to wait until the current drought or emergency situation has passed before establishing new landscaping and turf. If new hydro mulch, grass sod, or grass seed is installed for the purpose of establishing a new lawn, there are no watering restrictions for the first 30 days while it is being established. After that, the watering restrictions set forth in this stage apply. (This exception does not include over seeding with rye since turf already exists.)

- Prohibit the use of water for dust control, except as required to protect public health.

- Prohibit the operation of ornamental fountains or ponds that use potable water except where necessary to support aquatic life or where such fountains or ponds are equipped with a recirculation system.

- Prohibit filling of swimming pools with automatic valves.

In addition to actions listed above the City and Local Government:

- Continue or initiate any actions available under Stage 2.

- Review conditions or problems that caused Stage 2. Take corrective action.

- Increase frequency of media releases on water supply conditions.

- Further accelerate public education efforts on ways to reduce water use.

- Landscape watering of municipal parks, golf courses, and sports fields is limited to once every seven days; or once every seven days per irrigation station if a variance is granted by the Director of Public Services. (See Stage 2 exceptions to
outdoor watering restrictions in all water users category for rules that apply to facilities with large multi-station irrigation systems.)

Exceptions:
- Golf courses may water greens and tee boxes as needed to keep them alive, however watering must be done before 10 a.m. and after 6 p.m. Fairways are restricted to once per week watering as outlined above. Golf course rough cannot be watered.
- Watering for dust control on skinned areas of sports fields is not allowed.
- Eliminate non-essential water use. As used herein, non-essential water uses are those that do not have any health or safety impact and are not needed to meet the core function of the agency.
- Prohibit wet street sweeping.
- Notify wholesale customers of actions being taken and request them to implement the same drought stage and measures.

Commercial or Industrial
- All actions listed above for all water users apply to commercial and industrial users.
- Landscape watering of parks, golf courses, and sports fields is limited to once every seven days; or once every seven days per irrigation station if a variance is granted by the Director of Public Services. (See Stage 2 exceptions to outdoor watering restrictions in all water users category for rules that apply to facilities with large multi-station irrigation systems.)

Exceptions:
- Golf courses may water greens and tee boxes as needed to keep them alive, however watering must be done before 10 a.m. and after 6 p.m. Fairways are restricted to once per week watering as outlined above. Golf course rough cannot be watered.
- Watering for dust control on skinned areas of sports fields is not allowed.
- Professional sports fields (playing fields with a stadium only – not surrounding landscaping) may be watered as needed to maintain league standards.

6.10 Stage 3, Water Emergency

6.10.1 Triggering and Termination Conditions for Stage 3, Water Emergency
- Total raw water supply in TRWD western and eastern division reservoirs drops below 45% (55% depleted) of conservation storage capacity.
- Water demand exceeds the amount that can be delivered to customers.
Water demand for all or part of the Azle delivery system approaches delivery capacity because delivery capacity is inadequate.

- One or more of TRWD’s water supply sources has become limited in availability.
- Water demand is projected to approach the limit of permitted supply.
- Supply source becomes contaminated.
- Water supply system is unable to deliver water due to the failure or damage of major water system components.
- The City Manager, with concurrence of the City Council, finds that conditions warrant the declaration of a Stage 3 drought.

Stage 3 may terminate when raw water supply exceeds 45% storage capacity, and/or when the circumstances that caused the initiation of Stage 3 no longer prevail when TRWD terminates Stage 1, or at the discretion of the City Manager and Council.

### 6.10.2 Goals for Use Reduction and Actions Available under, Stage 3, Water Emergency

**Goal** – The goal for the Stage 3 water use restriction is a twenty percent (20%) reduction in system demand compared to system demand prior to implementation of Stage 1.

### 6.10.3 Action Available under, Stage 3, Water Emergency

All requirements of Stage 2 shall remain in effect during Stage 3:

The City Manager can order the implementation of any of the actions listed below, as deemed necessary. Measures imposing mandatory requirements on customers require notification to TCEQ. The City must notify TCEQ within five business days if these measures are implemented.

- Continue or initiate any actions available under Stages 1 and 2.
- Require customers (including indirect customers) to initiate Stage 3 in their drought contingency plans. Indirect customers include any wholesale customer of The City’s primary wholesale customers.

**All Water Users**

- Prohibit all landscape watering, including at parks, golf courses, and sports fields.

**Exceptions:**

- Foundations may be watered up to two hours on any day by handheld hose; or using a soaker hose or drip irrigation system placed within 24-inches of the foundation that does not produce a spray of water above the ground.
Trees may be watered up to two hours on any day by handheld hose, drip irrigation, or soaker hose. Tree watering is limited to an area not to exceed the drip line of a tree.

- Prohibit establishment of new landscaping.
- Vehicle washing restricted to commercial car wash or commercial service station and can only be done as necessary for health, sanitation, or safety reasons, including but not limited to the washing of garbage trucks and vehicles used to transport food and other perishables. All other vehicle washing is prohibited.
- Prohibit the operation of ornamental fountains or ponds that use potable water except where necessary to support aquatic life.
- Prohibit the draining, filling, or refilling of swimming pools, wading pools and Jacuzzi type pools. Existing private and public pools may add water to maintain pool levels; however they may not be refilled using automatic fill valves.

In addition to actions listed above the City and Local Government:

- Continue or initiate any actions available under Stages 1 and 2.
- Review conditions or problems that caused Stage 3. Take corrective action.
- Implement viable alternative water supply strategies.
- Increase frequency of media releases explaining emergency situation.
- Reduce city and local government water use to maximum extent possible.
- Prohibit the permitting of new swimming pools, Jacuzzi type pools, spas, ornamental ponds and fountain construction. Pools already permitted and under construction may be completely filled with water.
- Landscape watering at municipal parks, golf courses, and sports fields is prohibited.

**Exceptions**

- Golf course greens may be watered by hand as needed to keep them alive, however watering must be done before 10 a.m. and after 6 p.m.

- Institute a mandated reduction in deliveries to all customers. Such a reduction will be distributed as required by Texas Water Code §11.039.
- If the City has imposed a reduction in water available to customers, impose the same percent reduction on wholesale customers.
- Notify wholesale customers of actions being taken and request them to implement the same drought stage and measures.

**Commercial or Industrial**

- All actions listed above for all water users apply to commercial and industrial users.
- Landscape watering at parks, golf courses, and sports fields is prohibited.
Exceptions

- Golf course greens may be watered by hand as needed to keep them alive, however watering must be done before 10 a.m. and after 6 p.m.
- Professional sports fields (playing fields with a stadium only – not surrounding landscaping) may be watered as needed to maintain league standards.

- Hotels, restaurants, and bars required to serve drinking water to patrons on an “on demand” basis.
- Hotels are required to implement laundry conservation measures by encouraging patrons to reuse linens and towels.
- Stock at commercial plant nursery may be watered only with a hand-held hose, hand-held watering can, or drip irrigation system.
- Commercial water users required to reduce water use by a set percentage determined by the Director of Public Services.

6.11 Water Rationing

In the event that water shortage conditions threaten public health, safety, and welfare, the City Manager is hereby authorized to ration water according to the following water allocation plan:

6.11.1 Water Rationing, Single-Family Residential Customers

The allocation to residential water customers residing in a single-family dwelling shall be as follows:

<table>
<thead>
<tr>
<th>Persons per Household</th>
<th>Gallons per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 or 2</td>
<td>6,000</td>
</tr>
<tr>
<td>3 or 4</td>
<td>7,000</td>
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<tr>
<td>5 or 6</td>
<td>8,000</td>
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<tr>
<td>7 or 8</td>
<td>9,000</td>
</tr>
<tr>
<td>9 or 10</td>
<td>10,000</td>
</tr>
<tr>
<td>11 or more</td>
<td>12,000</td>
</tr>
</tbody>
</table>

“Household” means the residential premises served by the customer’s meter. “Persons per household” includes only those persons currently physically residing at the premises and expected to reside there for the entire billing period. It shall be assumed that a particular customer’s household is comprised of two (2) persons unless the customer notifies the City of Azle of a greater number of persons per household on a form prescribed by the City.
Manager. The City Manager shall give his/her best effort to see that such forms are mailed, otherwise provided, or made available to every residential customer. If, however, a customer does not receive such a form, it shall be the customer’s responsibility to go to the City of Azle offices to complete and sign the form claiming more than two (2) persons per household. New customers may claim more persons per household at the time of applying for water service on the form prescribed by the City Manager. When the number of persons per household increases so as to place the customer in a different allocation category, the customer may notify the City of Azle on such form and the change will be implemented in the next practicable billing period. If the number of persons in a household is reduced, the customer shall notify the City of Azle in writing within two (2) days. In prescribing the method for claiming more than two (2) persons per household, the City Manager shall adopt methods to insure the accuracy of the claim. Any person who knowingly, recklessly, or with criminal negligence falsely reports the number of persons in a household or fails to timely notify the City of Azle of a reduction in the number of persons in a household shall be fined not less than $200.00. Residential water customers shall pay one and one half times the base rate for water used over the allocation limits.

6.11.2 Water Rationing, Master-Metered Multi-Family Residential Customers

The allocation to a customer billed from a master meter which jointly measures water to multiple permanent residential dwelling units (e.g., apartments, mobile homes) shall be allocated 6,000 gallons per month for each dwelling unit. It shall be assumed that such a customer’s meter serves two dwelling units unless the customer notifies the City of Azle of a greater number on a form prescribed by the City Manager. The City Manager shall give his/her best effort to see that such forms are mailed, otherwise provided, or made available to every such customer. If, however, a customer does not receive such a form, it shall be the customer’s responsibility to go to the City of Azle offices to complete and sign the form claiming more than two (2) dwelling units. A dwelling unit may be claimed under this provision whether it is occupied or not. New customers may claim more dwelling units at the time of applying for water service on the form prescribed by the City Manager. If the number of dwelling units served by a master meter is reduced, the customer shall notify the City of Azle in writing within two (2) days. In prescribing the method for claiming more than two (2) dwelling units, the City Manager shall adopt methods to insure the accuracy of the claim. Any person who knowingly, recklessly, or with criminal negligence falsely reports the number of dwelling units served by a master meter or fails to timely notify the City of Azle of a reduction in the number of persons in a household shall be fined not less than $200.00. Customers billed from a master meter under this provision shall pay one and one half times the base rate for water used over the allocation limits.

6.11.3 Water Rationing, Commercial Customers

A monthly water usage allocation shall be established by the City Manager, or his/her designee, for each nonresidential commercial customer other than an industrial customer who uses water for processing purposes. The non-residential customer’s allocation shall be approximately 75% percent of the customer’s usage for corresponding month’s billing period for the previous 12 months. If the customer’s billing history is shorter than 12 months, the monthly average for the period for which there is a record shall be used for any
monthly period for which no history exists. The City Manager shall give his/her best effort to see that notice of each non-residential customer’s allocation is mailed to such customer. If, however, a customer does not receive such notice, it shall be the customer’s responsibility to contact the City of Azle to determine the allocation. Upon request of the customer or at the initiative of the City Manager, the allocation may be reduced or increased if;

- the designated period does not accurately reflect the customer’s normal water usage.
- one nonresidential customer agrees to transfer part of its allocation to another nonresidential customer.
- other objective evidence demonstrates that the designated allocation is inaccurate under present conditions.

A customer may appeal an allocation established hereunder to the City Council. Nonresidential commercial customers shall pay one and one half times the base rate for water used over the allocation limits.

6.11.4 Water Rationing, Industrial Customers

A monthly water usage allocation shall be established by the City Manager, or his/her designee, for each industrial customer, which uses water for processing purposes. The industrial customer’s allocation shall be approximately 90% percent of the customer’s water usage baseline. Ninety (90) days after the initial imposition of the allocation for industrial customers, the industrial customer’s allocation shall be further reduced to 85% percent of the customer’s water usage baseline. The industrial customer’s water usage baseline will be computed on the average water usage for the 12 month period ending prior to the date of implementation of Stage 2 of the Plan. If the industrial water customer’s billing history is shorter than 12 months, the monthly average for the period for which there is a record shall be used for any monthly period for which no billing history exists. The City Manager shall give his/her best effort to see that notice of each industrial customer’s allocation is mailed to such customer. If, however, a customer does not receive such notice, it shall be the customer’s responsibility to contact the City of Azle to determine the allocation, and the allocation shall be fully effective notwithstanding the lack of receipt of written notice. Upon request of the customer or at the initiative of the City Manager, the allocation may be reduced or increased;

- if the designated period does not accurately reflect the customer’s normal water usage because the customer had shut down a major processing unit for repair or overhaul during the period.
- the customer has added or is in the process of adding significant additional processing capacity.
- the customer has shut down or significantly reduced the production of a major processing unit.
the customer has previously implemented significant permanent water conservation measures such that the ability to further reduce usage is limited.

the customer agrees to transfer part of its allocation to another industrial customer.

if other objective evidence demonstrates that the designated allocation is inaccurate under present conditions.

A customer may appeal an allocation established hereunder to the City Council. Industrial customers shall pay one and one half times the base rate for water used over the allocation limits.

6.12 Procedure for Granting Variances to the Plan

The City Manager may grant temporary variances for existing water uses otherwise prohibited under this Drought Contingency Plan to a customer if one or more of the following conditions are met:

- Failure to grant such a variance would cause an emergency condition adversely affecting health, sanitation, or fire safety for the public or the person requesting the variance.
- Compliance with this plan cannot be accomplished due to technical or other limitations.
- Alternative methods that achieve the same level of reduction in water use can be implemented.

Variances shall be granted or denied at the discretion of the City Manager. All petitions for variances should be in writing and should include the following information:

- Name and address of petitioner(s)
- Purpose of water use
- Specific provisions from which relief is requested
- Detailed statement of the adverse effect of the provision from which relief is requested
- Description of the relief requested
- Period of time for which the variance is sought
- Alternative measures that will be taken to reduce water use
- Other pertinent information..

6.13 Procedure for Enforcement of Mandatory Restrictions

No person shall knowingly or intentionally allow the use of water from the City of Azle 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 the City Manager, 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 of not less than one hundred dollars ($100.00) and not more than 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 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 $500.00, and any other costs incurred by the City of Azle in discontinuing service. In addition, suitable assurance must be given to the City Manager 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 Azle, 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 Azle Police Officer, or Code Enforcement Officer, 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 the municipal court on the date shown on the citation for which the date shall not be less than three (3) days nor more than five (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 fourteen (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 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 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 municipal court before all other cases.
6.14 **Coordination with the Regional Water Planning Group**

The City of Azle is located within the Region C water planning area. A copy of the Water Conservation and Drought Contingency Plan was given to the Chair of the Region C Water Planning Group (RCWPG) and Tarrant Regional Water District (TRWD).

The City’s Water Conservation and Drought Contingency Plan generally mirrors TRWD’s plan; therefore, the City will respond appropriately to reductions in the TRWD water supply.

6.15 **Review and Update of Drought Contingency Plan**

As required by TCEQ rules, the City of Azle will review this Drought Contingency Plan every five years, beginning in 2011. The plan will be updated as appropriate based on new or updated information. As the plan is reviewed and subsequently updated, a copy of the revised Drought Contingency Plan will be submitted to the TCEQ, TRWD and the RCWPG for their records.

6.16 **Supplemental Information**

The guidelines for a Water Conservation Plan require an entity to set 5 and 10 year goals for water conservation. The goals, which are non-enforceable, must be in a measurable form such as gpcd (gallons per capita per day) usage. Setting of the goals should be based on identifying water conservation strategies that the City of Azle can successfully implement and assigning an anticipated water savings value to the strategy.

- **Schedule for implementing the plan**

1. The City of Azle tests for inaccurate meters and has a replacement plan for water meters over 10 years old. The 5 year goal is to have 50% of all meters reading +/- 5% accurate and 100% at this level of efficiency in 10 years.

2. Regular in-house water audits will be conducted annually with immediate steps taken to correct identified losses.

3. The City will work to identify and replace aged infrastructure which hinders efficiency through line loss and corrosion, both on the supply and distribution systems. Our 5 year goal is to replace 1 mile of depreciated line and related infrastructure and 2 miles within 10 years.

4. The City will conduct educational and informational programs for distribution to all customers related to fresh water issues, encouraging conservation and increased efficiency for consumption. This will be completed by use of the City web site and the quarterly newsletter.

- **Method of tracking and implementing the plan to achieve target and goals**
1. The City’s record management system allows for the ability to monitor on a daily reporting system: water levels, water pumped, treated and released, this system allows for the review of information for weekly, monthly and annual data.

2. The City will maintain logs and records for meter testing, calibration, and replacement, and for visual inspections of main fittings and connections.

3. Records will be maintained relating to replacement of meters, line and leak repair, and construction of new infrastructure.
Retail Water Services

Does the applicant provide retail water services?: Y
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?: Y

Potable Water Services

Is the applicant a retail public utility that provides potable water?: Y
If yes, has the applicant already submitted a most recently required water loss audit to the TWDB?: Y

Provide Wastewater Services

Does the applicant provide wastewater services?: Y

Provide Regional or Wholesale Water Services

Does the applicant provide regional or wholesale water services?: N

Top Ten Customers of Water System

Top Ten Water Customers

<table>
<thead>
<tr>
<th>Customer Name</th>
<th>Annual Usage (gal)</th>
<th>Percent of Total Water Revenue</th>
<th>Bankruptcy (Y/N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Azle ISD</td>
<td>18,592,004</td>
<td>4.00%</td>
<td>N</td>
</tr>
<tr>
<td>City of Azle</td>
<td>13,687,472</td>
<td>2.03%</td>
<td>N</td>
</tr>
<tr>
<td>Walmart</td>
<td>5,748,350</td>
<td>1.11%</td>
<td>N</td>
</tr>
<tr>
<td>Azle Laserwash</td>
<td>5,535,207</td>
<td>0.97%</td>
<td>N</td>
</tr>
<tr>
<td>Azle Manor</td>
<td>4,969,712</td>
<td>0.96%</td>
<td>N</td>
</tr>
<tr>
<td>Harris Methodist</td>
<td>3,568,813</td>
<td>0.91%</td>
<td>N</td>
</tr>
<tr>
<td>Crestwood Apt</td>
<td>3,285,223</td>
<td>0.63%</td>
<td>N</td>
</tr>
<tr>
<td>Quick Wash</td>
<td>3,242,505</td>
<td>0.58%</td>
<td>N</td>
</tr>
<tr>
<td>Albertson</td>
<td>2,349,393</td>
<td>0.47%</td>
<td>N</td>
</tr>
<tr>
<td>Azle Car Wash &amp; Detail</td>
<td>1,864,420</td>
<td>0.37%</td>
<td>N</td>
</tr>
</tbody>
</table>

Top Ten Water System Customers Comments:

Current average Residential Usage and Rate Information
### Top Ten Customers of Wastewater System

#### Top Ten Wastewater Customers

<table>
<thead>
<tr>
<th>Customer Name</th>
<th>Annual Usage (gal)</th>
<th>Percent of Total Water Revenue</th>
<th>Bankruptcy (Y/N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Azle ISD</td>
<td>7,522,467</td>
<td>1.23%</td>
<td>N</td>
</tr>
<tr>
<td>Azle Manor</td>
<td>5,066,203</td>
<td>0.84%</td>
<td>N</td>
</tr>
<tr>
<td>City of Azle</td>
<td>4,791,745</td>
<td>0.79%</td>
<td>N</td>
</tr>
<tr>
<td>Azle Laserwash</td>
<td>4,573,666</td>
<td>0.76%</td>
<td>N</td>
</tr>
<tr>
<td>Crestwood Apt</td>
<td>3,767,998</td>
<td>0.63%</td>
<td>N</td>
</tr>
<tr>
<td>Quick Wash</td>
<td>3,242,282</td>
<td>0.54%</td>
<td>N</td>
</tr>
<tr>
<td>Walmart</td>
<td>2,236,424</td>
<td>0.38%</td>
<td>N</td>
</tr>
<tr>
<td>Azle Car Wash &amp; Detail</td>
<td>1,960,691</td>
<td>0.33%</td>
<td>N</td>
</tr>
<tr>
<td>Harris Methodist</td>
<td>1,304,336</td>
<td>0.23%</td>
<td>N</td>
</tr>
<tr>
<td>Albertson</td>
<td>220,460</td>
<td>0.05%</td>
<td>N</td>
</tr>
</tbody>
</table>

#### Top Ten Wastewater System Customers Comments:

- Current average Residential Usage and Rate Information

<table>
<thead>
<tr>
<th>Service</th>
<th>Date of Last Rate Increase</th>
<th>Avg. Monthly Usage (gallons)</th>
<th>Avg. Monthly Bill ($)</th>
<th>Avg. Monthly Increase Per Customer ($)</th>
<th>Projected Monthly Increase Necessary ($)</th>
<th>Anticipated Date of Projected Rate Increase (Date)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>10-01-2015</td>
<td>7,387</td>
<td>$45.41</td>
<td>$1.32</td>
<td>$0</td>
<td>10-01-2017</td>
</tr>
</tbody>
</table>

### Number of Customers in Past 5 Years

#### Customers in Past 5 Years

- 2016: 5,321
- 2015: 5,093
- 2014: 5,077
- 2013: 5,061
2012: 4,949

**Debt**

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): None

Has the applicant ever defaulted on any debt?: N

**Taxing Authority**

Does the applicant have taxing authority?: Y

**Tax Assessed Valuations**

<table>
<thead>
<tr>
<th>Fiscal Year Ending</th>
<th>Net Taxable Assessed Value ($)</th>
<th>Tax Rate ($)</th>
<th>General Fund ($)</th>
<th>Interest &amp; Sinking Fund ($)</th>
<th>Tax Levy ($)</th>
<th>Percentage Current Collections (%)</th>
<th>Percentage Total Collections (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$695,057,759</td>
<td>$0.68</td>
<td>$0.56</td>
<td>$0.12</td>
<td>$4,722,917</td>
<td>97.80%</td>
<td>97.80%</td>
</tr>
<tr>
<td>2016</td>
<td>$671,058,656</td>
<td>$0.68</td>
<td>$0.54</td>
<td>$0.14</td>
<td>$4,559,843</td>
<td>98.85%</td>
<td>99.85%</td>
</tr>
<tr>
<td>2015</td>
<td>$658,530,702</td>
<td>$0.67</td>
<td>$0.53</td>
<td>$0.14</td>
<td>$4,398,467</td>
<td>98.73%</td>
<td>99.50%</td>
</tr>
<tr>
<td>2014</td>
<td>$644,482,172</td>
<td>$0.66</td>
<td>$0.52</td>
<td>$0.14</td>
<td>$4,250,360</td>
<td>98.81%</td>
<td>99.43%</td>
</tr>
<tr>
<td>2013</td>
<td>$630,650,917</td>
<td>$0.65</td>
<td>$0.5</td>
<td>$0.15</td>
<td>$4,096,077</td>
<td>98.73%</td>
<td>99.59%</td>
</tr>
</tbody>
</table>

Tax Assessed Values Comments: 2017 collections as of 3/31/2017
City of Azle, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of September 30, 2016 (Unaudited)
(amounts expressed in thousands)

<table>
<thead>
<tr>
<th>Governmental Unit</th>
<th>Debt Outstanding</th>
<th>Estimated Percentage Applicable&lt;sup&gt;1&lt;/sup&gt;</th>
<th>Estimated Share of Overlapping Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Azle Independent School District</td>
<td>$31,199,229</td>
<td>25.25%</td>
<td>$7,877,805</td>
</tr>
<tr>
<td>Parker County</td>
<td>92,160,000</td>
<td>1.12%</td>
<td>1,032,192</td>
</tr>
<tr>
<td>Parker County Junior College District</td>
<td>4,462,330</td>
<td>1.12%</td>
<td>49,978</td>
</tr>
<tr>
<td>Tarrant County</td>
<td>344,172,983</td>
<td>0.41%</td>
<td>1,411,109</td>
</tr>
<tr>
<td>Tarrant County Hospital District</td>
<td>22,335,000</td>
<td>0.41%</td>
<td>91,574</td>
</tr>
<tr>
<td><strong>Subtotal, overlapping debt</strong></td>
<td><strong>10,462,658</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City of Azle, direct debt</td>
<td></td>
<td></td>
<td>4,801,803</td>
</tr>
<tr>
<td><strong>Total direct and overlapping debt</strong></td>
<td><strong>$15,264,461</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping by the residents and businesses of the City of Azle. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply the every taxpayer is a resident--and therefore responsible for repaying the debt--of each overlapping government.

<sup>1</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.
## TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th></th>
<th>2016</th>
<th></th>
<th>2015</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>% of Total</td>
<td>Amount</td>
<td>% of Total</td>
<td>Amount</td>
<td>% of Total</td>
</tr>
<tr>
<td>Real, Residential, Single-Family</td>
<td>$517,853,724</td>
<td>71.46%</td>
<td>$457,735,193</td>
<td>67.27%</td>
<td>$460,637,711</td>
<td>68.09%</td>
</tr>
<tr>
<td>Real, Residential, Multi-Family</td>
<td>26,739,079</td>
<td>3.69%</td>
<td>24,355,526</td>
<td>3.58%</td>
<td>23,640,717</td>
<td>3.49%</td>
</tr>
<tr>
<td>Real, Vacant Lots/Tracts</td>
<td>21,186,735</td>
<td>2.92%</td>
<td>15,743,501</td>
<td>2.31%</td>
<td>15,523,109</td>
<td>2.29%</td>
</tr>
<tr>
<td>Real, Acreage (Land Only)</td>
<td>5,321,221</td>
<td>0.73%</td>
<td>2,920,364</td>
<td>0.43%</td>
<td>5,682,267</td>
<td>0.84%</td>
</tr>
<tr>
<td>Real, Farm and Ranch Improvements</td>
<td>4,338,940</td>
<td>0.60%</td>
<td>3,448,520</td>
<td>0.51%</td>
<td>3,725,558</td>
<td>0.55%</td>
</tr>
<tr>
<td>Real, Commercial</td>
<td>99,477,324</td>
<td>13.73%</td>
<td>110,338,125</td>
<td>16.22%</td>
<td>109,247,369</td>
<td>16.15%</td>
</tr>
<tr>
<td>Real, Industrial &amp; Billboard</td>
<td>-</td>
<td>0.00%</td>
<td>89,499</td>
<td>0.1%</td>
<td>89,499</td>
<td>0.1%</td>
</tr>
<tr>
<td>Real, Oil, Gas, Mineral Reserve</td>
<td>1,840,090</td>
<td>0.25%</td>
<td>5,198,230</td>
<td>0.76%</td>
<td>4,047,510</td>
<td>0.60%</td>
</tr>
<tr>
<td>Real and Tangible Personal, Utilities</td>
<td>7,362,543</td>
<td>1.02%</td>
<td>10,609,428</td>
<td>1.56%</td>
<td>10,275,247</td>
<td>1.52%</td>
</tr>
<tr>
<td>Tangible Personal, Commercial</td>
<td>24,680,399</td>
<td>3.41%</td>
<td>30,544,504</td>
<td>4.49%</td>
<td>26,511,132</td>
<td>3.92%</td>
</tr>
<tr>
<td>Tangible Personal, Industrial</td>
<td>12,727,650</td>
<td>1.76%</td>
<td>12,840,130</td>
<td>1.89%</td>
<td>11,078,300</td>
<td>1.64%</td>
</tr>
<tr>
<td>Tangible Personal, Mobile Homes</td>
<td>245,446</td>
<td>0.03%</td>
<td>232,930</td>
<td>0.03%</td>
<td>191,210</td>
<td>0.03%</td>
</tr>
<tr>
<td>Real Property, Inventory</td>
<td>2,501,540</td>
<td>0.35%</td>
<td>6,020,578</td>
<td>0.88%</td>
<td>5,809,487</td>
<td>0.86%</td>
</tr>
<tr>
<td>Special Inventory</td>
<td>384,038</td>
<td>0.05%</td>
<td>388,013</td>
<td>0.06%</td>
<td>12,350</td>
<td>0.00%</td>
</tr>
<tr>
<td>Total Appraised Value Before Exemptions</td>
<td>$724,658,729</td>
<td>100.00%</td>
<td>$680,444,541</td>
<td>100.00%</td>
<td>$676,471,466</td>
<td>100.00%</td>
</tr>
<tr>
<td>Less: Total Exemptions/Reductions</td>
<td>(29,600,970)</td>
<td></td>
<td>(28,778,486)</td>
<td></td>
<td>(26,871,712)</td>
<td></td>
</tr>
<tr>
<td>Adjustment</td>
<td>-</td>
<td></td>
<td>19,392,601</td>
<td></td>
<td>8,930,948</td>
<td></td>
</tr>
<tr>
<td>Taxable Assessed Value</td>
<td>$695,057,759</td>
<td></td>
<td>$671,058,656</td>
<td></td>
<td>$658,530,702</td>
<td></td>
</tr>
</tbody>
</table>

## Taxable Appraised Value for Fiscal Year Ended September 30, 2014

<table>
<thead>
<tr>
<th>Category</th>
<th>2014</th>
<th></th>
<th>2013</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>% of Total</td>
<td>Amount</td>
<td>% of Total</td>
</tr>
<tr>
<td>Real, Residential, Single-Family</td>
<td>$448,698,842</td>
<td>67.44%</td>
<td>$432,680,794</td>
<td>68.24%</td>
</tr>
<tr>
<td>Real, Residential, Multi-Family</td>
<td>23,024,060</td>
<td>3.46%</td>
<td>20,556,325</td>
<td>3.24%</td>
</tr>
<tr>
<td>Real, Vacant Lots/Tracts</td>
<td>13,745,683</td>
<td>2.07%</td>
<td>13,078,306</td>
<td>2.06%</td>
</tr>
<tr>
<td>Real, Acreage (Land Only)</td>
<td>8,259,387</td>
<td>1.24%</td>
<td>11,240,438</td>
<td>1.77%</td>
</tr>
<tr>
<td>Real, Farm and Ranch Improvements</td>
<td>3,161,498</td>
<td>0.48%</td>
<td>2,048,890</td>
<td>0.32%</td>
</tr>
<tr>
<td>Real, Commercial</td>
<td>109,421,675</td>
<td>16.45%</td>
<td>104,123,599</td>
<td>16.42%</td>
</tr>
<tr>
<td>Real, Industrial &amp; Billboard</td>
<td>91,441</td>
<td>0.01%</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Real, Oil, Gas, Mineral Reserve</td>
<td>4,019,880</td>
<td>0.60%</td>
<td>4,997,820</td>
<td>0.79%</td>
</tr>
<tr>
<td>Real and Tangible Personal, Utilities</td>
<td>10,606,759</td>
<td>1.59%</td>
<td>9,793,869</td>
<td>1.54%</td>
</tr>
<tr>
<td>Tangible Personal, Commercial</td>
<td>25,983,785</td>
<td>3.91%</td>
<td>20,930,891</td>
<td>3.30%</td>
</tr>
<tr>
<td>Tangible Personal, Industrial</td>
<td>12,686,150</td>
<td>1.91%</td>
<td>9,345,180</td>
<td>1.47%</td>
</tr>
<tr>
<td>Tangible Personal, Mobile Homes</td>
<td>175,410</td>
<td>0.03%</td>
<td>191,410</td>
<td>0.03%</td>
</tr>
<tr>
<td>Real Property Inventory</td>
<td>5,485,674</td>
<td>0.82%</td>
<td>5,058,330</td>
<td>0.80%</td>
</tr>
<tr>
<td>Special Inventory</td>
<td>8,300</td>
<td>0.00%</td>
<td>3,810</td>
<td>0.00%</td>
</tr>
<tr>
<td>Total Appraised Value Before Exemptions</td>
<td>$665,368,544</td>
<td>100.00%</td>
<td>$634,049,662</td>
<td>100.00%</td>
</tr>
<tr>
<td>Less: Total Exemptions/Reductions</td>
<td>(24,851,184)</td>
<td></td>
<td>(24,790,768)</td>
<td></td>
</tr>
<tr>
<td>Adjustment</td>
<td>3,964,812</td>
<td></td>
<td>21,392,023</td>
<td></td>
</tr>
<tr>
<td>Taxable Assessed Value</td>
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<td></td>
<td>$609,650,917</td>
<td></td>
</tr>
</tbody>
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### TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY

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<tr>
<th>Category</th>
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<th>% of Total</th>
<th>2015</th>
<th>% of Total</th>
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<td>0.84%</td>
</tr>
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<td>$4,338,940</td>
<td>0.60%</td>
<td>$3,448,520</td>
<td>0.51%</td>
<td>$3,725,558</td>
<td>0.55%</td>
</tr>
<tr>
<td>Real, Agricultural</td>
<td>$99,477,324</td>
<td>13.73%</td>
<td>$110,338,125</td>
<td>16.22%</td>
<td>$109,247,369</td>
<td>16.15%</td>
</tr>
<tr>
<td>Real, Industrial &amp; Billboard</td>
<td>-</td>
<td>0.00%</td>
<td>$89,499</td>
<td>0.01%</td>
<td>$89,499</td>
<td>0.01%</td>
</tr>
<tr>
<td>Real, Oil, Gas, Mineral Reserve</td>
<td>$1,840,090</td>
<td>0.25%</td>
<td>$5,198,230</td>
<td>0.76%</td>
<td>$4,047,510</td>
<td>0.60%</td>
</tr>
<tr>
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<td>1.02%</td>
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<td>1.56%</td>
<td>$10,275,247</td>
<td>1.52%</td>
</tr>
<tr>
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<td>3.41%</td>
<td>$30,544,504</td>
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<td>1.76%</td>
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<td>1.89%</td>
<td>$11,078,300</td>
<td>1.64%</td>
</tr>
<tr>
<td>Tangible Personal, Mobile Homes</td>
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<td>$5,809,487</td>
<td>0.86%</td>
</tr>
<tr>
<td>Total Appraised Value Before Exemptions</td>
<td>$724,658,729</td>
<td>100.00%</td>
<td>$680,444,541</td>
<td>100.00%</td>
<td>$676,471,466</td>
<td>100.00%</td>
</tr>
<tr>
<td>Less: Total Exemptions/Adjustment</td>
<td>(29,600,970)</td>
<td></td>
<td>(28,778,486)</td>
<td></td>
<td>(26,871,712)</td>
<td></td>
</tr>
<tr>
<td>Taxable Assessed Value</td>
<td>$695,057,759</td>
<td></td>
<td>$651,666,056</td>
<td></td>
<td>$659,599,754</td>
<td></td>
</tr>
</tbody>
</table>

**Taxable Appraised Value for Fiscal Year Ended September 30, 2014**

<table>
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<tr>
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<th>2013</th>
<th>% of Total</th>
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<tr>
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<td></td>
<td>(24,790,768)</td>
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<tr>
<td>Taxable Assessed Value</td>
<td>$644,482,172</td>
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<td>$609,258,917</td>
<td></td>
</tr>
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</table>
### Table 2 – Taxable Assessed Valuations by Category

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<tr>
<th>Category</th>
<th>2017</th>
<th>% of Total</th>
<th>2016</th>
<th>% of Total</th>
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<th>% of Total</th>
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<td>23,640,717</td>
<td>3.49%</td>
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<td>15,523,109</td>
<td>2.29%</td>
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<tr>
<td>Real, Acreage (Land Only)</td>
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<td>5,682,267</td>
<td>0.84%</td>
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<td>16.22%</td>
<td>109,247,369</td>
<td>16.15%</td>
</tr>
<tr>
<td>Real, Oil, Gas, Mineral Reserve</td>
<td>-</td>
<td>0.00%</td>
<td>89,499</td>
<td>0.01%</td>
<td>89,499</td>
<td>0.01%</td>
</tr>
<tr>
<td>Real and Tangible Personal, Utilities</td>
<td>7,362,543</td>
<td>1.02%</td>
<td>10,609,428</td>
<td>1.56%</td>
<td>10,275,247</td>
<td>1.52%</td>
</tr>
<tr>
<td>Tangible Personal, Commercial</td>
<td>24,680,399</td>
<td>3.41%</td>
<td>30,544,504</td>
<td>4.49%</td>
<td>26,511,132</td>
<td>3.92%</td>
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<td>0.86%</td>
</tr>
<tr>
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<td>0.06%</td>
<td>12,350</td>
<td>0.00%</td>
</tr>
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<tr>
<td>Less: Total Exemptions/Reductions</td>
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<td></td>
<td>(28,778,486)</td>
<td></td>
<td>(26,871,712)</td>
<td></td>
</tr>
<tr>
<td><strong>Adjustment</strong></td>
<td></td>
<td></td>
<td>19,392,601</td>
<td></td>
<td>8,930,948</td>
<td></td>
</tr>
<tr>
<td><strong>Taxable Assessed Value</strong></td>
<td>$695,057,759</td>
<td></td>
<td>$671,058,656</td>
<td></td>
<td>$658,530,702</td>
<td></td>
</tr>
</tbody>
</table>

### Table 2 – Taxable Assessed Valuations by Category (Continued)

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<thead>
<tr>
<th>Category</th>
<th>2014</th>
<th>% of Total</th>
<th>2013</th>
<th>% of Total</th>
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<tbody>
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</tr>
<tr>
<td>Real, Industrial &amp; Billboard</td>
<td>91,441</td>
<td>0.14%</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Real, Oil, Gas, Mineral Reserve</td>
<td>4,019,880</td>
<td>0.60%</td>
<td>4,997,820</td>
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</tr>
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</tr>
<tr>
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<td>1.47%</td>
</tr>
<tr>
<td>Tangible Personal, Mobile Homes</td>
<td>127,410</td>
<td>0.03%</td>
<td>191,410</td>
<td>0.03%</td>
</tr>
<tr>
<td>Real Property, Inventory</td>
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<tr>
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<td></td>
<td>(24,790,768)</td>
<td></td>
</tr>
<tr>
<td><strong>Adjustment</strong></td>
<td>3,964,812</td>
<td></td>
<td>21,392,023</td>
<td></td>
</tr>
<tr>
<td><strong>Taxable Assessed Value</strong></td>
<td>$644,482,172</td>
<td></td>
<td>$630,650,917</td>
<td></td>
</tr>
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<td>-------------------------------------------------------</td>
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**Total Appraised Value Before Exemptions**: $724,658,729 (100.00%)

**Less: Total Exemptions/Reductions**: (29,600,970)

**Adjustment**: -19,392,601

**Taxable Assessed Value**: $695,057,759

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**Total Appraised Value Before Exemptions**: $665,368,544 (100.00%)

**Less: Total Exemptions/Reductions**: (24,851,184)

**Adjustment**: 3,964,812

**Taxable Assessed Value**: $644,482,172
## TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY

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<td>Real, Industrial &amp; Billboard</td>
<td>-</td>
<td>0.00%</td>
<td>$89,499</td>
<td>0.01%</td>
<td>$89,499</td>
<td>0.01%</td>
</tr>
<tr>
<td>Real, Oil, Gas, Mineral Reserve</td>
<td>$1,840,090</td>
<td>0.25%</td>
<td>$5,198,230</td>
<td>0.76%</td>
<td>$4,047,510</td>
<td>0.60%</td>
</tr>
<tr>
<td>Real and Tangible Personal, Utilities</td>
<td>$7,362,543</td>
<td>1.02%</td>
<td>$10,609,428</td>
<td>1.56%</td>
<td>$10,275,247</td>
<td>1.52%</td>
</tr>
<tr>
<td>Tangible Personal, Commercial</td>
<td>$24,680,399</td>
<td>3.41%</td>
<td>$30,544,504</td>
<td>4.49%</td>
<td>$26,511,132</td>
<td>3.92%</td>
</tr>
<tr>
<td>Tangible Personal, Industrial</td>
<td>$12,727,650</td>
<td>1.76%</td>
<td>$12,840,130</td>
<td>1.89%</td>
<td>$11,078,300</td>
<td>1.64%</td>
</tr>
<tr>
<td>Tangible Personal, Mobile Homes</td>
<td>$245,446</td>
<td>0.03%</td>
<td>$232,930</td>
<td>0.03%</td>
<td>$191,210</td>
<td>0.03%</td>
</tr>
<tr>
<td>Real Property, Inventory</td>
<td>$99,477,324</td>
<td>13.73%</td>
<td>$110,338,125</td>
<td>16.22%</td>
<td>$109,247,369</td>
<td>16.15%</td>
</tr>
<tr>
<td>Special Inventory</td>
<td>$384,038</td>
<td>0.05%</td>
<td>$388,013</td>
<td>0.06%</td>
<td>$12,350</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Total Appraised Value Before Exemptions: $724,658,729

Less: Total Exemptions/Reductions: (29,600,970)

Adjustment: -19,392,601

Taxable Assessed Value: $695,057,759

## TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY

<table>
<thead>
<tr>
<th>Category</th>
<th>2014</th>
<th>% of Total</th>
<th>2013</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real, Residential, Single-Family</td>
<td>$448,698,842</td>
<td>67.44%</td>
<td>$342,680,794</td>
<td>68.24%</td>
</tr>
<tr>
<td>Real, Residential, Multi-Family</td>
<td>$23,024,060</td>
<td>3.46%</td>
<td>$20,556,325</td>
<td>3.24%</td>
</tr>
<tr>
<td>Real, Vacant Lots/Tracts</td>
<td>$13,745,683</td>
<td>2.07%</td>
<td>$13,078,306</td>
<td>2.06%</td>
</tr>
<tr>
<td>Real, Acreage (Land Only)</td>
<td>$8,259,387</td>
<td>1.24%</td>
<td>$11,240,438</td>
<td>1.77%</td>
</tr>
<tr>
<td>Real, Farm and Ranch Improvements</td>
<td>$3,161,498</td>
<td>0.48%</td>
<td>$2,048,890</td>
<td>0.32%</td>
</tr>
<tr>
<td>Real, Commercial</td>
<td>$109,421,675</td>
<td>16.45%</td>
<td>$104,123,599</td>
<td>16.42%</td>
</tr>
<tr>
<td>Real, Industrial &amp; Billboard</td>
<td>$91,441</td>
<td>0.01%</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Real, Oil, Gas, Mineral Reserve</td>
<td>$4,019,880</td>
<td>0.60%</td>
<td>$4,997,820</td>
<td>0.79%</td>
</tr>
<tr>
<td>Real and Tangible Personal, Utilities</td>
<td>$10,606,759</td>
<td>1.59%</td>
<td>$9,793,869</td>
<td>1.54%</td>
</tr>
<tr>
<td>Tangible Personal, Commercial</td>
<td>$25,983,785</td>
<td>3.91%</td>
<td>$20,930,891</td>
<td>3.30%</td>
</tr>
<tr>
<td>Tangible Personal, Industrial</td>
<td>$12,686,150</td>
<td>1.91%</td>
<td>$9,345,180</td>
<td>1.47%</td>
</tr>
<tr>
<td>Tangible Personal, Mobile Homes</td>
<td>$175,410</td>
<td>0.03%</td>
<td>$191,410</td>
<td>0.03%</td>
</tr>
<tr>
<td>Real Property Inventory</td>
<td>$5,485,674</td>
<td>0.08%</td>
<td>$5,058,330</td>
<td>0.08%</td>
</tr>
<tr>
<td>Special Inventory</td>
<td>$8,300</td>
<td>0.00%</td>
<td>$3,810</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Total Appraised Value Before Exemptions: $665,368,544

Less: Total Exemptions/Reductions: (24,851,184)

Adjustment: 3,964,812

Taxable Assessed Value: $644,482,172
Top Ten Taxpayers

<table>
<thead>
<tr>
<th>Taxpayer Name</th>
<th>Assessed Value</th>
<th>Percent of Total</th>
<th>Bankruptcy (Y/N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wal-Mart</td>
<td>$15,867,520</td>
<td>2.28%</td>
<td>N</td>
</tr>
<tr>
<td>Azle Manor Inc/Azle Manor LLC</td>
<td>$9,003,332</td>
<td>1.30%</td>
<td>N</td>
</tr>
<tr>
<td>Quality Trailer</td>
<td>$7,574,950</td>
<td>1.09%</td>
<td>N</td>
</tr>
<tr>
<td>TJ Machine &amp; Tool</td>
<td>$6,552,660</td>
<td>0.94%</td>
<td>N</td>
</tr>
<tr>
<td>DCP1021 TimberOaks Drive LLC</td>
<td>$4,646,333</td>
<td>0.67%</td>
<td>N</td>
</tr>
<tr>
<td>Eagle Crest Properties</td>
<td>$4,433,153</td>
<td>0.64%</td>
<td>N</td>
</tr>
<tr>
<td>ABS Tx Investor LP</td>
<td>$3,850,000</td>
<td>0.55%</td>
<td>N</td>
</tr>
<tr>
<td>Jack D Truly</td>
<td>$3,402,141</td>
<td>0.49%</td>
<td>N</td>
</tr>
<tr>
<td>R/R Cross LLC</td>
<td>$3,301,140</td>
<td>0.47%</td>
<td>N</td>
</tr>
<tr>
<td>US Realty 87 Azle Assoc.</td>
<td>$3,099,247</td>
<td>0.45%</td>
<td>N</td>
</tr>
</tbody>
</table>

Top Ten Taxpayer Comments:

Tax Rate and Sales Tax

Provide the maximum tax rate permitted by law per $100 of property value: $2.5

Does the applicant collect sales tax?: Y

2017: $1,136,704
2016: $1,969,740
2015: $1,814,980
2014: $1,722,355
2013: $1,697,251

Sales Tax History Comments:

Is the proposed loan tax-exempt?: Y
### Debt Service Pro Forma

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>695,057,759</td>
<td>1,200,000 356,539 1,556,539</td>
<td>Principal 50,000 Interest 29,625 Total P&amp;I 79,625 $1,565,539</td>
<td>1,565,539</td>
<td>0.2239</td>
</tr>
<tr>
<td>2018</td>
<td>695,057,759</td>
<td>1,225,000 335,045 1,560,045</td>
<td>Principal 50,000 Interest 38,250 Total P&amp;I 88,250 $1,644,779</td>
<td>1,644,779</td>
<td>0.2666</td>
</tr>
<tr>
<td>2019</td>
<td>695,057,759</td>
<td>1,245,000 311,529 1,556,529</td>
<td>Principal 50,000 Interest 36,675 Total P&amp;I 87,675 $1,647,852</td>
<td>1,647,852</td>
<td>0.2371</td>
</tr>
<tr>
<td>2020</td>
<td>695,057,759</td>
<td>1,270,000 286,177 1,556,177</td>
<td>Principal 55,000 Interest 38,250 Total P&amp;I 93,250 $1,644,779</td>
<td>1,644,779</td>
<td>0.2366</td>
</tr>
<tr>
<td>2021</td>
<td>695,057,759</td>
<td>1,295,000 258,706 1,553,706</td>
<td>Principal 55,000 Interest 35,025 Total P&amp;I 90,025 $1,643,731</td>
<td>1,643,731</td>
<td>0.2365</td>
</tr>
<tr>
<td>2022</td>
<td>695,057,759</td>
<td>1,330,000 229,170 1,559,170</td>
<td>Principal 55,000 Interest 33,375 Total P&amp;I 88,375 $1,647,545</td>
<td>1,647,545</td>
<td>0.2370</td>
</tr>
<tr>
<td>2023</td>
<td>695,057,759</td>
<td>1,355,000 197,774 1,552,774</td>
<td>Principal 60,000 Interest 31,650 Total P&amp;I 91,650 $1,644,242</td>
<td>1,644,242</td>
<td>0.2366</td>
</tr>
<tr>
<td>2024</td>
<td>695,057,759</td>
<td>995,000 164,959 1,159,959</td>
<td>Principal 60,000 Interest 29,850 Total P&amp;I 89,850 $1,249,809</td>
<td>1,249,809</td>
<td>0.1798</td>
</tr>
<tr>
<td>2025</td>
<td>695,057,759</td>
<td>805,000 139,370 944,370</td>
<td>Principal 60,000 Interest 28,050 Total P&amp;I 88,050 $1,032,420</td>
<td>1,032,420</td>
<td>0.1485</td>
</tr>
<tr>
<td>2026</td>
<td>695,057,759</td>
<td>825,000 116,952 941,952</td>
<td>Principal 65,000 Interest 26,175 Total P&amp;I 91,175 $1,031,127</td>
<td>1,031,127</td>
<td>0.1486</td>
</tr>
<tr>
<td>2027</td>
<td>695,057,759</td>
<td>850,000 93,290 943,290</td>
<td>Principal 65,000 Interest 24,225 Total P&amp;I 89,225 $1,032,155</td>
<td>1,032,155</td>
<td>0.1486</td>
</tr>
<tr>
<td>2028</td>
<td>695,057,759</td>
<td>875,000 68,271 943,271</td>
<td>Principal 65,000 Interest 22,275 Total P&amp;I 87,275 $1,030,546</td>
<td>1,030,546</td>
<td>0.1483</td>
</tr>
<tr>
<td>2029</td>
<td>695,057,759</td>
<td>900,000 41,865 941,865</td>
<td>Principal 70,000 Interest 20,250 Total P&amp;I 90,250 $1,032,115</td>
<td>1,032,115</td>
<td>0.1485</td>
</tr>
<tr>
<td>2030</td>
<td>695,057,759</td>
<td>930,000 14,183 944,183</td>
<td>Principal 70,000 Interest 18,150 Total P&amp;I 88,150 $1,032,333</td>
<td>1,032,333</td>
<td>0.1485</td>
</tr>
<tr>
<td>2031</td>
<td>695,057,759</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2032</td>
<td>695,057,759</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2033</td>
<td>695,057,759</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2034</td>
<td>695,057,759</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2035</td>
<td>695,057,759</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2036</td>
<td>695,057,759</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2037</td>
<td>695,057,759</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Assumes 3.00% Interest Rate For Illustration Purposes
(2) For illustration purposes only; The City intends to pay for the debt with revenues derived from the Water and Sewer System.
### City of Azle, TX

**Statement of Revenue, Expenses, & Changes in Net Position**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for Services</td>
<td>$7,135,943</td>
<td>$6,892,305</td>
<td>$6,673,150</td>
<td>$6,772,007</td>
<td>$6,591,890</td>
</tr>
<tr>
<td>Impact Fees</td>
<td>506,040</td>
<td>254,382</td>
<td>105,595</td>
<td>198,057</td>
<td>43,207</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>569</td>
<td>2,683</td>
<td>4,127</td>
<td>5,813</td>
<td>16,718</td>
</tr>
<tr>
<td><strong>Total Revenue:</strong></td>
<td>$7,642,552</td>
<td>$7,149,370</td>
<td>$6,782,872</td>
<td>$6,975,877</td>
<td>$6,651,815</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel Services</td>
<td>1,352,320</td>
<td>1,225,533</td>
<td>1,691,892</td>
<td>1,537,502</td>
<td>1,542,093</td>
</tr>
<tr>
<td>Supplies</td>
<td>246,636</td>
<td>261,082</td>
<td>251,628</td>
<td>305,788</td>
<td>310,231</td>
</tr>
<tr>
<td>Administration</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cost of Sales and Services</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Utilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Repairs/Maintenance</td>
<td>376,995</td>
<td>237,165</td>
<td>246,441</td>
<td>194,295</td>
<td>330,112</td>
</tr>
<tr>
<td>Contractual</td>
<td>2,807,410</td>
<td>2,917,007</td>
<td>2,853,640</td>
<td>2,579,271</td>
<td>2,637,830</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>1,210,536</td>
<td>1,100,238</td>
<td>918,857</td>
<td>935,711</td>
<td>931,448</td>
</tr>
<tr>
<td><strong>Total Operating Expenses:</strong></td>
<td>$5,993,897</td>
<td>$5,741,025</td>
<td>$5,962,458</td>
<td>$5,552,567</td>
<td>$5,751,714</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>1,648,655</td>
<td>1,408,345</td>
<td>820,414</td>
<td>1,423,310</td>
<td>900,101</td>
</tr>
<tr>
<td><strong>Nonoperating Revenues (expenses):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Revenue</td>
<td>$14,223</td>
<td>$9,817</td>
<td>$25,776</td>
<td>$30,679</td>
<td>$47,308</td>
</tr>
<tr>
<td>Gain/(Loss) On Sale/Retirement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of Capital Assets</td>
<td>-</td>
<td>-</td>
<td>27,491</td>
<td>(18,144)</td>
<td>(4,141)</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>(395,420)</td>
<td>(323,188)</td>
<td>(209,402)</td>
<td>(232,713)</td>
<td>(354,810)</td>
</tr>
<tr>
<td>Miscellaneous Revenue</td>
<td></td>
<td></td>
<td>(40,571)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fiscal Charges</td>
<td>(1,595)</td>
<td>(1,675)</td>
<td>(1,795)</td>
<td>(1,936)</td>
<td>(3,836)</td>
</tr>
<tr>
<td><strong>Total Nonoperating Revenue (Expenses):</strong></td>
<td>(382,792)</td>
<td>(315,046)</td>
<td>(198,501)</td>
<td>(222,114)</td>
<td>$315,479</td>
</tr>
<tr>
<td>Income Before Contributions / Transfers</td>
<td>1,265,863</td>
<td>1,093,299</td>
<td>621,913</td>
<td>1,201,196</td>
<td>584,622</td>
</tr>
<tr>
<td>Capital Contributions</td>
<td>$412,789</td>
<td>$120,160</td>
<td>$12,565</td>
<td>$20,370</td>
<td>-</td>
</tr>
<tr>
<td>Transfers Out</td>
<td>(603,689)</td>
<td>(564,341)</td>
<td>(82,525)</td>
<td>(92,776)</td>
<td>(73,395)</td>
</tr>
<tr>
<td><strong>Change in Net Assets</strong></td>
<td>1,074,963</td>
<td>649,118</td>
<td>551,953</td>
<td>1,128,790</td>
<td>511,227</td>
</tr>
<tr>
<td><strong>Total Net Assets-Beginning</strong></td>
<td>27,579,811</td>
<td>26,930,693</td>
<td>(1)</td>
<td>26,875,426</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Total Net Assets-Ending</strong></td>
<td>$28,654,774</td>
<td>$27,579,811</td>
<td>$27,427,379</td>
<td>$27,283,180</td>
<td>$26,154,390</td>
</tr>
</tbody>
</table>

(1) Restated
Annual Audit N/A
February 10, 2017

To the City Council and Management
City of Azle, Texas

In planning and performing our audit of the financial statements of the City of Azle, Texas (the “City”), as of and for the year ended September 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the City’s internal control over financial reporting (internal control) 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 City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated February 10, 2017 on the financial statements of the City. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

1. PENSION LIABILITY

   Finding

   During the 2015 fiscal year, the City adopted the Governmental Accounting Standard Board (GASB) Statement No. 68, entitled Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. As part of GASB 68 the City is required to record its net funded pension liability which totaled $3,915,990 as of
September 30, 2016. This is an increase of $946,698 over the prior year balance of $2,969,292.

The primary reason for this increase is due to a decrease in the estimated earnings rate from 7% to 6.75%. The effect of this difference is smoothed out over 5 years so the City will not incur the full impact in 2016.

Although the City is required to record this liability, it does not reflect an underfunded plan. The liability represents future projected pension payments and does not reflect future contributions of current plan members and investment earnings. Current assets and projected future contributions and earnings are sufficient to cover the projected future pension payments to current plan members.

This liability will continue to be reflected on the City’s financial report and should be considered when setting a reserve for unrestricted net position. Although the unrestricted net position at the government-wide reporting level is not as critical as a fund balance operating reserve, it may be considered by lending institutions and could negatively affect the City’s interest rates.

**Recommendation**

The City should continue to monitor the balance of unrestricted net position and the pension liabilities. The City should strive to increase unrestricted net position until the deficit is resolved.

**Recent and Upcoming Accounting Pronouncements**

**GASB 77 Tax Abatements**

Effective for periods beginning after December 15, 2015 (Fiscal year September 30, 2017) the City will be required to disclose information related to tax abatements. This can be in the form of property tax or sales tax.

*Specific disclosures include:*

- Governments may choose to disclose information about individual tax abatement agreements or present them in the aggregate. If a government chooses to present individual tax abatement agreements, it should be only those agreements that meet or exceed a quantitative threshold selected by the government. For example, a government may choose to present individual tax abatement agreements that exceed $100,000. This threshold should be disclosed as part of the notes.
• Brief description of the names and purpose of program, type of tax being abated, authority under the agreement is entered into, eligibility, mechanism by which taxes are reduced (assessed value, $ amount, % of total) provision for recapturing abated taxes, types of commitments required for abatement by the recipients.

• Gross $ amount of the reduced tax revenues, on the accrual basis.

• If there are commitments made by the government other than to reduce taxes, a description of the types of commitments made and the most significant individual commitments made (this particular disclosure will be made until the government has fulfilled its commitment);

• As discussed above, the quantitative threshold set by the government used to determine which agreements to disclose individually; and if information is legally prohibited from being disclosed, the government would disclose the general nature of the tax abatement information omitted and the specific source of the legal prohibition.

Recommendation

If the City currently has any tax abatement agreements or if any will be entered into during the 2017 fiscal year, the information required for disclosure should be tracked. By tracking this information during the year, the City will be prepared for the upcoming audit and will reduce the possibility of delays.

This communication is intended solely for the information and use of the City Council and management, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BrooksCardiel, PLLC

February 10, 2017
InterimFinancialInformation N/A
Outstanding Debt

Yes, General obligation debt: Y

Yes, Revenue debt: Y

Yes, Authorized but unissued debt: N

No: N
<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>Outstanding Debt Service (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/30 Principal</td>
<td>Interest</td>
</tr>
<tr>
<td>2017 615,000</td>
<td>$ 383,428</td>
</tr>
<tr>
<td>2018 510,000</td>
<td>405,385</td>
</tr>
<tr>
<td>2019 530,000</td>
<td>387,575</td>
</tr>
<tr>
<td>2020 545,000</td>
<td>368,680</td>
</tr>
<tr>
<td>2021 455,000</td>
<td>347,660</td>
</tr>
<tr>
<td>2022 470,000</td>
<td>332,465</td>
</tr>
<tr>
<td>2023 485,000</td>
<td>316,740</td>
</tr>
<tr>
<td>2024 505,000</td>
<td>300,100</td>
</tr>
<tr>
<td>2025 520,000</td>
<td>282,640</td>
</tr>
<tr>
<td>2026 540,000</td>
<td>264,385</td>
</tr>
<tr>
<td>2027 560,000</td>
<td>244,975</td>
</tr>
<tr>
<td>2028 545,000</td>
<td>223,255</td>
</tr>
<tr>
<td>2029 560,000</td>
<td>206,939</td>
</tr>
<tr>
<td>2030 580,000</td>
<td>189,808</td>
</tr>
<tr>
<td>2031 595,000</td>
<td>172,124</td>
</tr>
<tr>
<td>2032 585,000.00</td>
<td>156,853.75</td>
</tr>
<tr>
<td>2033 595,000.00</td>
<td>144,168.75</td>
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<tr>
<td>2034 610,000.00</td>
<td>131,215.00</td>
</tr>
<tr>
<td>2035 620,000.00</td>
<td>117,992.50</td>
</tr>
<tr>
<td>2036 635,000.00</td>
<td>104,501.25</td>
</tr>
<tr>
<td>2037 650,000.00</td>
<td>90,687.50</td>
</tr>
<tr>
<td>2038 665,000.00</td>
<td>73,725.00</td>
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<tr>
<td>2039 685,000.00</td>
<td>53,475.00</td>
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<tr>
<td>2040 710,000.00</td>
<td>32,550.00</td>
</tr>
<tr>
<td>2041 730,000.00</td>
<td>10,950.00</td>
</tr>
<tr>
<td><strong>$14,500,000</strong></td>
<td><strong>$5,342,277</strong></td>
</tr>
</tbody>
</table>

(1) “Outstanding Debt Service” does not include lease/purchase obligations
<table>
<thead>
<tr>
<th>Fiscal Year Ending 9/30</th>
<th>Outstanding Debt Service</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
<td>Interest</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$1,200,000</td>
<td>$356,539</td>
<td>$1,556,539</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>1,225,000</td>
<td>335,045</td>
<td>1,560,045</td>
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<tr>
<td>2019</td>
<td>1,245,000</td>
<td>311,529</td>
<td>1,556,529</td>
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</tr>
<tr>
<td>2020</td>
<td>1,270,000</td>
<td>286,177</td>
<td>1,556,177</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>1,295,000</td>
<td>258,706</td>
<td>1,553,706</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>1,330,000</td>
<td>229,170</td>
<td>1,559,170</td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td>1,355,000</td>
<td>197,774</td>
<td>1,552,774</td>
<td></td>
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<tr>
<td>2024</td>
<td>995,000</td>
<td>164,959</td>
<td>1,159,959</td>
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<tr>
<td>2025</td>
<td>805,000</td>
<td>139,370</td>
<td>944,370</td>
<td></td>
</tr>
<tr>
<td>2026</td>
<td>825,000</td>
<td>116,952</td>
<td>941,952</td>
<td></td>
</tr>
<tr>
<td>2027</td>
<td>850,000</td>
<td>93,290</td>
<td>943,290</td>
<td></td>
</tr>
<tr>
<td>2028</td>
<td>875,000</td>
<td>68,271</td>
<td>943,271</td>
<td></td>
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<tr>
<td>2029</td>
<td>900,000</td>
<td>41,865</td>
<td>941,865</td>
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</tr>
<tr>
<td>2030</td>
<td>930,000</td>
<td>14,183</td>
<td>944,183</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$15,100,000</strong></td>
<td><strong>$2,613,827</strong></td>
<td><strong>$17,713,827</strong></td>
<td></td>
</tr>
</tbody>
</table>
Applicant's Ten Largest Employers

Azle ISD: 842
Wal-Mart: 384
Texas Health Harris Hospital: 240
Tri-County Electric COOP: 142
City of Azle: 112
Albertson's Grocery: 100
Rockwell American: 100
Brookshires Grocery: 65
Integrated Machine Solutions: 61
TJ Machine and Tool: 45

Ten Largest Employers Comments:

Bond Ratings

<table>
<thead>
<tr>
<th>Type</th>
<th>Standard &amp; Poors</th>
<th>Date Received</th>
<th>Fitch</th>
<th>Date Received</th>
<th>Moody's</th>
<th>Date Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>G.O.</td>
<td>AA</td>
<td>09-14-2016</td>
<td>AA</td>
<td>04-13-2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>A</td>
<td>05-13-2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Bond Rating N/A: N

Receive Water or Sewer

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

Project Description

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 project is intended to address water loss issues by replacing deteriorated water lines.

Provide a detailed description of the proposed project. The description should include a discussion of the current service area, existing system facilities; and an adequate description of all proposed project elements (include a bulleted list of new project elements/components).:

Replace/install approximately 10,500 l.f. of 10” water line on both sides of Main Street to reduce water loss on the main south loop of the City on Main Street and FM 730. The lines included are generally cast iron
and some PVC and need to be replaced due to age (approximately 49 years old and older),
condition, water loss, because they are undersized, and because these issues result in poorer
water quality and pressures.

**Water Made Available**

New Supply: 0 (acre-feet/year)/$0 (capital cost)

New Conservation Savings: 1 (acre-feet/year)/$1,350,000 (capital cost)

New Reuse Supply: 0 (acre-feet/year)/$0 (capital cost)

Maintenance of Current Supply: 0 (acre-feet/year)/$0 (capital cost)

**SWIFT**

SWIFT Funding Type
Low Interest Loan: $1350000.00

Is this request for multi-year funding or phased commitments?: N

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.: Y

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.: Y
ORDINANCE NO. 2017-_____

AN ORDINANCE authorizing the issuance of "CITY OF AZLE, TEXAS, TAX AND WATERWORKS AND SEWER SYSTEM (SURPLUS PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2017A"; specifying the terms and features of said certificates; providing for the payment of said certificates of obligation by the levy of an ad valorem tax upon all taxable property within the City and a pledge of the surplus net revenues derived from the operation of the City’s Waterworks and Sewer System; providing the terms and features of such certificates and resolving other matters incident and relating to the issuance, payment, security, sale and delivery of said Certificates, including the approval and execution of a Paying Agent/Registrar Agreement; and providing an effective date.

WHEREAS, pursuant to an application filed with the Texas Water Development Board (the "Board"), the City of Azle, Texas (the “City”) has received a loan commitment from the Board for financial assistance in the amount of $________ to finance the costs of improving and extending the City’s Waterworks System, and such financial assistance is to be evidenced by the Board’s purchase of certificates of obligation payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City and a pledge of the surplus Net Revenues (as defined in Section 10 hereof) of the City’s Waterworks and Sewer System; and

WHEREAS, notice of the City Council’s (the "Council") intention to issue certificates of obligation in the maximum principal amount of $________ for the purpose of paying contractual obligations to be incurred for (i) improving and extending the City’s Waterworks System and (ii) professional services rendered in connection with such projects and the financing thereof, has been duly published in the Azle News, a newspaper hereby found and determined to be of general circulation in the City of Azle, Texas, on __________, 2017 and __________, 2017, the date of the first publication of such notice being not less than thirty-one (31) days prior to the tentative date stated therein for the passage of the ordinance authorizing the issuance of such certificates; and

WHEREAS, no petition protesting the issuance of the certificates of obligation and bearing valid petition signatures of at least 5% of the qualified electors of the City, has been presented to or filed with the Mayor, City Secretary or any other official of the City on or prior to the date of the passage of this ordinance; and

WHEREAS, the Council hereby finds and determines that the certificates of obligation described in the aforesaid notice should be issued and sold at this time in the amount and manner as hereinafter provided; now, therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AZLE, TEXAS:

SECTION 1. Authorization - Designation - Principal Amount - Purpose. Certificates of obligation of the City shall be and are hereby authorized to be issued in the aggregate principal amount of $________ to be designated and bear the title "CITY OF AZLE, TEXAS, TAX AND WATERWORKS AND SEWER SYSTEM (SURPLUS PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2017A" (the "Certificates"), for the purpose of paying contractual obligations to be incurred for (i) improving and extending the City’s Waterworks System and
(ii) professional services rendered in connection with such projects and the financing thereof; and, pursuant to authority conferred by and in conformity with the Constitution and laws of the State of Texas, including Texas Local Government Code, Subchapter C of Chapter 271, as amended.

SECTION 2. Fully Registered Obligations - Authorized Denominations - Stated Maturities - Certificate Date. The Certificates are issuable in fully registered form only; shall be dated __________, 2017 (the “Certificate Date”) and shall be in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity) and the Certificates shall become due and payable on February 15 in each of the years and in principal amounts (the “Stated Maturities”) and bear interest at the per annum rate(s) in accordance with the following schedule:

<table>
<thead>
<tr>
<th>Year of Stated Maturity</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$______  ____%</td>
<td></td>
</tr>
</tbody>
</table>

The Certificates shall bear interest on the unpaid principal amounts from the date of the initial delivery of the Certificates at the rates per annum shown above in this Section (calculated on the basis of a 360-day year of twelve 30-day months), and such interest shall be payable on February 15 and August 15 in each year, commencing __________ 15, 20___, until maturity or prior redemption.

SECTION 3. Terms of Payment - Paying Agent/Registrar. The principal of, premium, if any, and the interest on the Certificates, due and payable by reason of maturity, redemption, or otherwise, shall be payable only to the registered owners or holders of the Certificates (hereinafter called the “Holders”) appearing on the registration and transfer books maintained by the Paying Agent/Registrar, and the payment thereof 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, and shall be without exchange or collection charges to the Holders.

The selection and appointment of ___________________________, ______, Texas, to serve as Paying Agent/Registrar for the Certificates is hereby approved and confirmed. Books and records relating to the registration, payment, transfer and exchange of the Certificates (the
"Security Register") shall at all times be kept and maintained on behalf of the City by the Paying Agent/Registrar, as provided herein and in accordance with the terms and provisions of a "Paying Agent/Registrar Agreement", substantially in the form attached hereto as Exhibit A, and such reasonable rules and regulations as the Paying Agent/Registrar and the City may prescribe. The Mayor and City Secretary are hereby authorized to execute and deliver such Paying Agent/Registrar Agreement in connection with the delivery of the Certificates. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are paid and discharged, and any successor Paying Agent/Registrar shall be a commercial bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each Holder by United States Mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of and premium, if any, on the Certificates, shall be payable at the Stated Maturities or the redemption thereof only upon presentation and surrender of the Certificates to the Paying Agent/Registrar at its designated offices, initially in __________, _______, or, with respect to a successor Paying Agent/Registrar, at the designated offices of such successor (the "Designated Payment/Transfer Office"). Interest on the Certificates shall be paid to the Holders whose names appear in the Security Register at the close of business on the Record Date (the last business day of the month next preceding each interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the Holder recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of a nonpayment 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. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

SECTION 4. Redemption.

(a) Optional Redemption. The Certificates maturing on and after February 15, 20___, shall be subject to redemption prior to maturity, at the option of the City, in whole or in part (in inverse order of Stated Maturities, if less than all of the outstanding Certificates are called for optional redemption) in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity by lot by the Paying Agent/Registrar), on February 15, 20___ or on any date thereafter at the redemption price of par plus accrued interest to the date of redemption.
At least forty-five (45) days prior to an optional redemption date for the Certificates (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the City shall notify the Paying Agent/Registrar of the decision to redeem Certificates, the principal amount of each Stated Maturity to be redeemed, and the date of redemption therefor. The decision of the City to exercise the right to redeem Certificates shall be entered in the minutes of the governing body of the City.

(b) Selection of Certificates for Redemption. If less than all Outstanding Certificates of the same Stated Maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall treat such Certificates as representing the number of Certificates Outstanding which is obtained by dividing the principal amount of such Certificates by $5,000 and shall select the Certificates to be redeemed within such Stated Maturity by lot.

(c) Notice of Redemption. Not less than thirty (30) days prior to a redemption date for the Certificates, a notice of redemption shall be sent by United States mail, first class postage prepaid, in the name of the City and at the City's expense, to each Holder of a Certificate to be redeemed in whole or in part at the address of the Holder appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Holder.

All notices of redemption shall (i) specify the date of redemption for the Certificates, (ii) identify the Certificates to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Certificates, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Certificates, or the principal amount thereof to be redeemed, shall be made at the Designated Payment/Transfer Office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Holder. If a Certificate is subject by its terms to prior redemption and has been called for redemption and notice of redemption thereof has been duly given as hereinabove provided, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable and interest thereon shall cease to accrue from and after the redemption date therefor; provided moneys sufficient for the payment of such Certificate (or of the principal amount thereof to be redeemed) at the then applicable redemption price are held for the purpose of such payment by the Paying Agent/Registrar.

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

SECTION 5. Registration - Transfer - Exchange of Certificates - Predecessor Certificates. The Paying Agent/Registrar shall obtain, record and maintain in the Security
Register the name and address of each and every owner of the Certificates issued under and pursuant to the provisions of this Ordinance, or if appropriate, the nominee thereof. Any Certificate may be transferred or exchanged for Certificates of other authorized denominations by the Holder, in person or by his duly authorized agent, upon surrender of such Certificate to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender of any Certificate (other than the single Initial Certificate authorized in Section 8 hereof) for transfer at the Designated Payment/Transfer Office of the Paying Agent/Registrar, the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Certificates, executed on behalf of, and furnished by the City, of authorized denominations and having the same Stated Maturity and of a like aggregate principal amount as the Certificate or Certificates surrendered for transfer.

At the option of the Holder, Certificates (other than the single Initial Certificate authorized in Section 8 hereof) may be exchanged for other Certificates of authorized denominations and having the same Stated Maturity, bearing the same rate of interest and of like aggregate principal amount as the Certificates surrendered for exchange, upon surrender of the Certificates to be exchanged at the Designated Payment/Transfer Office of the Paying Agent/Registrar. Whenever any Certificates are surrendered for exchange, the Paying Agent/Registrar shall register and deliver new Certificates, executed on behalf of, and furnished by the City, to the Holder requesting the exchange.

All Certificates issued in any transfer or exchange of Certificates shall be delivered to the Holders at the Designated Payment/Transfer Office of the Paying Agent/Registrar or sent by United States mail, first class postage prepaid, to the Holders, and, upon the registration and delivery thereof, the same shall be the valid obligations of the City, evidencing the same obligation to pay, and entitled to the same benefits under this Ordinance, as the Certificates surrendered in such transfer or exchange.

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

Certificates cancelled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be “Predecessor Certificates”, evidencing all or a portion, as the case may be, of the same obligation to pay evidenced by the new Certificate or Certificates registered and delivered in the exchange or transfer therefor. Additionally, the term “Predecessor Certificates” shall include any mutilated, lost, destroyed or stolen Certificate for which a replacement Certificate has been issued, registered and delivered in lieu thereof pursuant to the provisions of Section 25 hereof and such new replacement Certificate shall be deemed to evidence the same obligation as the mutilated, lost, destroyed or stolen Certificate.

Neither the City nor the Paying Agent/Registrar shall be required to issue or transfer to an assignee of a Holder any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for the redemption of such Certificate; provided, however, such limitation on transferability shall not be applicable to an exchange by the Holder of the unredeemed balance of a Certificate called for redemption in part.
SECTION 6. **Book-Entry-Only Transfers and Transactions.** Notwithstanding the provisions contained in Sections 3, 4 and 5 hereof relating to the payment, and transfer/exchange of the Certificates, the City hereby approves and authorizes the use of “Book-Entry-Only” securities clearance, settlement and transfer system provided by The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York (“DTC”), in accordance with the operational arrangements referenced in the Blanket Issuer Letter of Representations by and between the City and DTC (the “Depository Agreement”).

Pursuant to the Depository Agreement and the rules of DTC, the Certificates shall be deposited with DTC who shall hold said Certificates for its participants (the “DTC Participants”). While the Certificates are held by DTC under the Depository Agreement, the Holder of the Certificates on the Security Register for all purposes, including payment and notices, shall be Cede & Co., as nominee of DTC, notwithstanding the ownership of each actual purchaser or owner of each Certificate (the “Beneficial Owners”) being recorded in the records of DTC and DTC Participants.

In the event DTC determines to discontinue serving as securities depository for the Certificates or otherwise ceases to provide book-entry clearance and settlement of securities transactions in general or the City determines that DTC is incapable of properly discharging its duties as securities depository for the Certificates, the City covenants and agrees with the Holders of the Certificates to cause Certificates to be printed in definitive form and provide for the Certificates to be issued and delivered to DTC Participants and Beneficial Owners, as the case may be. Thereafter, the Certificates in definitive form shall be assigned, transferred and exchanged on the Security Register maintained by the Paying Agent/Registrar and payment of such Certificates shall be made in accordance with the provisions of Sections 3, 4, and 5 hereof.

SECTION 7. **Execution - Registration.** The Certificates shall be executed on behalf of the City by the Mayor or Mayor Pro Tem under its seal reproduced or impressed thereon and countersigned by the City Secretary. The signature of said officers on the Certificates may be manual or facsimile. Certificates bearing the manual or facsimile signatures of individuals who are or were the proper officers of the City on the Certificate Date shall be deemed to be duly executed on behalf of the City, notwithstanding that one or more of the individuals executing the same shall cease to be such officer at the time of delivery of the Certificates to the initial purchaser(s) and with respect to Certificates delivered in subsequent exchanges and transfers, all as authorized and provided in Texas Government Code, Chapter 1201, as amended.

No Certificate shall be entitled to any right or benefit under this Ordinance, or be valid or obligatory for any purpose, unless there appears on such Certificate either a certificate of registration substantially in the form provided in Section 9(c), manually executed by the Comptroller of Public Accounts of the State of Texas, or his duly authorized agent, or a certificate of registration substantially in the form provided in Section 9(d), manually executed by an authorized officer, employee or representative of the Paying Agent/Registrar, and either such certificate duly signed upon any Certificate shall be conclusive evidence, and the only evidence, that such Certificate has been duly certified, registered and delivered.

SECTION 8. **Initial Certificate(s).** The Certificates herein authorized shall be initially issued either (i) as a single fully registered certificate in the total principal amount stated in Section 1 hereof with principal installments to become due and payable as provided in Section 2 hereof and numbered T-1, or (ii) as multiple fully registered certificates with one certificate for each year of maturity in the applicable principal amount and denomination and to be numbered consecutively from T-1 and upward (hereinafter called the “Initial Certificate(s)” and, in either
case, the Initial Certificate(s) shall be registered in the name of the initial purchaser(s) or the designee thereof. The Initial Certificate(s) shall be the Certificate(s) submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the initial purchaser(s). Any time after the delivery of the Initial Certificate(s), the Paying Agent/Registrar, pursuant to written instructions from the initial purchaser(s), or the designee thereof, shall cancel the Initial Certificate(s) delivered hereunder and exchange therefor definitive Certificates of authorized denominations, Stated Maturities, principal amounts and bearing applicable interest rates for transfer and delivery to the Holders named at the addresses identified therefor; all pursuant to and in accordance with such written instructions from the initial purchaser(s), or the designee thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.


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

The definitive Certificates and the Initial Certificate(s) shall be printed, lithographed, engraved, typewritten, photocopied or otherwise reproduced in any other similar manner, all as determined by the officers executing such Certificates as evidenced by their execution.

(b) Form of Definitive Certificate.

REGISTERED NO. _______  REGISTERED $____________

UNITED STATES OF AMERICA  
STATE OF TEXAS  
CITY OF AZLE, TEXAS  
TAX AND WATERWORKS AND SEWER SYSTEM (SURPLUS PLEDGE) REVENUE  
CERTIFICATE OF OBLIGATION  
SERIES 2017A

Certificate Date: ____________, 2017  Interest Rate: ________%  Stated Maturity: February 15, 20__  CUSIP NO: _______

Registered Owner:

Principal Amount: DOLLARS

60602256.2/11704256 7
The City of Azle (hereinafter referred to as the “City”), a body corporate and municipal corporation in the Counties of Tarrant and Parker, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the Registered Owner named above, or the registered assigns thereof, on the Stated Maturity date specified above the Principal Amount hereinafore stated (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 interest payment date next preceding the “Registration Date” of this Certificate appearing below (unless this Certificate bears a “Registration Date” as of an interest payment date, in which case it shall bear interest from such date, or unless the “Registration Date” of this Certificate is prior to the initial interest payment date in which case it shall bear interest from the date of the initial delivery of the Certificates) at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 15 and August 15 of each year, commencing ________, 15, 20___, until maturity or prior redemption. Principal of this Certificate is payable at its Stated Maturity or on a redemption date to the registered owner hereof, upon presentation and surrender, at the Designated Payment/Transfer Office of the Paying Agent/Registrar executing the registration certificate appearing hereon, or its successor. Interest is payable to the registered owner of this Certificate (or one or more Predecessor Certificates, as defined in the Ordinance hereinafter referenced) whose name appears on the “Security Register” maintained by the Paying Agent/Registrar at the close of business on the “Record Date”, which is the last business day of the month next preceding each interest payment date, and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded 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 registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, and interest on this Certificate shall be without exchange or collection charges to the owner hereof and 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.

This Certificate is one of the series specified in its title issued in the aggregate principal amount of $_______ (herein referred to as the “Certificates”) for the purpose of paying contractual obligations to be incurred for (i) improving and extending the City’s Waterworks System and (ii) professional services rendered in connection with such projects and the financing thereof, under and in strict conformity with the Constitution and laws of the State of Texas, particularly Texas Local Government Code, Subchapter C of Chapter 271, as amended, and pursuant to an Ordinance adopted by the governing body of the City (herein referred to as the “Ordinance”).

The Certificates maturing on and after February 15, 20___, may be redeemed prior to their Stated Maturities, at the option of the City, in whole or in part (in inverse order of Stated Maturities, if less than all of the outstanding Certificates are called for optional redemption), in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity, by lot by the Paying Agent/Registrar), on February 15, 20___, or on any date thereafter, at the redemption price of par, together with accrued interest to the date of redemption.
At least thirty (30) days prior to a redemption date, the City shall cause a written notice of such redemption to be sent by United States Mail, first class postage prepaid, to the registered owners of each Certificate to be redeemed at the address shown on the Security Register and subject to the terms and provisions relating thereto contained in the Ordinance. If a Certificate (or any portion of its principal sum) shall have been duly called for redemption and notice of such redemption duly given, then upon the redemption date such Certificate (or the portion of its principal sum to be redeemed) shall become due and payable, and, if moneys for the payment of the redemption price and the interest accrued on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar, interest shall cease to accrue and be payable from and after the redemption date on the principal amount redeemed.

In the event a portion of the principal amount of a Certificate is to be redeemed and the registered owner is someone other than Cede & Co., payment of the redemption price of such principal amount shall be made to the registered owner only upon presentation and surrender of such Certificate to the Designated Payment/Transfer Office of the Paying Agent/Registrar, and a new Certificate or Certificates of like maturity and interest rate in any authorized denominations provided by the Ordinance for the then unredeemed balance of the principal sum thereof will be issued to the registered owner, without charge. If a Certificate is selected for redemption, in whole or in part, the City and the Paying Agent/Registrar shall not be required to transfer such Certificate to an assignee of the registered owner within forty-five (45) days of the redemption date therefor; provided, however, such limitation on transferability shall not be applicable to an exchange by the registered owner of the unredeemed balance of a Certificate redeemed in part.

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

The Certificates are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City and are additionally payable from and secured by a lien on and pledge of the surplus Net Revenues of the City’s Waterworks and Sewer System (the “System”), such lien and pledge being junior and subordinate to the lien on and pledge of the Net Revenues of the System securing the payment of Prior Lien Obligations now outstanding and hereafter issued by the City. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations while the Certificates are outstanding without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise, as well as the right to issue additional obligations payable from the same sources as the Certificates and, together with the Certificates, equally and ratably secured by a parity lien on and pledge of the Net Revenues of the System.

Reference is hereby made to the Ordinance, a copy of which is on file in the Designated Payment/Transfer Office of the Paying Agent/Registrar, and to all the provisions of which the owner or holder of this Certificate by the acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the tax levied for the payment of the
Certificates; the Net Revenues pledged to the payment of the principal of and interest on the Certificates; the nature and extent and manner of enforcement of the pledge; the terms and conditions relating to the transfer or exchange of this Certificate; the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which the tax levy and the pledges, charges and covenants made therein may be discharged at or prior to the maturity of this Certificate, and this Certificate deemed to be no longer Outstanding thereunder; and for the other terms and provisions contained therein. Capitalized terms used herein and not otherwise defined have the meanings assigned in the Ordinance.

This Certificate, subject to certain limitations contained in the Ordinance, may be transferred on the Security Register only upon its presentation and surrender at the Designated Payment/Transfer Office of the Paying Agent/Registrar, with the Assignment hereon duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by, the registered owner hereof, or his duly authorized agent. When a transfer on the Security Register occurs, one or more new fully registered Certificates of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued by the Paying Agent/Registrar to the designated transferee or transferees.

The City and the Paying Agent/Registrar, and any agent of either, shall treat the registered owner whose name appears on the Security Register (i) on the Record Date as the owner entitled to payment of interest hereon, (ii) on the date of surrender of this Certificate as the owner entitled to payment of principal hereof at its Stated Maturity or upon its prior redemption, in whole or in part, and (iii) on any other date as the owner for all other purposes, and neither the City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary. In the event of nonpayment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 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, recited, represented and declared that the City is a body corporate and political subdivision duly organized and legally existing under and by virtue of the Constitution and laws of the State of Texas; that the issuance of the Certificates is duly authorized by law; that all acts, conditions and things required to exist and be done precedent to and in the issuance of the Certificates to render the same lawful and valid obligations of the City have been properly done, have happened and have been performed in regular and due time, form and manner as required by the Constitution and laws of the State of Texas, and the Ordinance; that the Certificates do 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 Certificates as aforesaid. In case any provision in this Certificate shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. The terms and provisions of this Certificate and the Ordinance shall be construed in accordance with and shall be governed by the laws of the State of Texas.
IN WITNESS WHEREOF, the City Council of the City has caused this Certificate to be duly executed under the official seal of the City as of the Certificate Date.

CITY OF AZLE, TEXAS

___________________________________
Mayor

COUNTERSIGNED:

___________________________________
City Secretary

(City Seal)

(c) Form of Registration Certificate of Comptroller of Public Accounts to appear on Initial Certificate(s) only.

REGISTRATION CERTIFICATE OF COMPTROLLER OF PUBLIC ACCOUNTS

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

I HEREBY CERTIFY that this Certificate 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 Certificates only.

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Certificate has been duly issued and registered under the provisions of the within-mentioned Ordinance; the certificate or certificates 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.
The designated office of the Paying Agent/Registrar in ________, ________ is the “Designated Payment/Transfer Office” for this Certificate.

_________ BANK, ______, Texas, as Paying Agent/Registrar

Registration Date: 

By: ____________________________

______________________________
Authorized Signature

(e) Form of Assignment.

ASSIGNMENT

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

(Social Security or other identifying number: ____________________________) the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints ____________________________

\(\text{attorney to transfer the within Certificate on the books kept for registration thereof, with full power of substitution in the premises.}\)

DATED: ____________________________

Signature guaranteed: ____________________________

NOTICE: The signature on this assignment must correspond with the name of the Registered Owner as it appears on the face of the within Certificate in every particular.

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

Heading and first paragraph shall be modified to read as follows:

REGISTERED
NO. T-1
$________

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AZLE, TEXAS
TAX AND WATERWORKS AND SEWER SYSTEM (SURPLUS PLEDGE) REVENUE CERTIFICATE OF OBLIGATION
SERIES 2017A

Certificate Date: ____________, 2017
Registered Owner: TEXAS WATER DEVELOPMENT BOARD

Principal Amount: ______ MILLION _____________ THOUSAND DOLLARS

The City of Azle (hereinafter referred to as the “City”), a body corporate and municipal corporation in the Counties of Tarrant and Parker, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the Registered Owner named above, or the registered assigns thereof, the Principal Amount hereinabove stated on February 15 in each of the years and in principal installments in accordance with the following schedule:

<table>
<thead>
<tr>
<th>YEAR OF MATURITY</th>
<th>PRINCIPAL INSTALLMENTS</th>
<th>INTEREST RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Information to be inserted from schedule in Section 2 hereof)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(or so much thereof as shall not have been redeemed prior to maturity) and to pay interest on the unpaid principal amounts hereof from the date of the initial delivery of the Certificates at the per annum rate(s) of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 15 and August 15 of each year, commencing ____________ 15, 20__, until maturity or prior redemption. Principal installments of this Certificate are payable on the Stated Maturity dates or on a redemption date to the registered owner hereof by _________________ Bank, ___________, Texas (the “Paying Agent/Registrar”), upon its presentation and surrender at its designated offices, initially in _____________, or, with respect to a successor paying agent/registrar, at the designated office of such successor (the “Designated Payment/Transfer Office”). Interest is payable to the registered owner of this Certificate whose name appears on the “Security Register” maintained by the Paying Agent/Registrar at the close of business on the “Record Date”, which is the last business day of the month next preceding each interest payment date hereof and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded 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 registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, and interest on this Certificate shall be without exchange or collection charges to the owner hereof and 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.

SECTION 10. Definitions. For purposes of this Ordinance, and for clarity with respect to the issuance of the Certificates and the levy of taxes and appropriation of Net Revenues therefor, the following words or terms, whenever the same appear herein without qualifying language, are defined to mean as follows:

(a) The term “Certificates” shall mean the “CITY OF AZLE, TEXAS, TAX AND WATERWORKS AND SEWER SYSTEM (SURPLUS PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2017A” authorized by this Ordinance.
(b) The term “Certificate Fund” shall mean the special Fund created and established under the provisions of Section 11 of this Ordinance.

(c) The term “Collection Date” shall mean, when reference is being made to the levy and collection of annual ad valorem taxes, the date annual ad valorem taxes levied each year by the City become delinquent.

(d) The term “Fiscal Year” shall mean the twelve month accounting period used by the City in connection with the operation of the System which may be any twelve consecutive month period established by the City.

(e) The term “Government Securities” shall mean (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Certificates under the then applicable laws of the State of Texas.

(f) The term “Gross Revenues” shall mean all income, receipts and revenues of every nature derived or received from the operation and ownership (excluding meter deposits, gifts and grants) of the System, including earnings and income derived from the investment or deposit of moneys in any special funds or accounts created and established for the payment and security of the Prior Lien Obligations and other obligations payable solely from and secured only by a lien on and pledge of the Net Revenues, and fees paid to the City for access to the System; provided such access fees have been received and deposited with the City.

(g) The term “Maintenance and Operating Expenses” shall mean all current expenses of operating and maintaining the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the Council, reasonably and fairly exercised, are necessary to maintain the operations and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair obligations payable from Net Revenues shall be deducted in determining “Net Revenues”. Depreciation charges shall not be considered Maintenance and Operating Expenses. Maintenance and Operating Expenses shall include payments under contracts for water supply, treatment of sewage or other materials, goods, services or facilities for the System to the extent authorized by law and the provisions of such contract.

(h) The term “Net Revenues” shall mean Gross Revenues of the System, with respect to any period, after deducting the System’s Maintenance and Operating Expenses during such period.
(i) The term “Outstanding”, when used in this Ordinance with respect to Certificates, means, as of the date of determination, all Certificates theretofore issued and delivered under this Ordinance, except:

1. those Certificates cancelled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;
2. those Certificates deemed to be duly paid by the City in accordance with the provisions of Section 21 hereof; and
3. those Certificates that have been mutilated, destroyed, lost or stolen and replacement Certificates have been registered and delivered in lieu thereof as provided in Section 25 hereof.


(k) The term “System” shall mean all properties, facilities and plants currently owned, operated and maintained by the City for the supply, treatment and transmission of treated potable water and for the collection, treatment and disposal of water-carried wastes, together with all future extensions, improvements, replacements and additions thereto.

SECTION 11. Certificate Fund. For the purpose of paying the interest on and to provide a sinking fund for the payment, redemption and retirement of the Certificates, there shall be and is hereby created a special Fund to be designated “SPECIAL 2017A CITY OF AZLE, TEXAS, CERTIFICATE OF OBLIGATION FUND” (the “Certificate Fund”), which Fund shall be kept and maintained at the depository bank of the City, and moneys deposited in said Fund shall be used for no other purpose. The Mayor, City Manager, Assistant City Manager, Finance Director and City Secretary of the City, individually or collectively, are hereby authorized and directed to cause to be transferred to the Paying Agent/Registrar for the Certificates, from funds on deposit in the Certificate Fund, amounts sufficient to fully pay and discharge promptly each installment of interest and principal of the Certificates as the same accrues or matures; such transfers of funds to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Certificates at the close of business on the last business day next preceding each interest and/or principal payment date for the Certificates.

[The City has sufficient current funds available to pay the interest payment to become due on the Certificates on ______ 15, 20__, and there will be deposited in the Certificate Fund]
such amount of current funds which will be sufficient to pay the amounts to become due on the Certificates on ______ 15, 20___.

Pending the transfer of funds to the Paying Agent/Registrar, money in the Certificate Fund may, at the option of the City, be invested in obligations identified in, and in accordance with the City’s Investment Policy, as the same may be amended from time to time and the provisions of the “Public Funds Investment Act” (Texas Government Code, Chapter 2256, as amended) relating to the investment of “bond proceeds”; provided that all such investments shall be made in such a manner that the money required to be expended from said Fund will be available at the proper time or times. All interest and income derived from deposits and investments in said Certificate Fund shall be credited to, and any losses debited to, the said Certificate Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Certificates.

SECTION 12. Tax Levy. To provide for the payment of the “Debt Service Requirements” on the Certificates, being (i) the interest on said Certificates and (ii) a sinking fund for their redemption at maturity or a sinking fund of 2% (whichever amount shall be the greater), there shall be and there is hereby levied, within the limitations prescribed by law, for the current year and each succeeding year thereafter while said Certificates or any interest thereon shall remain Outstanding, a sufficient tax on each one hundred dollars’ valuation of taxable property in the City, adequate to pay such Debt Service Requirements, full allowance being made for delinquencies and costs of collection; said tax shall be assessed and collected each year and applied to the payment of the Debt Service Requirements, and the same shall not be diverted to any other purpose. The taxes so levied and collected shall be deposited into the Certificate Fund. The Council hereby declares its purpose and intent to provide and levy a tax legally and fully sufficient to pay the Debt Service Requirements, it having been determined that the existing and available taxing authority of the City for such purpose is adequate to permit a legally sufficient tax in consideration of all other outstanding indebtedness.

The amount of taxes to be provided annually for the payment of the principal of and interest on the Certificates shall be determined and accomplished in the following manner:

(a) Prior to the date the Council establishes the annual tax rate and passes an ordinance levying ad valorem taxes each year, the Council shall determine:

(1) The amount on deposit in the Certificate Fund after (a) deducting therefrom the total amount of Debt Service Requirements to become due on Certificates prior to the Collection Date for the ad valorem taxes to be levied and (b) adding thereto the amount of the Net Revenues of the System, together with any other lawfully available revenues of the City, appropriated and allocated to pay such Debt Service Requirements prior to the Collection Date for the ad valorem taxes to be levied.

(2) The amount of Net Revenues of the System, together with any other lawfully available revenues of the City, appropriated and to be set aside for the payment of the Debt Service Requirements on the Certificates between the Collection Date for the taxes then to be levied and the Collection Date for the taxes to be levied during the next succeeding calendar year.
(3) The amount of Debt Service Requirements to become due and payable on the Certificates (or a sinking fund of 2% if greater than the amount due and payable on the Certificates) between the Collection Date for the taxes then to be levied and the Collection Date for the taxes to be levied during the next succeeding calendar year.

(b) The amount of taxes to be levied annually each year to pay the Debt Service Requirements on the Certificates shall be the amount established in paragraph (3) above less the sum total of the amounts established in paragraphs (1) and (2), after taking into consideration delinquencies and costs of collecting such annual taxes.

Any surplus proceeds from the sale of the Certificates not expended for authorized purposes shall be deposited in the Certificate Fund, and such amounts so deposited shall reduce the sums otherwise required to be deposited in said Fund from ad valorem taxes.

SECTION 13. Pledge of Surplus Net Revenues. The City hereby covenants and agrees that subject to the prior lien on and pledge of the Net Revenues of the System to the payment and security of the Prior Lien Obligations, the Net Revenues of the System are hereby irrevocably pledged to the payment of the principal of and interest on the Certificates, and the pledge of the Net Revenues of the System herein made for the payment of the Certificates shall constitute a lien on the Net Revenues of the System in accordance with the terms and provisions hereof. Furthermore, such lien on and pledge of the Net Revenues securing the payment of the Certificates shall be valid and binding and fully perfected from and after the date of adoption of this Ordinance without physical delivery or transfer or transfer of control of the Net Revenues, the filing of this Ordinance or any other act; all as provided in Texas Government Code, Chapter 1208, as amended (“Chapter 1208”).

Chapter 1208 applies to the issuance of the Certificates and the pledge of the Net Revenues of the System granted by the City under this Section 13, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Certificates are Outstanding such that the pledge of the Net Revenues of the System granted by the City under this Section 13 is to be subject to the filing requirements of Texas Business and Commerce Code, Chapter 9, as amended, then in order to preserve to the registered owners of the Certificates the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur.

SECTION 14. System Fund. The City hereby covenants and agrees that all Gross Revenues (excluding earnings from the investment of money held in any special funds or accounts created for the payment and security of Prior Lien Obligations) shall be deposited from day to day as collected into a “Waterworks and Sewer System Fund” (hereinafter called the “System Fund”) which Fund shall be kept separate and apart from all other funds, accounts and moneys of the City, and shall be maintained at an official depository bank of the City. All moneys deposited in the System Fund shall be pledged and appropriated to the extent required for the following purposes and in the order of priority shown, to wit:

First. To the payment of all necessary and reasonable Maintenance and Operating Expenses of the System as defined herein or required by statute to be a first charge on and claim against the Gross Revenues of the System.
Second. To the payment of the amounts required to be deposited in the special Funds created and established for the payment, security and benefit of Prior Lien Obligations in accordance with the terms and provisions of the ordinances authorizing the issuance of Prior Lien Obligations.

Third. To the payment, equally and ratably, of the amounts pledged to the payment of the Certificates.

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

SECTION 15. Deposits to Certificate Fund. The City hereby covenants and agrees to cause to be deposited in the Certificate Fund prior to a principal and interest payment date for the Certificates from the surplus pledge of the Net Revenues in the System Fund, after the deduction of all payments required to be made to the special funds or accounts created for the payment and security of the Prior Lien Obligations, or from ad valorem taxes or other lawfully available funds, as applicable, any amounts budgeted to be paid from the Certificate Fund in such Fiscal Year.

In addition, any surplus proceeds from the sale of the Certificates not expended for authorized purposes shall be deposited in the Certificate Fund, and such amounts so deposited shall reduce the sums otherwise required to be deposited in said fund from ad valorem taxes and the Net Revenues of the System.

SECTION 16. Security of Funds. All moneys on deposit in the Funds for which this Ordinance makes provision (except any portion thereof as may be at any time properly invested) shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and moneys on deposit in such Funds shall be used only for the purposes permitted by this Ordinance.

SECTION 17. Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in the payments to be made to the Certificate Fund, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, the Holder of any of the Certificates shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition or obligation prescribed in this Ordinance.

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

SECTION 18. Special Covenants. The City hereby further covenants as follows:

...
(a) It has the lawful power to pledge the surplus Net Revenues of the System supporting this issue of Certificates and has lawfully exercised said powers under the Constitution and laws of the State of Texas, including said power existing under Texas Local Government Code, Subchapter C of Chapter 271, as amended, and Texas Government Code, Chapter 1502, as amended.

(b) Other than for the payment of the outstanding Prior Lien Obligations and the Certificates, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the City or of the System.

SECTION 19. Issuance of Prior Lien Obligations and Additional Obligations. The City hereby expressly reserves the right to hereafter issue Prior Lien Obligations, without limitation as to principal amount, but subject to any terms, conditions or restrictions applicable thereto under law or otherwise. Prior Lien Obligations hereafter issued may be payable, in whole or in part, from the Net Revenues (without impairment of the obligation of contract with the Holders of the Certificates) upon such terms and conditions as the Council may determine.

In addition, the City reserves the right to issue additional obligations, without limitation or any restriction or condition being applicable to their issuance under the terms of this Ordinance, payable from and secured by a lien on and pledge of the Net Revenues of the System of equal rank and dignity, and on a parity in all respects, with the lien thereon and pledge thereof securing the payment of the Certificates.

SECTION 20. Subordinate to Prior Lien Obligations, Covenants and Agreements. It is the intention of this governing body and accordingly hereby recognized and stipulated that the provisions, agreements and covenants contained herein bearing upon the management and operations of the System and the administering and application of revenues derived from the operation thereof, shall to the extent possible be harmonized with like provisions, agreements and covenants contained in the ordinances authorizing the issuance of the Prior Lien Obligations, and to the extent of any irreconcilable conflict between the provisions contained herein and in the ordinances authorizing the issuance of the Prior Lien Obligations, the provisions, agreements and covenants contained therein shall prevail to the extent of such conflict and be applicable to this Ordinance but in all respects subject to the priority of rights and benefits, if any, conferred thereby to the holders or owners of the Prior Lien Obligations. Notwithstanding the above, any change or modification affecting the application of revenues derived from the operation of the System shall not impair the obligation of contract with respect to the surplus pledge of revenues herein made for the payment and security of the Certificates.

SECTION 21. Satisfaction of Obligation of City. If the City shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Certificates, at the times and in the manner stipulated in this Ordinance, then the pledge of taxes levied under this Ordinance and the Net Revenues of the System (to the extent such pledge of Net Revenues shall not have been discharged or terminated by prior payment of principal of or interest on the Certificates) and all covenants, agreements, and other obligations of the City to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Certificates or any principal amount(s) thereof shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Certificates or the principal amount(s) thereof at maturity or the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) Government
Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to pay when due the principal of and interest on such Certificates, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. The City covenants that no deposit of moneys or Government Securities will be made under this Section and no use made of any such deposit which would cause the Certificates to be treated as “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or regulations adopted pursuant thereto.

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

SECTION 22. Ordinance a Contract - Amendments. This Ordinance shall constitute a contract with the Holders from time to time, be binding on the City, and shall not be amended or repealed by the City while any Certificates remain Outstanding except as permitted in this Section and in Section 31 hereof. The City may, without the consent of or notice to any Holders, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the consent of Holders holding a majority in aggregate principal amount of the Certificates then Outstanding, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all Holders of Outstanding Certificates, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Certificates, reduce the principal amount thereof, the redemption price or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required to be held by Holders for consent to any such amendment, addition, or rescission.

SECTION 23. Notices to Holders - Waivers. Wherever this Ordinance provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States mail, first class postage prepaid, to the address of each Holder appearing in the Security Register at the close of business on the business day next preceding the mailing of such notice.

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

SECTION 24. Cancellation. Certificates surrendered for payment, redemption, transfer or exchange, if surrendered to the Paying Agent/Registrar, shall be promptly cancelled by it and, if surrendered to the City, shall be delivered to the Paying Agent/Registrar and, if not already cancelled, shall be promptly cancelled by the Paying Agent/Registrar. The City may at any time deliver to the Paying Agent/Registrar for cancellation any Certificates previously certified or registered and delivered which the City may have acquired in any manner whatsoever, and all Certificates so delivered shall be promptly cancelled by the Paying Agent/Registrar. All cancelled Certificates held by the Paying Agent/Registrar shall be returned to the City.

SECTION 25. Mutilated, Destroyed, Lost and Stolen Certificates. In case any Certificate shall be mutilated, destroyed, lost or stolen, the Paying Agent/Registrar may execute and deliver a replacement Certificate of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Certificate, or in lieu of and in substitution for such destroyed, lost or stolen Certificate, only upon the approval of the City and after (i) the filing by the Holder thereof with the Paying Agent/Registrar of evidence satisfactory to the Paying Agent/Registrar of the destruction, loss or theft of such Certificate, and of the authenticity of the ownership thereof and (ii) the furnishing to the Paying Agent/Registrar of indemnification in an amount satisfactory to hold the City and the Paying Agent/Registrar harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Certificate shall be borne by the Holder of the Certificate mutilated, destroyed, lost or stolen.

Every replacement Certificate issued pursuant to this Section shall be a valid and binding obligation, and shall be entitled to all the benefits of this Ordinance equally and ratably with all other Outstanding Certificates, notwithstanding the enforceability of payment by anyone of the destroyed, lost or stolen Certificates.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Certificates.


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

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

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

“Computation Date” has the meaning set forth in Section 1.148-1(b) of the Regulations.
“Gross Proceeds” means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Certificates.

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

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

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

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

“Yield” of (1) any Investment has the meaning set forth in Section 1.148-5 of the Regulations and (2) the Certificates has the meaning set forth in Section 1.148-4 of the Regulations.

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

(c) No Private Use or Private Payments. Except as permitted by Section 141 of the Code and the Regulations and rulings thereunder, the City shall at all times prior to the last Stated Maturity of Certificates:

(1) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Certificates, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and
(2) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Certificates or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

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

(e) Not to Invest at Higher Yield. Except to the extent permitted by Section 148 of the Code and the Regulations and rulings thereunder, the City shall not at any time prior to the final Stated Maturity of the Certificates directly or indirectly invest Gross Proceeds in any Investment (or use Gross Proceeds to replace money so invested), if as a result of such investment the Yield from the Closing Date of all Investments acquired with Gross Proceeds (or with money replaced thereby), whether then held or previously disposed of, exceeds the Yield of the Certificates.

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

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

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

(1) The City shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last outstanding Certificate is discharged. However, to the extent permitted by law, the City may commingle Gross Proceeds of the Certificates with other money of the City, provided that the City separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.
(2) Not less frequently than each Computation Date, the City shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder. The City shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Certificates until six years after the final Computation Date.

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

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

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

(j) Elections. The City hereby directs and authorizes the Mayor, City Manager, Assistant City Manager, Finance Director and City Secretary, either or any combination of them, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Certificates, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document.
(k) **Qualified Tax Exempt Obligations.** In accordance with the provisions of paragraph (3) of subsection (b) of Section 265 of the Code, the City hereby designates the Certificates to be "qualified tax exempt obligations" in that the Certificates are not "private activity bonds" as defined in the Code and the reasonably anticipated amount of "qualified tax exempt obligations" to be issued by the City (including all subordinate entities of the City) for the calendar year 2017 will not exceed $10,000,000.

(l) **Nonpurpose Investments.** No portion of the proceeds of the Certificates will be used, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments which produce a yield materially higher than the yield on the Board’s bonds that were issued to provide financing for the Certificates (the "Source Series Bonds"), other than Nonpurpose Investments acquired with:

- (a) proceeds of the Board’s Source Series Bonds invested for a reasonable temporary period of up to three (3) years (reduced by the period of investment by the Board) until such proceeds are needed for the facilities to be financed;

- (a) amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the IRS Regulations; and

- (a) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Certificates, 125% of average annual debt service on the Certificates, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Certificates.

SECTION 27. **Sale of the Certificates.** The sale of the Certificates to the Texas Water Development Board (the "Purchasers" or the "Board") at the price of par, less a loan origination fee of ____% calculated pursuant to Board rules, which shall be paid via wire transfer at no expense to the Board, pursuant to a loan commitment received from the Purchasers, is hereby confirmed and determined to be in the best interest of the City. Delivery of said Certificates shall be made to said Purchasers as soon as may be after the adoption of this Ordinance, upon payment therefor in accordance with the terms of sale.

SECTION 28. **Proceeds of Sale.** (a) Immediately following the delivery of the Certificates to the initial purchaser, the proceeds of sale (less amounts to pay costs of issuance) shall be deposited in an account to be maintained at _____________ (the "Escrow Agent") and held in escrow pending written authorization to release said moneys. An "Escrow Agreement" by and between the City and the Escrow Agent providing for the deposit, safekeeping and administration of such funds pending their release from escrow is attached hereto as Exhibit B and incorporated herein by reference as a part of this Ordinance for all purposes, and such Escrow Agreement is hereby approved as to form and content. The Mayor and Mayor Pro Tem and City Secretary of the City are hereby authorized and directed to execute such Agreement for and on behalf of the City and as the act and deed of the City Council. The City hereby creates a construction fund account in a depository of the City, which is known as the "Construction Fund," into which shall be deposited proceeds derived from the sale of the Certificates which shall be applied in accordance with Section 29 of this Ordinance and this Section. The Construction Fund shall be kept separate and apart from all other funds and accounts of the City.
Upon the release of funds from such escrow account maintained pursuant to the "Escrow Agreement", the released amount shall be deposited to the credit of the Construction Fund. Pending expenditure for authorized projects and purposes, the amounts deposited to the credit of the Construction Fund may be invested in accordance with laws of the State and investment policies and guidelines of the City for such type funds, and any investment earnings realized may be expended for such authorized projects and purposes or deposited in the Certificate Account as shall be determined by the City Council. All surplus proceeds of sale of the Certificates, including investment earnings, remaining in the Construction Fund after completion of all authorized projects or purposes and after satisfying the requirements of Section 26 hereof shall be deposited to the credit of the Certificate Fund.

(b) As provided in the Escrow Agreement, the proceeds of sale of the Certificates are held in escrow shall only be invested in investments that are authorized by the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended.

(c) As provided in the Escrow Agreement, the proceeds of sale of the Certificates held in escrow pursuant to the Escrow Agreement and any accrued interest in excess of the amounts insured by the FDIC and remaining uninvested under the terms of the Escrow Agreement shall be continuously secured by a valid pledge of direct obligations of the United States of America or other collateral meeting the requirements of the Public Funds Collateral Act, Texas Government Code, as amended.

SECTION 29. Rules and Regulations of the Texas Water Development Board. In compliance with the published rules and regulations of the Texas Water Development Board, the City agrees and covenants that upon completion of the project being financed with the Certificates (the "Series 2017A Project"), the proper officials of the City promptly shall cause to be prepared and submitted to the Board (i) a final accounting of the total costs of the Series 2017A Project and the expenditure of funds therefor and (ii) a copy of the construction plans for the Series 2017A Project as built and completed. In addition to other information required by the Board, said final accounting shall identify (i) all funds utilized or represented to be available in the City’s application, from whatever source derived, and (ii) all Series 2017A Project costs contained and approved in the City’s application to the Board or approved in subsequent change orders.

If the total cost of the Series 2017A Project is less than the amount of Series 2017A Project funds available, then the City may use such surplus proceeds of the Certificates remaining after completion of the Series 2017A Project for the following purposes as approved by the Executive Administrator (1) to redeem Certificates, in inverse annual order of stated maturities, (2) to deposit into the Certificate Fund for the payment of capitalized interest or principal on the Certificates or (3) to pay eligible project costs as authorized by the Executive Administrator. In determining the amount of available funds for the Series 2017A Project, the City agrees to account for all amounts deposited to the credit of the Construction Fund, including all loan funds extended by the Board, all other funds available for the Series 2017A Project as described in the project engineer’s or fiscal representative’s sufficiency of funds statement and all interest earned by the City on money in the Construction Fund.

The City further agrees and covenants as follows:

(i) The Board may exercise all remedies available to it in law or equity, and any provision of the Certificates that restricts or limits the Board’s full exercise of these remedies shall be of no force and effect.
(ii) The proceeds of the Certificates shall be held in a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.

(iii) No Certificate proceeds will be used for sampling, testing, removing or disposing of contaminated soils and/or media at the project site and, to the extent permitted by law, to indemnify, hold harmless and protect the Board from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport and/or removal and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the City, its contractors, consultants, agents, officials and employees as a result of activities relating to the Series 2017A Project.

(iv) The City shall report to the Board the amounts of Series 2017A Project funds, if any, that were used to compensate historically underutilized businesses that worked on the Series 2017A Project, in accordance with 31 Texas Administration Code, Section 363.1312.

(v) The City will not use any portion of the proceeds of the Certificates in a manner that would cause the Certificates to become “private activity bonds” within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder.

(vi) Neither the City nor a related party thereto will acquire any of the Source Series Bonds (as defined in Section 26(l) hereof) in an amount related to the amount of the Certificates to be acquired from the City by the Board.

SECTION 30. Control and Custody of Certificates. The Mayor of the City shall be and is hereby authorized to take and have charge of all necessary orders and records pending the sale of the Certificates, the investigation by the Attorney General of the State of Texas, including the printing and supply of definitive Certificates, and shall take and have charge and control of the Initial Certificate(s) pending the approval thereof by the Attorney General, the registration thereof by the Comptroller of Public Accounts and the delivery thereof to the Purchasers.


(a) Definitions. As used in this Section, the following terms have the meanings ascribed to such terms below:

"MSRB" means the Municipal Securities Rulemaking Board.

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

"SEC" means the United States Securities and Exchange Commission.

(b) Annual Reports. The City shall provide annually to the MSRB (1) within 12 months after the end of each fiscal year, beginning in or after 2017, financial statements of the City, and (2) if audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time, and audited financial statements when and if such audited statements become available. Any financial statements so provided shall be prepared in accordance with the generally accepted accounting principles as applicable to governmental units as prescribed by the Government Accounting Standards Board or such
other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation. If audited financial statements are not available within 12 months after the end of any fiscal year, the City will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available.

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

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Web site or filed with the SEC.

(c) Notice of Certain Events. The City shall provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;
7. Modifications to rights of holders of the Certificates, if material;
8. Certificate calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Certificates, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below;
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

The City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with subsection (b) of this Section by the time required by such subsection.

(d) Filings with the MSRB. All financial information, operating data, financial statements, notices and other documents provided to the MSRB in accordance with this Section shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

(e) Limitations, Disclaimers and Amendments. The City shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the City remains an "obligated person" with respect to the Certificates within the meaning of the Rule, except that the City in any event will give the notice required by subsection (c) of this Section of any Certificate calls and defeasance that cause the City to be no longer such an "obligated person."

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

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY CERTIFICATE OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the City in observing or performing its obligations under this Section shall constitute a breach of or default under this Ordinance for purposes of any other provision of this Ordinance.

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

Notwithstanding anything herein to the contrary, the provisions of this Section may be amended by the City from time to time to adapt to changed circumstances resulting from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of
the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Certificates consent to such amendment or (b) a Person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Certificates. The provisions of this Section may also be amended from time to time or repealed by the City if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but only if and to the extent that reservation of the City’s right to do so would not prevent underwriters of the initial public offering of the Certificates from lawfully purchasing or selling Certificates in such offering. If the City so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided pursuant to subsection (b) of this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

SECTION 32. Legal Opinion. The issuance of the Certificates to the Purchasers shall be subject to the delivery of a final approving market opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel to the City, such opinion to be dated and delivered as of the date of delivery and payment for the Certificates by the Purchasers. An executed counterpart of said opinion shall accompany the global certificates deposited with DTC or a true and correct reproduction thereof shall be printed on the definitive Certificates in the event the book-entry-only system shall be discontinued.

SECTION 33. CUSIP Numbers. That CUSIP numbers may be printed or typed on the definitive Certificates. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Certificates shall be of no significance or effect as regards the legality thereof, and neither the City nor attorneys approving said Certificates as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Certificates.

SECTION 34. Benefits of Ordinance. Nothing in this Ordinance, expressed or implied, is intended or shall be construed to confer upon any person other than the City, the Paying Agent/Registrar and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Ordinance or any provision hereof, this Ordinance and all its provisions are intended to be and being for the sole and exclusive benefit of the City, the Paying Agent/Registrar and the Holders.

SECTION 35. Inconsistent Provisions. Subject to Section 20 hereof, all ordinances, orders or resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed to the extent of such conflict, and the provisions of this Ordinance shall be and remain controlling as to the matters contained herein.

SECTION 36. Governing Law. This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 37. Incorporation of Findings and Determinations. The findings and determinations of the Council contained in the preamble hereof are hereby incorporated by reference and made a part of this Ordinance for all purposes as if the same were restated in full in this Section.
SECTION 38. Severability. If any provision of this Ordinance or the application thereof to any circumstance shall be held to be invalid, the remainder of this Ordinance and the application thereof to other circumstances shall nevertheless be valid, and the Council hereby declares that this Ordinance would have been enacted without such invalid provision.

SECTION 39. Further Procedures. Any one or more of the Mayor, City Manager, Assistant City Manager, Finance Director and City Secretary 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 on behalf of the City all agreements, instruments, certificates or other documents, whether mentioned herein or not, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance and the issuance of the Certificates. In addition, prior to the initial delivery of the Certificates, the Mayor, City Manager, Assistant City Manager or Finance Director of the City or Bond Counsel to the City are each hereby authorized and directed to approve any changes or corrections to this Ordinance or to any of the documents authorized and approved by this Ordinance: (i) in order to cure any ambiguity, formal defect or omission in this Ordinance or such other document; or (ii) as requested by the Attorney General of the State of Texas or his representative to obtain the approval of the Certificates by the Attorney General and if such officer or counsel determines that such changes are consistent with the intent and purpose of this Ordinance, which determination shall be final. In the event that any officer of the City whose signature shall appear on any document shall cease to be such officer before the delivery of such document, such signature nevertheless shall be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 40. Bond Insurance. The Certificates have been sold with the principal of and interest thereon being insured by Assured Guaranty Municipal Corp.

SECTION 41. Effect of Headings. The Section headings herein are for convenience of reference only and shall not affect the construction hereof.

SECTION 42. Construction of Terms. If appropriate in the context of this Ordinance, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

SECTION 43. Public Meeting. It is officially found, determined and declared that the meeting at which this Ordinance is adopted was open to the public and public notice of the time, place and subject matter of the public business to be considered at such meeting, including this Ordinance, was given, all as required by Texas Government Code, Chapter 551, as amended.

SECTION 44. Effective Date. In accordance with the provisions of Texas Government Code, Section 1201.028, as amended, this Ordinance shall be in force and effect from and after its passage and it is accordingly so ordained.

[Remainder of page left blank intentionally]
PASSED AND ADOPTED, this ___________________________, 2017.

CITY OF AZLE, TEXAS

______________________________
Mayor

______________________________
City Secretary

(City Seal)
EXHIBIT A

PAYING AGENT/REGISTRAR AGREEMENT
EXHIBIT B

ESCROW AGREEMENT
PRIVATE PLACEMENT MEMORANDUM DATED TBD

NEW ISSUE BOOK-ENTRY-ONLY

On the date of initial delivery of the Obligations (defined below), Bond Counsel (defined on page 2) will render its opinion substantially in the form attached in APPENDIX C - FORM OF OPINION OF BOND COUNSEL.

$1,350,000
CITY OF AZLE, TEXAS
TAX AND WATERWORKS AND SEWER SYSTEM (SURPLUS PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2017A (the “Obligations”)

Dated:______ Due:______, as shown in “APPENDIX A – MATURITY SCHEDULE”

(Interest accrues from delivery date)

Interest Date: Interest on the Obligations will be payable on February 15 and August 15 each year, commencing February 15, 2018 (each an “Interest Payment Date”). The Obligations will bear interest at the rates per annum set forth in “APPENDIX A - MATURITY SCHEDULE.”

Record Date: The record date (“Record Date”) for the interest payable on the Obligations on interest payment date means the close of business on the last business day of the preceding month.

Date Interest Accrues: Each Bond shall bear interest from the Delivery Date thereof or the most recent Interest Payment Date to which interest has been paid or provided for at the rate set forth, such interest payable semiannually on February 15 and August 15 of each year until the earliest of maturity or prior redemption.

Redemption: The Obligations are subject to redemption prior to maturity. See “THE OBLIGATIONS - Redemption Provisions” herein.

Authorized Denominations: The Obligations are being issued as fully registered bonds in denominations of $5,000, or any integral multiple thereof.

Paying Agent/Registrar: The paying agent (“Paying Agent/Registrar”) for the Obligations is TBD.

Book-Entry-Only System Upon initial issuance, the ownership of the Obligations will be registered in the registration books of the Issuer kept by the Paying Agent/Registrar, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”) to which principal, redemption premium, if any, and interest payments on the Obligations will be made. The purchasers of the Obligations will not receive physical delivery of bond certificates. Principal of, interest, and premium if any, on the Obligations will be payable at the designated office of the Paying Agent/Registrar in Dallas, Texas as the same become due and payable.

Issuer: City of Azle, Texas

Official Action: Ordinance adopted by the City Council on TBD

Purpose: See “APPENDIX B – FORM OF OFFICIAL ACTION.”

Security for the Obligations: See “APPENDIX B – FORM OF OFFICIAL ACTION.”

Ratings: See “OTHER INFORMATION – Ratings.”

Delivery Date: TBD

See “APPENDIX A - MATURITY SCHEDULE” for Principal Amounts, Maturities, Interest Rates, Prices or Yields, and Initial CUSIP Numbers
## CITY OF AZLE, TEXAS

### Elected Officials

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<tr>
<th>City Council</th>
<th>Term Expires</th>
<th>Occupation</th>
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<tr>
<td>Alan Brundrett Mayor</td>
<td>May, 2017</td>
<td>Insurance Agent</td>
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<td>Bill Jones Mayor Pro Tem Councilmember, Place 3</td>
<td>May, 2017</td>
<td>IT Professional</td>
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<td>Dr. William Chambers Councilmember, Place 1</td>
<td>May, 2018</td>
<td>Physician</td>
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<td>David McClure Councilmember, Place 2</td>
<td>May, 2018</td>
<td>Sales Manager</td>
</tr>
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<td>Paul Crabtree Councilmember, Place 4</td>
<td>May, 2017</td>
<td>Certified Public Accountant</td>
</tr>
<tr>
<td>Roul Rothenberger Councilmember, Place 5</td>
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<td>Retired</td>
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<tr>
<td>Lee Barrett Councilmember, Place 6</td>
<td>May, 2017</td>
<td>Attorney</td>
</tr>
</tbody>
</table>

Norton Rose Fulbright US L.L.P., Bond Counsel

Hilltop Securities, Financial Advisor

TBD, Paying Agent/Registrar
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<td>THE OBLIGATIONS</td>
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<tr>
<td>Security for the Obligations</td>
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<td>Redemption</td>
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APPENDIX A MATURITY SCHEDULE
APPENDIX B FORM OF OFFICIAL ACTION
APPENDIX C FORM OF OPINION OF BOND COUNSEL
Private Placement Memorandum
relating to
$1,350,000
CITY OF AZLE, TEXAS
TAX AND WATERWORKS AND SEWER SYSTEM (SURPLUS PLEDGE) REVENUE CERTIFICATES
OF OBLIGATION, SERIES 2017A (the “Obligations”)

INTRODUCTION

This Private Placement Memorandum, including the cover page and appendices, contains brief descriptions of the Issuer, provides certain information with respect to the issuance by the Issuer, and summaries of certain provisions of the “Obligations” pursuant to the Official Action. Except as otherwise set forth herein, capitalized terms used but not defined in this Private Placement Memorandum have the meanings assigned to them in the Official Action. See “APPENDIX B – “FORM OF OFFICIAL ACTION” attached hereto.

APPENDIX A contains the maturity schedule for the Obligations. APPENDIX B contains the Official Action and a description of the purpose for the proceeds of the Obligations. APPENDIX C contains a copy of the proposed opinion of Bond Counsel with respect to the Obligations. The summaries of the documents contained in the forepart of this Private Placement Memorandum are not complete or definitive, and every statement made in this Private Placement Memorandum concerning any provision of any document is qualified by reference to such document in its entirety.

THE OBLIGATIONS

General Description

The Obligations are being issued in the aggregate principal amount set forth in APPENDIX A of this Private Placement Memorandum and will mature as described therein. The Obligations are being issued as fully registered bonds in denominations of $5,000, or any integral multiple thereof. The Obligations will be dated as of the stated date of issue and will mature on the dates referenced thereon, and will bear interest at the rates per annum set forth in “APPENDIX A - MATURITY SCHEDULE.”

Interest on the Obligations is payable semiannually on each Interest Payment Date, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of and the redemption price with respect to the Obligations will be payable to the Owners upon presentation and surrender at the principal office of the Paying Agent/ Registrar.

Purpose

See “APPENDIX B - FORM OF OFFICIAL ACTION.”

Authority for Issuance

The Obligations are issued pursuant to the Constitution and laws of the State of Texas, particularly V.T.C.A., Local Government Code, Subchapter C of Chapter 271, as amended, and the Official Action adopted by the Issuer.

Security for the Obligations

See “APPENDIX B - FORM OF OFFICIAL ACTION.”

Redemption

The Certificates having Stated Maturities on and after February 15, 2028 shall be subject to redemption prior to maturity, at the option of the City, in whole or in part in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity by lot by the Paying Agent/Registrar), on February 15, 2027, or on any date thereafter at the redemption price of par plus accrued interest to the date of redemption.
Book-Entry-Only System

The information in this caption concerning The Depository Trust Company, New York, New York ("DTC") and DTC’s book entry system has been obtained from DTC and the Issuer makes no representation or warranty nor takes any responsibility for the accuracy or completeness of such information.

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Obligations and deposited with DTC. See APPENDIX B - "FORM OF OFFICIAL ACTION."

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

TAX MATTERS

Opinion

Bond Counsel will deliver its opinion on the date of delivery of the Obligations substantially in the form as attached in “APPENDIX C - FORM OF OPINION OF BOND COUNSEL.”

OTHER INFORMATION

Forward Looking Statements

The statements contained in this Private Placement Memorandum, including the cover page, appendices, and any other information or documents provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer’s expectations, hopes, intentions, or strategies regarding the future. Holders and beneficial owners of the Obligations have placed reliance on forward-looking statements. All forward looking statements included in this Private Placement Memorandum are based on information available to the Issuer on the date hereof. It is important to note that the Issuer’s actual results could differ materially from those in such forward-looking statements.

Ratings

No application has been made to any ratings agency or municipal bond insurance company for qualification of the Obligations for ratings or municipal bond insurance, respectively.
LITIGATION

General

On the date of delivery of the Obligations to the initial purchasers thereof, the Issuer will execute and deliver a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Obligations or which would affect the provisions made for their payment or security or in any manner questioning the validity of the Obligations.

The Issuer

There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Issuer, threatened) that adversely affects the power, authority or obligation of the Issuer to deliver the Obligations, the security for, or the validity of, the Obligations or the financial condition of the Issuer.

CONTINUING DISCLOSURE OF INFORMATION

In the Official Action, the Issuer has entered into a continuing disclosure agreement as described in the Official Action for the benefit of the holders and beneficial owners of the Obligations. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System. See “APPENDIX B - FORM OF OFFICIAL ACTION.”

Compliance with Prior Undertakings

During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

The City received notice of a rating change on an insurance company on March 18, 2014. It was filed timely on March 30, 2014 for its General Obligation Refunding Bonds, Series 2010 and its Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2011. The same rating change was filed on June 17, 2014 for its Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2006.

MISCELLANEOUS

Any statements made in this Private Placement Memorandum involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Private Placement Memorandum nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Obligations.

The information contained above is neither guaranteed as to accuracy or completeness nor to be construed as a representation by the Issuer. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Private Placement Memorandum nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the Issuer or the Issuer from the date hereof.

The Private Placement Memorandum is submitted in connection with the sale of the securities referred to herein to the Texas Water Development Board on the Delivery Date and may not be reproduced or used, as a whole or in part, for any other purpose.

ADDITIONAL INFORMATION

The Private Placement Memorandum speaks only as of its date and the information contained herein is subject to change. Descriptions of the Obligations and the Official Action and any other agreements and documents
contained herein constitute summaries of certain provisions thereof and do not purport to be complete. This Private Placement Memorandum was approved by the Issuer.
## APPENDIX A

**MATURITY SCHEDULE**

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<th>Maturity</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
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APPENDIX B

FORM OF OFFICIAL ACTION
Project Location

County: Parker
Primary: Y

County: Tarrant
Primary: N

Can you locate your project to a specific address?: N

Project Latitude: 32.8956
Project Longitude: -97.5467
Project Schedule

a) Requested loan closing date: 11-30-2017
b) Estimated date to submit environmental planning documents.: 08-15-2017
c) Estimated date to submit engineering planning documents.: 08-31-2017
d) Estimated date for completion of design.: 02-28-2018
e) Estimated Construction start date for first contract.: 05-01-2018
f) Estimated Construction end date for last contract: 05-31-2019
Cost Estimates
May 17, 2017

Ms. Lee Huntoon
1700 N. Congress Avenue
Austin, Texas 78711-3231

Re: City of Azle 2017 SWIFT Application

Via: Email

Dear Ms. Huntoon:

Please accept this letter in response to your comments dated May 15, 2017 for the above referenced application. I have enclosed a project budget which includes an opinion of cost for the construction of the project.

This project involves the replacement of old deteriorated lines in order to reduce water loss, lower maintenance expense, and address capacity issues in the area being served by these lines. Because this is largely a replacement project in an area already being served, alternatives to the project would not be applicable except those during the design phase related to materials and methods. Various pipeline materials such as PVC vs. polyethylene or ductile iron pipe will be considered as well as alternative installation methods, such as trenching vs. directionally boring, during design of the project.

If you have any questions or if you need more information, feel free to call me on my cell at 817-565-7623 or at the office at 817-594-9830.

Sincerely,

JACOB | MARTIN

Derek Turner, P.E.

Firm No. F-2448

5/17/17
<table>
<thead>
<tr>
<th>Uses</th>
<th>TWDB Funds Series 1</th>
<th>TWDB Funds Series 1</th>
<th>TWDB Funds Series 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Basic Engineering Fees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planning +</td>
<td>$25,000</td>
<td>$25,000</td>
<td>$25,000</td>
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<tr>
<td>Design</td>
<td>$72,800</td>
<td>$72,800</td>
<td>$72,800</td>
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<tr>
<td>Construction Engineering</td>
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<td>$18,200</td>
<td>$18,200</td>
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<tr>
<td>Basic Engineering Other</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Subtotal Basic Engineering Fees</td>
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<tr>
<td>Special Services</td>
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<tr>
<td>Application</td>
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<tr>
<td>Environmental</td>
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<tr>
<td>Water Conservation Plan</td>
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<td>$0</td>
<td>$0</td>
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<tr>
<td>I/I Studies/Sewer Eval</td>
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<td>$0</td>
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<tr>
<td>Surveying</td>
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<td>$20,000</td>
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<tr>
<td>Geotechnical</td>
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<tr>
<td>Testing</td>
<td>$5,000</td>
<td>$5,000</td>
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<tr>
<td>Permits</td>
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<td>Inspection</td>
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<td>O&amp;M Manual</td>
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<tr>
<td>Pilot Testing</td>
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<td>Water Distribution Modeling</td>
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<tr>
<td>Special Services Other</td>
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</tr>
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<td>$0</td>
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<td>Subtotal Special Services</td>
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<tr>
<td>Other</td>
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<td>Administration</td>
<td>$0</td>
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<td>$0</td>
</tr>
<tr>
<td>Land/Easements Acquisition</td>
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<td>$0</td>
</tr>
<tr>
<td>Water rights Purchase (If Applicable)</td>
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<td>$0</td>
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</tr>
<tr>
<td>Capacity Buy-In (If Applicable)</td>
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<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Project Legal Expenses</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Other **</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Subtotal Other Services</td>
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<td>$0</td>
<td>$0</td>
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<tr>
<td>Fiscal Services</td>
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<tr>
<td>Financial Advisor</td>
<td>$35,000</td>
<td>$35,000</td>
<td>$35,000</td>
</tr>
<tr>
<td>Bond Counsel</td>
<td>$20,000</td>
<td>$20,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>Issuance Cost</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$2,000</td>
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<tr>
<td>Bond Insurance/Surety</td>
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<td>$0</td>
<td>$0</td>
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<tr>
<td>Fiscal/Legal</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
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<tr>
<td>Capitalized Interest</td>
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<tr>
<td>Bond Reserve Fund</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Loan Origination Fee</td>
<td>$30,375</td>
<td>$30,375</td>
<td>$30,375</td>
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<tr>
<td>Other **</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Subtotal Fiscal Services</td>
<td>$88,375</td>
<td>$0</td>
<td>$88,375</td>
</tr>
<tr>
<td>Contingency</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Contingency</td>
<td>$65,625</td>
<td>$65,625</td>
<td>$65,625</td>
</tr>
<tr>
<td>Subtotal Contingency</td>
<td>$65,625</td>
<td>$0</td>
<td>$65,625</td>
</tr>
<tr>
<td>TOTAL COSTS</td>
<td>$1,350,000</td>
<td>$0</td>
<td>$1,350,000</td>
</tr>
</tbody>
</table>
### Texas Water Development Board

**Water Project Information**

<table>
<thead>
<tr>
<th>A. Project Name</th>
<th>B. Project No.</th>
<th>C. County</th>
<th>D. Regional Planning Group (A-P)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waterline Replacement Improvements</td>
<td>503600</td>
<td>Parker/Tarrant</td>
<td>C</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>E. Program(s)</th>
<th>F. Loan ☐ $1,395,000</th>
<th>G. Loan Term: 20 Yrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>SWIFT</td>
<td>Principal Forgiveness ☐ $</td>
<td>Grant ☐ $</td>
</tr>
</tbody>
</table>

**H. Water Project Description:** (Multiphase project, new or expansion; plant, well, storage, pump station, distribution system, etc)

Replacement and/or installation of approximately 10,500 linear feet of 10-inch waterline.

Attach map of service area affected by Project or other documentation.

<table>
<thead>
<tr>
<th>I. Is an Inter Basin Transfer potentially involved?</th>
<th>J. Is project located in a Groundwater District (if yes, identify District by name)?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes ☐</td>
<td>Yes ☐ Upper Trinity GCD</td>
</tr>
<tr>
<td>No ☐</td>
<td>No ☐</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>K. Service Area Projected Population for at least a 20 year period: (if different from Planning Area, discuss in separate attachment)</th>
<th>Current Population</th>
<th>Projected Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year: 20</td>
<td>2020</td>
<td>2025</td>
</tr>
<tr>
<td>Population: 10947</td>
<td>11857</td>
<td>12355</td>
</tr>
</tbody>
</table>

Project Design Year: 2017

Design Population: 10947

(Life span of project - Population served by project on the design year)

**L. Is the proposed project included in a current Regional Water Plan?**

Yes ☐ No ☐ Don't Know ☐

(If Yes, please specify on what page in the Regional Water Plan - Regional Water Plan Page Number: 5D.329, 5D.365)

**M. What type of water source is associated directly with the proposed project?**

Surface Water ☐ Groundwater ☐ Reuse ☐

**N. Will the project increase the volume of water supply?**

Yes ☐ No ☐

**O. What volume of water is the project anticipated to deliver/treat per year?**

100 Acre-Feet/Year

**P. Current Water Supply Information**

<table>
<thead>
<tr>
<th>Surface Water Supply Source / Provider Names</th>
<th>Certificate No.</th>
<th>Source County</th>
<th>Annual Volume and Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eagle Mtn Lake</td>
<td>1750</td>
<td>Tarrant</td>
<td>1680 ac-ft</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Groundwater Source Aquifer</th>
<th>Well Field location</th>
<th>Source County</th>
<th>Annual Volume and Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Q. Proposed Water Supply Associated Directly with the Proposed Project**

<table>
<thead>
<tr>
<th>Surface Water Supply Source / Provider Names</th>
<th>Certificate No.</th>
<th>Source County</th>
<th>Annual Volume and Unit</th>
</tr>
</thead>
<tbody>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Groundwater Source Aquifer</th>
<th>Well Field location</th>
<th>Source County</th>
<th>Annual Volume and Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**R. Consulting Engineer Name**

Derek Turner, PE

**S. Applicant Contact Name, Title**

Rick White
**Property Rights**

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

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.

<table>
<thead>
<tr>
<th>Type of Permit Water Right</th>
<th>Entity from which the right must be acquired</th>
<th>Acquired by lease or full ownership</th>
<th>Expected acquisition date</th>
<th>Permit / Water Right ID No.</th>
</tr>
</thead>
</table>
STATE OF TEXAS

COUNTY OF Tarrant

SURFACE WATER AFFIDAVIT

Before me, the undersigned notary, on this day personally appeared a person Tom Muir
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 the City of Azle
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: __________________________

Item attached: Yes ☐ No ☒

Water Rights Permit(s): WSC 1750 __________________________

Item attached: Yes ☒ No ☐

Signed the day of April 19, 2017

Name: Tom Muir

Title: City Manager

Sworn to and subscribed before me by _________________________ on April 19, 2017

Yael Forgey

Notary Public in and for the State of Texas

GROUND WATER AFFIDAVIT

Before me, the undersigned notary, on this day personally appeared ________________________, a person 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 _____________________________________, 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 groundwater supply source.

3. Does the applicant own the proposed well site(s)?
   
   Yes ☐       No ☐

   (a) Attach a copy of the property deed(s), contracts or other legal instrument documenting the ownership of the project site(s).
   
   Item attached: Yes ☐       No ☐

   (b) Were the groundwater water rights conveyed or otherwise transferred by a predecessor in title prior to the applicant's acquisition of the project site(s)?
   
   Yes ☐       No ☐

4. Does the applicant intend to acquire title to the proposed well site(s)?
   
   Yes ☐       No ☐
Attach a copy of a notice of intent to acquire property, a draft purchase agreement, an option to purchase property or other document showing that the applicant is in the process of acquiring the property on which the well Site(s) is to be located.

**Item attached:**

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>

5. Does the applicant lease the proposed well site(s)?

**Yes** | **No**

Attach a copy of the executed lease agreement(s) or other contractual arrangement documenting that the applicant has the right to drill for and produce groundwater at the project site(s).

**Item attached:**

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>

6. Does the applicant intend to lease the proposed well site(s)?

**Yes** | **No**

Attach a copy of the draft lease agreement(s) or other contractual arrangement documenting that the applicant is in the process of acquiring the contractual right to drill for and produce groundwater at the project site(s).

**Item attached:**

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>

7. Is the project located within the boundaries of a groundwater conservation district?

**Yes** | **No**

(a) Attach all groundwater district permits issued by the district authorizing groundwater production from the proposed groundwater well(s).

**Item attached:**

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>

(b) Attach copies of all applications filed with a groundwater conservation district for any permit(s) required for the proposed groundwater well(s).

**Item attached:**

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>
Signed the ______ day of __________________, 20_______.

____________________________________
Name

____________________________________
Title

Sworn to and subscribed before me by ____________________________________

on _________________________, 20_______.

Notary Public in and for the State of Texas

[SEAL]
Permits & Easements

*Are any major permits necessary for completion of the project?: N*

*Has the applicant obtained all necessary land and easements for the project?: Y*
STATE OF TEXAS
COUNTY OF Parker

SITE CERTIFICATE

Before me, the undersigned notary, on this day personally appeared Tom Muir, 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 Tom Muir. 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 the City of Azle, 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:

(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 (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:

(Legal Name of Applicant, i.e., City, District, etc.)

has executed an express easement to use the property needed for this water 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 project extends through (date). A copy of the express easement agreement is attached hereto.
LEGAL CERTIFICATION – OWNERSHIP INTEREST

I certify that__________________________________________________________

(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: November 1, 2017.

The property has been/will be acquired with the use of eminent domain: ☐ True ☐ False

Location and Description of Property Interests acquired for Project:

TxDOT right-of-way via TxDOT Utility Permits

Any deeds or other instruments required to be recorded to protect the title(s) held by _____________________________ (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:

Description of documents that were used or will be used to acquire the property:

The City will acquire utility permits from the Texas Department of Transportation for all of the waterline installation.
EXECUTED this _________ day of ____________, 20_______.

_________________________ (Signature)

Tom Muir

_________________________ (Print Name)

City Manager

_________________________ (Title)

Sworn to and subscribed before me by ______________________ on this _________ day of ____________, 20_______.

_________________________ (Notary Public in and for the State of Texas)
Environmental Determination

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

CE/DNE

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

Adverse Environmental/Social Impacts

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)?: N

Associated PIF(s)

PIF number(s):

PIF ID #12196

Additional Attachments

The following documents are attached after this page:

Azle no conflict letter from bond counsel.pdf
Azle CO draft Ordinance.pdf
May 17, 2017

Texas Water Development Board
1700 N. Congress Avenue
Austin, Texas 78701

Re: City of Azle, Texas, Tax and Waterworks and Sewer System (Surplus Pledge) Certificates of Obligation, Series 2017A – Texas Water Development Board Project No. 51047

Ladies and Gentlemen:

This letter is being provided to the Texas Water Development Board (the “Board”) addressing the concern that a potential conflict of interest may exist regarding the representation of both the City of Azle, Texas (the “City”) and the Board by our firm as bond counsel to those entities. The City has requested financial assistance in the amount of $1,350,000 from the Board’s State Water Implementation Fund (the “Fund”). To date, we have not been engaged by the Board in any matter related to the Fund.

If the City’s application is chosen by the Board for a commitment of financial assistance, the Board will directly provide the terms of a loan to the City. Our firm has no involvement in the ranking of City’s application by the Board or the negotiation of any of the terms of the loan being made by the Board to the City.

Our representation of the City as bond counsel related to the loan being made by the Board to the City from the Fund does not result in a conflict of interest with respect to our representation of the City as its bond counsel and the representation of the Board in matters not related to the Fund.

If you would like to discuss this further, please do not hesitate to contact me.

Sincerely,

[Signature]

Robert D. Dransfield
ORDINANCE NO. 2017-_____  

AN ORDINANCE authorizing the issuance of "CITY OF AZLE, TEXAS, TAX AND WATERWORKS AND SEWER SYSTEM (SURPLUS PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2017A"; specifying the terms and features of said certificates; providing for the payment of said certificates of obligation by the levy of an ad valorem tax upon all taxable property within the City and a pledge of the surplus net revenues derived from the operation of the City’s Waterworks and Sewer System; providing the terms and features of such certificates and resolving other matters incident and relating to the issuance, payment, security, sale and delivery of said Certificates, including the approval and execution of a Paying Agent/Registrar Agreement; and providing an effective date.

WHEREAS, pursuant to an application filed with the Texas Water Development Board (the "Board"), the City of Azle, Texas (the "City") has received a loan commitment from the Board for financial assistance in the amount of $________ to finance the costs of improving and extending the City’s Waterworks System, and such financial assistance is to be evidenced by the Board’s purchase of certificates of obligation payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City and a pledge of the surplus Net Revenues (as defined in Section 10 hereof) of the City’s Waterworks and Sewer System; and

WHEREAS, notice of the City Council’s (the "Council") intention to issue certificates of obligation in the maximum principal amount of $________ for the purpose of paying contractual obligations to be incurred for (i) the construction of public works, to wit: improving and extending the City’s Waterworks System and (ii) professional services rendered in connection with such projects and the financing thereof, has been duly published in the Azle News, a newspaper hereby found and determined to be of general circulation in the City of Azle, Texas, on __________, 2017 and __________, 2017, the date of the first publication of such notice being not less than thirty-one (31) days prior to the tentative date stated therein for the passage of the ordinance authorizing the issuance of such certificates; and

WHEREAS, no petition protesting the issuance of the certificates of obligation and bearing valid petition signatures of at least 5% of the qualified electors of the City, has been presented to or filed with the Mayor, City Secretary or any other official of the City on or prior to the date of the passage of this ordinance; and

WHEREAS, the Council hereby finds and determines that the certificates of obligation described in the aforesaid notice should be issued and sold at this time in the amount and manner as hereinafter provided; now, therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AZLE, TEXAS:

SECTION 1. Authorization - Designation - Principal Amount - Purpose. Certificates of obligation of the City shall be and are hereby authorized to be issued in the aggregate principal amount of $________ to be designated and bear the title "CITY OF AZLE, TEXAS, TAX AND WATERWORKS AND SEWER SYSTEM (SURPLUS PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2017A" (the "Certificates"), for the purpose of paying contractual obligations to be incurred for (i) improving and extending the City’s Waterworks System and
(ii) professional services rendered in connection with such projects and the financing thereof; and, pursuant to authority conferred by and in conformity with the Constitution and laws of the State of Texas, including Texas Local Government Code, Subchapter C of Chapter 271, as amended.

SECTION 2. Fully Registered Obligations - Authorized Denominations - Stated Maturities - Certificate Date. The Certificates are issuable in fully registered form only; shall be dated __________, 2017 (the “Certificate Date”) and shall be in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity) and the Certificates shall become due and payable on February 15 in each of the years and in principal amounts (the “Stated Maturities”) and bear interest at the per annum rate(s) in accordance with the following schedule:

<table>
<thead>
<tr>
<th>Year of Stated Maturity</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$______</td>
<td>____%</td>
</tr>
</tbody>
</table>

The Certificates shall bear interest on the unpaid principal amounts from the date of the initial delivery of the Certificates at the rates per annum shown above in this Section (calculated on the basis of a 360-day year of twelve 30-day months), and such interest shall be payable on February 15 and August 15 in each year, commencing __________ 15, 20__, until maturity or prior redemption.

SECTION 3. Terms of Payment - Paying Agent/Registrar. The principal of, premium, if any, and the interest on the Certificates, due and payable by reason of maturity, redemption, or otherwise, shall be payable only to the registered owners or holders of the Certificates (hereinafter called the “Holders”) appearing on the registration and transfer books maintained by the Paying Agent/Registrar, and the payment thereof 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, and shall be without exchange or collection charges to the Holders.

The selection and appointment of __________________________, ______, Texas, to serve as Paying Agent/Registrar for the Certificates is hereby approved and confirmed. Books and records relating to the registration, payment, transfer and exchange of the Certificates (the
“Security Register”) shall at all times be kept and maintained on behalf of the City by the Paying Agent/Registrar, as provided herein and in accordance with the terms and provisions of a “Paying Agent/Registrar Agreement”, substantially in the form attached hereto as Exhibit A, and such reasonable rules and regulations as the Paying Agent/Registrar and the City may prescribe. The Mayor and City Secretary are hereby authorized to execute and deliver such Paying Agent/Registrar Agreement in connection with the delivery of the Certificates. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are paid and discharged, and any successor Paying Agent/Registrar shall be a commercial bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each Holder by United States Mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of and premium, if any, on the Certificates, shall be payable at the Stated Maturities or the redemption thereof only upon presentation and surrender of the Certificates to the Paying Agent/Registrar at its designated offices, initially in __________, _______, or, with respect to a successor Paying Agent/Registrar, at the designated offices of such successor (the “Designated Payment/Transfer Office”). Interest on the Certificates shall be paid to the Holders whose names appear in the Security Register at the close of business on the Record Date (the last business day of the month next preceding each interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the Holder recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of a nonpayment 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. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

SECTION 4. Redemption.

(a) Optional Redemption. The Certificates maturing on and after February 15, 20___, shall be subject to redemption prior to maturity, at the option of the City, in whole or in part (in inverse order of Stated Maturities, if less than all of the outstanding Certificates are called for optional redemption) in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity by lot by the Paying Agent/Registrar), on February 15, 20___ or on any date thereafter at the redemption price of par plus accrued interest to the date of redemption.
At least forty-five (45) days prior to an optional redemption date for the Certificates (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the City shall notify the Paying Agent/Registrar of the decision to redeem Certificates, the principal amount of each Stated Maturity to be redeemed, and the date of redemption therefor. The decision of the City to exercise the right to redeem Certificates shall be entered in the minutes of the governing body of the City.

(b) Selection of Certificates for Redemption. If less than all Outstanding Certificates of the same Stated Maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall treat such Certificates as representing the number of Certificates Outstanding which is obtained by dividing the principal amount of such Certificates by $5,000 and shall select the Certificates to be redeemed within such Stated Maturity by lot.

(c) Notice of Redemption. Not less than thirty (30) days prior to a redemption date for the Certificates, a notice of redemption shall be sent by United States mail, first class postage prepaid, in the name of the City and at the City’s expense, to each Holder of a Certificate to be redeemed in whole or in part at the address of the Holder appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Holder.

All notices of redemption shall (i) specify the date of redemption for the Certificates, (ii) identify the Certificates to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Certificates, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Certificates, or the principal amount thereof to be redeemed, shall be made at the Designated Payment/Transfer Office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Holder. If a Certificate is subject by its terms to prior redemption and has been called for redemption and notice of redemption thereof has been duly given as hereinabove provided, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable and interest thereon shall cease to accrue from and after the redemption date therefor; provided moneys sufficient for the payment of such Certificate (or of the principal amount thereof to be redeemed) at the then applicable redemption price are held for the purpose of such payment by the Paying Agent/Registrar.

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

SECTION 5. Registration - Transfer - Exchange of Certificates - Predecessor Certificates. The Paying Agent/Registrar shall obtain, record and maintain in the Security
Register the name and address of each and every owner of the Certificates issued under and pursuant to the provisions of this Ordinance, or if appropriate, the nominee thereof. Any Certificate may be transferred or exchanged for Certificates of other authorized denominations by the Holder, in person or by his duly authorized agent, upon surrender of such Certificate to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender of any Certificate (other than the single Initial Certificate authorized in Section 8 hereof) for transfer at the Designated Payment/Transfer Office of the Paying Agent/Registrar, the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Certificates, executed on behalf of, and furnished by the City, of authorized denominations and having the same Stated Maturity and of a like aggregate principal amount as the Certificate or Certificates surrendered for transfer.

At the option of the Holder, Certificates (other than the single Initial Certificate authorized in Section 8 hereof) may be exchanged for other Certificates of authorized denominations and having the same Stated Maturity, bearing the same rate of interest and of like aggregate principal amount as the Certificates surrendered for exchange, upon surrender of the Certificates to be exchanged at the Designated Payment/Transfer Office of the Paying Agent/Registrar. Whenever any Certificates are surrendered for exchange, the Paying Agent/Registrar shall register and deliver new Certificates, executed on behalf of, and furnished by the City, to the Holder requesting the exchange.

All Certificates issued in any transfer or exchange of Certificates shall be delivered to the Holders at the Designated Payment/Transfer Office of the Paying Agent/Registrar or sent by United States mail, first class postage prepaid, to the Holders, and, upon the registration and delivery thereof, the same shall be the valid obligations of the City, evidencing the same obligation to pay, and entitled to the same benefits under this Ordinance, as the Certificates surrendered in such transfer or exchange.

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

Certificates cancelled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be "Predecessor Certificates", evidencing all or a portion, as the case may be, of the same obligation to pay evidenced by the new Certificate or Certificates registered and delivered in the exchange or transfer therefor. Additionally, the term "Predecessor Certificates" shall include any mutilated, lost, destroyed or stolen Certificate for which a replacement Certificate has been issued, registered and delivered in lieu thereof pursuant to the provisions of Section 25 hereof and such new replacement Certificate shall be deemed to evidence the same obligation as the mutilated, lost, destroyed or stolen Certificate.

Neither the City nor the Paying Agent/Registrar shall be required to issue or transfer to an assignee of a Holder any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for the redemption of such Certificate; provided, however, such limitation on transferability shall not be applicable to an exchange by the Holder of the unredeemed balance of a Certificate called for redemption in part.
SECTION 6. **Book-Entry-Only Transfers and Transactions.** Notwithstanding the provisions contained in Sections 3, 4 and 5 hereof relating to the payment, and transfer/exchange of the Certificates, the City hereby approves and authorizes the use of “Book-Entry-Only” securities clearance, settlement and transfer system provided by The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York (“DTC”), in accordance with the operational arrangements referenced in the Blanket Issuer Letter of Representations by and between the City and DTC (the “Depository Agreement”).

Pursuant to the Depository Agreement and the rules of DTC, the Certificates shall be deposited with DTC who shall hold said Certificates for its participants (the “DTC Participants”). While the Certificates are held by DTC under the Depository Agreement, the Holder of the Certificates on the Security Register for all purposes, including payment and notices, shall be Cede & Co., as nominee of DTC, notwithstanding the ownership of each actual purchaser or owner of each Certificate (the “Beneficial Owners”) being recorded in the records of DTC and DTC Participants.

In the event DTC determines to discontinue serving as securities depository for the Certificates or otherwise ceases to provide book-entry clearance and settlement of securities transactions in general or the City determines that DTC is incapable of properly discharging its duties as securities depository for the Certificates, the City covenants and agrees with the Holders of the Certificates to cause Certificates to be printed in definitive form and provide for the Certificates to be issued and delivered to DTC Participants and Beneficial Owners, as the case may be. Thereafter, the Certificates in definitive form shall be assigned, transferred and exchanged on the Security Register maintained by the Paying Agent/Registrar and payment of such Certificates shall be made in accordance with the provisions of Sections 3, 4, and 5 hereof.

SECTION 7. **Execution - Registration.** The Certificates shall be executed on behalf of the City by the Mayor or Mayor Pro Tem under its seal reproduced or impressed thereon and countersigned by the City Secretary. The signature of said officers on the Certificates may be manual or facsimile. Certificates bearing the manual or facsimile signatures of individuals who are or were the proper officers of the City on the Certificate Date shall be deemed to be duly executed on behalf of the City, notwithstanding that one or more of the individuals executing the same shall cease to be such officer at the time of delivery of the Certificates to the initial purchaser(s) and with respect to Certificates delivered in subsequent exchanges and transfers, all as authorized and provided in Texas Government Code, Chapter 1201, as amended.

No Certificate shall be entitled to any right or benefit under this Ordinance, or be valid or obligatory for any purpose, unless there appears on such Certificate either a certificate of registration substantially in the form provided in Section 9(c), manually executed by the Comptroller of Public Accounts of the State of Texas, or his duly authorized agent, or a certificate of registration substantially in the form provided in Section 9(d), manually executed by an authorized officer, employee or representative of the Paying Agent/Registrar, and either such certificate duly signed upon any Certificate shall be conclusive evidence, and the only evidence, that such Certificate has been duly certified, registered and delivered.

SECTION 8. **Initial Certificate(s).** The Certificates herein authorized shall be initially issued either (i) as a single fully registered certificate in the total principal amount stated in Section 1 hereof with principal installments to become due and payable as provided in Section 2 hereof and numbered T-1, or (ii) as multiple fully registered certificates with one certificate for each year of maturity in the applicable principal amount and denomination and to be numbered consecutively from T-1 and upward (hereinafter called the “Initial Certificate(s)”) and, in either
case, the Initial Certificate(s) shall be registered in the name of the initial purchaser(s) or the designee thereof. The Initial Certificate(s) shall be the Certificate(s) submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the initial purchaser(s). Any time after the delivery of the Initial Certificate(s), the Paying Agent/Registrar, pursuant to written instructions from the initial purchaser(s), or the designee thereof, shall cancel the Initial Certificate(s) delivered hereunder and exchange therefor definitive Certificates of authorized denominations, Stated Maturities, principal amounts and bearing applicable interest rates for transfer and delivery to the Holders named at the addresses identified therefor; all pursuant to and in accordance with such written instructions from the initial purchaser(s), or the designee thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.


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

The definitive Certificates and the Initial Certificate(s) shall be printed, lithographed, engraved, typewritten, photocopied or otherwise reproduced in any other similar manner, all as determined by the officers executing such Certificates as evidenced by their execution.

(b) Form of Definitive Certificate.

REGISTERED NO. _______ $____________

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AZLE, TEXAS
TAX AND WATERWORKS AND SEWER SYSTEM (SURPLUS PLEDGE) REVENUE CERTIFICATE OF OBLIGATION SERIES 2017A

Certificate Date: ____________, 2017 Interest Rate: ________% Stated Maturity: February 15, 20__ CUSIP NO: ____________

Registered Owner: ______________________

Principal Amount: DOLLARS
The City of Azle (hereinafter referred to as the “City”), a body corporate and municipal corporation in the Counties of Tarrant and Parker, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the Registered Owner named above, or the registered assigns thereof, on the Stated Maturity date specified above the Principal Amount hereinabove stated (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 interest payment date next preceding the “Registration Date” of this Certificate appearing below (unless this Certificate bears a “Registration Date” as of an interest payment date, in which case it shall bear interest from such date, or unless the “Registration Date” of this Certificate is prior to the initial interest payment date in which case it shall bear interest from the date of the initial delivery of the Certificates) at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 15 and August 15 of each year, commencing _________ 15, 20___, until maturity or prior redemption. Principal of this Certificate is payable at its Stated Maturity or on a redemption date to the registered owner hereof, upon presentation and surrender, at the Designated Payment/Transfer Office of the Paying Agent/Registrar executing the registration certificate appearing hereon, or its successor. Interest is payable to the registered owner of this Certificate (or one or more Predecessor Certificates, as defined in the Ordinance hereinafter referenced) whose name appears on the “Security Register” maintained by the Paying Agent/Registrar at the close of business on the “Record Date”, which is the last business day of the month next preceding each interest payment date, and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded 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 registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, and interest on this Certificate shall be without exchange or collection charges to the owner hereof and 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.

This Certificate is one of the series specified in its title issued in the aggregate principal amount of $_______ (herein referred to as the “Certificates”) for the purpose of paying contractual obligations to be incurred for (i) improving and extending the City’s Waterworks System and (ii) professional services rendered in connection with such projects and the financing thereof, under and in strict conformity with the Constitution and laws of the State of Texas, particularly Texas Local Government Code, Subchapter C of Chapter 271, as amended, and pursuant to an Ordinance adopted by the governing body of the City (herein referred to as the “Ordinance”).

The Certificates maturing on and after February 15, 20___, may be redeemed prior to their Stated Maturities, at the option of the City, in whole or in part (in inverse order of Stated Maturities, if less than all of the outstanding Certificates are called for optional redemption), in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity, by lot by the Paying Agent/Registrar), on February 15, 20____, or on any date thereafter, at the redemption price of par, together with accrued interest to the date of redemption.
At least thirty (30) days prior to a redemption date, the City shall cause a written notice of such redemption to be sent by United States Mail, first class postage prepaid, to the registered owners of each Certificate to be redeemed at the address shown on the Security Register and subject to the terms and provisions relating thereto contained in the Ordinance. If a Certificate (or any portion of its principal sum) shall have been duly called for redemption and notice of such redemption duly given, then upon the redemption date such Certificate (or the portion of its principal sum to be redeemed) shall become due and payable, and, if moneys for the payment of the redemption price and the interest accrued on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar, interest shall cease to accrue and be payable from and after the redemption date on the principal amount redeemed.

In the event a portion of the principal amount of a Certificate is to be redeemed and the registered owner is someone other than Cede & Co., payment of the redemption price of such principal amount shall be made to the registered owner only upon presentation and surrender of such Certificate to the Designated Payment/Transfer Office of the Paying Agent/Registrar, and a new Certificate or Certificates of like maturity and interest rate in any authorized denominations provided by the Ordinance for the then unredeemed balance of the principal sum thereof will be issued to the registered owner, without charge. If a Certificate is selected for redemption, in whole or in part, the City and the Paying Agent/Registrar shall not be required to transfer such Certificate to an assignee of the registered owner within forty-five (45) days of the redemption date therefor; provided, however, such limitation on transferability shall not be applicable to an exchange by the registered owner of the unredeemed balance of a Certificate redeemed in part.

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

The Certificates are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City and are additionally payable from and secured by a lien on and pledge of the surplus Net Revenues of the City’s Waterworks and Sewer System (the “System”), such lien and pledge being junior and subordinate to the lien on and pledge of the Net Revenues of the System securing the payment of Prior Lien Obligations now outstanding and hereafter issued by the City. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations while the Certificates are outstanding without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise, as well as the right to issue additional obligations payable from the same sources as the Certificates and, together with the Certificates, equally and ratably secured by a parity lien on and pledge of the Net Revenues of the System.

Reference is hereby made to the Ordinance, a copy of which is on file in the Designated Payment/Transfer Office of the Paying Agent/Registrar, and to all the provisions of which the owner or holder of this Certificate by the acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the tax levied for the payment of the
Certificates; the Net Revenues pledged to the payment of the principal of and interest on the Certificates; the nature and extent and manner of enforcement of the pledge; the terms and conditions relating to the transfer or exchange of this Certificate; the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which the tax levy and the pledges, charges and covenants made therein may be discharged at or prior to the maturity of this Certificate, and this Certificate deemed to be no longer Outstanding thereunder; and for the other terms and provisions contained therein. Capitalized terms used herein and not otherwise defined have the meanings assigned in the Ordinance.

This Certificate, subject to certain limitations contained in the Ordinance, may be transferred on the Security Register only upon its presentation and surrender at the Designated Payment/Transfer Office of the Paying Agent/Registrar, with the Assignment hereon duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by, the registered owner hereof, or his duly authorized agent. When a transfer on the Security Register occurs, one or more new fully registered Certificates of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued by the Paying Agent/Registrar to the designated transferee or transferees.

The City and the Paying Agent/Registrar, and any agent of either, shall treat the registered owner whose name appears on the Security Register (i) on the Record Date as the owner entitled to payment of interest hereon, (ii) on the date of surrender of this Certificate as the owner entitled to payment of principal hereof at its Stated Maturity or upon its prior redemption, in whole or in part, and (iii) on any other date as the owner for all other purposes, and neither the City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary. In the event of nonpayment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 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, recited, represented and declared that the City is a body corporate and political subdivision duly organized and legally existing under and by virtue of the Constitution and laws of the State of Texas; that the issuance of the Certificates is duly authorized by law; that all acts, conditions and things required to exist and be done precedent to and in the issuance of the Certificates to render the same lawful and valid obligations of the City have been properly done, have happened and have been performed in regular and due time, form and manner as required by the Constitution and laws of the State of Texas, and the Ordinance; that the Certificates do 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 Certificates as aforesaid. In case any provision in this Certificate shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. The terms and provisions of this Certificate and the Ordinance shall be construed in accordance with and shall be governed by the laws of the State of Texas.
IN WITNESS WHEREOF, the City Council of the City has caused this Certificate to be duly executed under the official seal of the City as of the Certificate Date.

CITY OF AZLE, TEXAS

___________________________________
Mayor

COUNTERSIGNED:

___________________________________
City Secretary

(City Seal)

(c) Form of Registration Certificate of Comptroller of Public Accounts to appear on Initial Certificate(s) only.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

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

I HEREBY CERTIFY that this Certificate 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 Certificates only.

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Certificate has been duly issued and registered under the provisions of the within-mentioned Ordinance; the certificate or certificates 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.
The designated office of the Paying Agent/Registrar in ________, ________ is the “Designated Payment/Transfer Office” for this Certificate.

__________ BANK, ________, Texas, as Paying Agent/Registrar

Registration Date:

By: ______________________________

______________________________
Authorized Signature

(e) Form of Assignment.

ASSIGNMENT

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

__________________________________________

(Social Security or other identifying number: ________________________________________ ) the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints __________________________________________________________

\[signature\]

DATED: ________________________________

Signature guaranteed:

______________________________

NOTICE: The signature on this assignment must correspond with the name of the Registered Owner as it appears on the face of the within Certificate in every particular.

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

Heading and first paragraph shall be modified to read as follows:

REGISTERED
NO. T-1

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AZLE, TEXAS
TAX AND WATERWORKS AND SEWER SYSTEM (SURPLUS PLEDGE) REVENUE CERTIFICATE OF OBLIGATION
SERIES 2017A

Certificate Date: _____________, 2017
Registered Owner: TEXAS WATER DEVELOPMENT BOARD

Principal Amount: ______ MILLION _____________ THOUSAND DOLLARS

The City of Azle (hereinafter referred to as the “City”), a body corporate and municipal corporation in the Counties of Tarrant and Parker, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the Registered Owner named above, or the registered assigns thereof, the Principal Amount hereinabove stated on February 15 in each of the years and in principal installments in accordance with the following schedule:

<table>
<thead>
<tr>
<th>YEAR OF MATURITY</th>
<th>PRINCIPAL INSTALLMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Information to be inserted from schedule in Section 2 hereof)</td>
<td></td>
</tr>
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(or so much thereof as shall not have been redeemed prior to maturity) and to pay interest on the unpaid principal amounts hereof from the date of the initial delivery of the Certificates at the per annum rate(s) of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 15 and August 15 of each year, commencing ____________ 15, 20__, until maturity or prior redemption. Principal installments of this Certificate are payable on the Stated Maturity dates or on a redemption date to the registered owner hereof by _________________ Bank, _____, Texas (the “Paying Agent/Registrar”), upon its presentation and surrender at its designated offices, initially in ___________, ________, or, with respect to a successor paying agent/registrar, at the designated office of such successor (the “Designated Payment/Transfer Office”). Interest is payable to the registered owner of this Certificate whose name appears on the “Security Register” maintained by the Paying Agent/Registrar at the close of business on the “Record Date”, which is the last business day of the month next preceding each interest payment date hereof and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded 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 registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, and interest on this Certificate shall be without exchange or collection charges to the owner hereof and 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.

SECTION 10. Definitions. For purposes of this Ordinance, and for clarity with respect to the issuance of the Certificates and the levy of taxes and appropriation of Net Revenues therefor, the following words or terms, whenever the same appear herein without qualifying language, are defined to mean as follows:

(a) The term “Certificates” shall mean the “CITY OF AZLE, TEXAS, TAX AND WATERWORKS AND SEWER SYSTEM (SURPLUS PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2017A” authorized by this Ordinance.
(b) The term “Certificate Fund” shall mean the special Fund created and established under the provisions of Section 11 of this Ordinance.

(c) The term “Collection Date” shall mean, when reference is being made to the levy and collection of annual ad valorem taxes, the date annual ad valorem taxes levied each year by the City become delinquent.

(d) The term “Fiscal Year” shall mean the twelve month accounting period used by the City in connection with the operation of the System which may be any twelve consecutive month period established by the City.

(e) The term “Government Securities” shall mean (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Certificates under the then applicable laws of the State of Texas.

(f) The term “Gross Revenues” shall mean all income, receipts and revenues of every nature derived or received from the operation and ownership (excluding meter deposits, gifts and grants) of the System, including earnings and income derived from the investment or deposit of moneys in any special funds or accounts created and established for the payment and security of the Prior Lien Obligations and other obligations payable solely from and secured only by a lien on and pledge of the Net Revenues, and fees paid to the City for access to the System; provided such access fees have been received and deposited with the City.

(g) The term “Maintenance and Operating Expenses” shall mean all current expenses of operating and maintaining the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the Council, reasonably and fairly exercised, are necessary to maintain the operations and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair obligations payable from Net Revenues shall be deducted in determining “Net Revenues”. Depreciation charges shall not be considered Maintenance and Operating Expenses. Maintenance and Operating Expenses shall include payments under contracts for water supply, treatment of sewage or other materials, goods, services or facilities for the System to the extent authorized by law and the provisions of such contract.

(h) The term “Net Revenues” shall mean Gross Revenues of the System, with respect to any period, after deducting the System’s Maintenance and Operating Expenses during such period.
(i) The term “Outstanding”, when used in this Ordinance with respect to Certificates, means, as of the date of determination, all Certificates theretofore issued and delivered under this Ordinance, except:

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

(2) those Certificates deemed to be duly paid by the City in accordance with the provisions of Section 21 hereof; and

(3) those Certificates that have been mutilated, destroyed, lost or stolen and replacement Certificates have been registered and delivered in lieu thereof as provided in Section 25 hereof.


(k) The term “System” shall mean all properties, facilities and plants currently owned, operated and maintained by the City for the supply, treatment and transmission of treated potable water and for the collection, treatment and disposal of water-carried wastes, together with all future extensions, improvements, replacements and additions thereto.

SECTION 11. Certificate Fund. For the purpose of paying the interest on and to provide a sinking fund for the payment, redemption and retirement of the Certificates, there shall be and is hereby created a special Fund to be designated “SPECIAL 2017A CITY OF AZLE, TEXAS, CERTIFICATE OF OBLIGATION FUND” (the “Certificate Fund”), which Fund shall be kept and maintained at the depository bank of the City, and moneys deposited in said Fund shall be used for no other purpose. The Mayor, City Manager, Assistant City Manager, Finance Director and City Secretary of the City, individually or collectively, are hereby authorized and directed to cause to be transferred to the Paying Agent/Registrar for the Certificates, from funds on deposit in the Certificate Fund, amounts sufficient to fully pay and discharge promptly each installment of interest and principal of the Certificates as the same accrues or matures; such transfers of funds to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Certificates at the close of business on the last business day next preceding each interest and/or principal payment date for the Certificates.

[The City has sufficient current funds available to pay the interest payment to become due on the Certificates on ______ 15, 20__, and there will be deposited in the Certificate Fund
such amount of current funds which will be sufficient to pay the amounts to become due on the Certificates on ______ 15, 20___.

Pending the transfer of funds to the Paying Agent/Registrar, money in the Certificate Fund may, at the option of the City, be invested in obligations identified in, and in accordance with the City’s Investment Policy, as the same may be amended from time to time and the provisions of the “Public Funds Investment Act” (Texas Government Code, Chapter 2256, as amended) relating to the investment of “bond proceeds”; provided that all such investments shall be made in such a manner that the money required to be expended from said Fund will be available at the proper time or times. All interest and income derived from deposits and investments in said Certificate Fund shall be credited to, and any losses debited to, the said Certificate Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Certificates.

SECTION 12. Tax Levy. To provide for the payment of the “Debt Service Requirements” on the Certificates, being (i) the interest on said Certificates and (ii) a sinking fund for their redemption at maturity or a sinking fund of 2% (whichever amount shall be the greater), there shall be and there is hereby levied, within the limitations prescribed by law, for the current year and each succeeding year thereafter while said Certificates or any interest thereon shall remain Outstanding, a sufficient tax on each one hundred dollars’ valuation of taxable property in the City, adequate to pay such Debt Service Requirements, full allowance being made for delinquencies and costs of collection; said tax shall be assessed and collected each year and applied to the payment of the Debt Service Requirements, and the same shall not be diverted to any other purpose. The taxes so levied and collected shall be deposited into the Certificate Fund. The Council hereby declares its purpose and intent to provide and levy a tax legally and fully sufficient to pay the Debt Service Requirements, it having been determined that the existing and available taxing authority of the City for such purpose is adequate to permit a legally sufficient tax in consideration of all other outstanding indebtedness.

The amount of taxes to be provided annually for the payment of the principal of and interest on the Certificates shall be determined and accomplished in the following manner:

(a) Prior to the date the Council establishes the annual tax rate and passes an ordinance levying ad valorem taxes each year, the Council shall determine:

(1) The amount on deposit in the Certificate Fund after (a) deducting therefrom the total amount of Debt Service Requirements to become due on Certificates prior to the Collection Date for the ad valorem taxes to be levied and (b) adding thereto the amount of the Net Revenues of the System, together with any other lawfully available revenues of the City, appropriated and allocated to pay such Debt Service Requirements prior to the Collection Date for the ad valorem taxes to be levied.

(2) The amount of Net Revenues of the System, together with any other lawfully available revenues of the City, appropriated and to be set aside for the payment of the Debt Service Requirements on the Certificates between the Collection Date for the taxes then to be levied and the Collection Date for the taxes to be levied during the next succeeding calendar year.
(3) The amount of Debt Service Requirements to become due and payable on the Certificates (or a sinking fund of 2% if greater than the amount due and payable on the Certificates) between the Collection Date for the taxes then to be levied and the Collection Date for the taxes to be levied during the next succeeding calendar year.

(b) The amount of taxes to be levied annually each year to pay the Debt Service Requirements on the Certificates shall be the amount established in paragraph (3) above less the sum total of the amounts established in paragraphs (1) and (2), after taking into consideration delinquencies and costs of collecting such annual taxes.

Any surplus proceeds from the sale of the Certificates not expended for authorized purposes shall be deposited in the Certificate Fund, and such amounts so deposited shall reduce the sums otherwise required to be deposited in said Fund from ad valorem taxes.

SECTION 13. Pledge of Surplus Net Revenues. The City hereby covenants and agrees that subject to the prior lien on and pledge of the Net Revenues of the System to the payment and security of the Prior Lien Obligations, the Net Revenues of the System are hereby irrevocably pledged to the payment of the principal of and interest on the Certificates, and the pledge of the Net Revenues of the System herein made for the payment of the Certificates shall constitute a lien on the Net Revenues of the System in accordance with the terms and provisions hereof. Furthermore, such lien on and pledge of the Net Revenues securing the payment of the Certificates shall be valid and binding and fully perfected from and after the date of adoption of this Ordinance without physical delivery or transfer or transfer of control of the Net Revenues, the filing of this Ordinance or any other act; all as provided in Texas Government Code, Chapter 1208, as amended ("Chapter 1208").

Chapter 1208 applies to the issuance of the Certificates and the pledge of the Net Revenues of the System granted by the City under this Section 13, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Certificates are Outstanding such that the pledge of the Net Revenues of the System granted by the City under this Section 13 is to be subject to the filing requirements of Texas Business and Commerce Code, Chapter 9, as amended, then in order to preserve to the registered owners of the Certificates the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur.

SECTION 14. System Fund. The City hereby covenants and agrees that all Gross Revenues (excluding earnings from the investment of money held in any special funds or accounts created for the payment and security of Prior Lien Obligations) shall be deposited from day to day as collected into a "Waterworks and Sewer System Fund" (hereinafter called the "System Fund") which Fund shall be kept separate and apart from all other funds, accounts and moneys of the City, and shall be maintained at an official depository bank of the City. All moneys deposited in the System Fund shall be pledged and appropriated to the extent required for the following purposes and in the order of priority shown, to wit:

First. To the payment of all necessary and reasonable Maintenance and Operating Expenses of the System as defined herein or required by statute to be a first charge on and claim against the Gross Revenues of the System.
Second. To the payment of the amounts required to be deposited in the special Funds created and established for the payment, security and benefit of Prior Lien Obligations in accordance with the terms and provisions of the ordinances authorizing the issuance of Prior Lien Obligations.

Third. To the payment, equally and ratably, of the amounts pledged to the payment of the Certificates.

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

SECTION 15. Deposits to Certificate Fund. The City hereby covenants and agrees to cause to be deposited in the Certificate Fund prior to a principal and interest payment date for the Certificates from the surplus pledge of the Net Revenues in the System Fund, after the deduction of all payments required to be made to the special funds or accounts created for the payment and security of the Prior Lien Obligations, or from ad valorem taxes or other lawfully available funds, as applicable, any amounts budgeted to be paid from the Certificate Fund in such Fiscal Year.

In addition, any surplus proceeds from the sale of the Certificates not expended for authorized purposes shall be deposited in the Certificate Fund, and such amounts so deposited shall reduce the sums otherwise required to be deposited in said fund from ad valorem taxes and the Net Revenues of the System.

SECTION 16. Security of Funds. All moneys on deposit in the Funds for which this Ordinance makes provision (except any portion thereof as may be at any time properly invested) shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and moneys on deposit in such Funds shall be used only for the purposes permitted by this Ordinance.

SECTION 17. Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in the payments to be made to the Certificate Fund, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, the Holder of any of the Certificates shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition or obligation prescribed in this Ordinance.

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

SECTION 18. Special Covenants. The City hereby further covenants as follows:
(a) It has the lawful power to pledge the surplus Net Revenues of the System supporting this issue of Certificates and has lawfully exercised said powers under the Constitution and laws of the State of Texas, including said power existing under Texas Local Government Code, Subchapter C of Chapter 271, as amended, and Texas Government Code, Chapter 1502, as amended.

(b) Other than for the payment of the outstanding Prior Lien Obligations and the Certificates, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the City or of the System.

SECTION 19. Issuance of Prior Lien Obligations and Additional Obligations. The City hereby expressly reserves the right to hereafter issue Prior Lien Obligations, without limitation as to principal amount, but subject to any terms, conditions or restrictions applicable thereto under law or otherwise. Prior Lien Obligations hereafter issued may be payable, in whole or in part, from the Net Revenues (without impairment of the obligation of contract with the Holders of the Certificates) upon such terms and conditions as the Council may determine.

In addition, the City reserves the right to issue additional obligations, without limitation or any restriction or condition being applicable to their issuance under the terms of this Ordinance, payable from and secured by a lien on and pledge of the Net Revenues of the System of equal rank and dignity, and on a parity in all respects, with the lien thereon and pledge thereof securing the payment of the Certificates.

SECTION 20. Subordinate to Prior Lien Obligations, Covenants and Agreements. It is the intention of this governing body and accordingly hereby recognized and stipulated that the provisions, agreements and covenants contained herein bearing upon the management and operations of the System and the administering and application of revenues derived from the operation thereof, shall to the extent possible be harmonized with like provisions, agreements and covenants contained in the ordinances authorizing the issuance of the Prior Lien Obligations, and to the extent of any irreconcilable conflict between the provisions contained herein and in the ordinances authorizing the issuance of the Prior Lien Obligations, the provisions, agreements and covenants contained therein shall prevail to the extent of such conflict and be applicable to this Ordinance but in all respects subject to the priority of rights and benefits, if any, conferred thereby to the holders or owners of the Prior Lien Obligations. Notwithstanding the above, any change or modification affecting the application of revenues derived from the operation of the System shall not impair the obligation of contract with respect to the surplus pledge of revenues herein made for the payment and security of the Certificates.

SECTION 21. Satisfaction of Obligation of City. If the City shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Certificates, at the times and in the manner stipulated in this Ordinance, then the pledge of taxes levied under this Ordinance and the Net Revenues of the System (to the extent such pledge of Net Revenues shall not have been discharged or terminated by prior payment of principal of or interest on the Certificates) and all covenants, agreements, and other obligations of the City to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Certificates or any principal amount(s) thereof shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Certificates or the principal amount(s) thereof at maturity or the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) Government
Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to pay when due the principal of and interest on such Certificates, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. The City covenants that no deposit of moneys or Government Securities will be made under this Section and no use made of any such deposit which would cause the Certificates to be treated as “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or regulations adopted pursuant thereto.

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

SECTION 22. Ordinance a Contract - Amendments. This Ordinance shall constitute a contract with the Holders from time to time, be binding on the City, and shall not be amended or repealed by the City while any Certificates remain Outstanding except as permitted in this Section and in Section 31 hereof. The City may, without the consent of or notice to any Holders, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the consent of Holders holding a majority in aggregate principal amount of the Certificates then Outstanding, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all Holders of Outstanding Certificates, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Certificates, reduce the principal amount thereof, the redemption price or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required to be held by Holders for consent to any such amendment, addition, or rescission.

SECTION 23. Notices to Holders - Waivers. Wherever this Ordinance provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States mail, first class postage prepaid, to the address of each Holder appearing in the Security Register at the close of business on the business day next preceding the mailing of such notice.

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

SECTION 24. Cancellation. Certificates surrendered for payment, redemption, transfer or exchange, if surrendered to the Paying Agent/Registrar, shall be promptly cancelled by it and, if surrendered to the City, shall be delivered to the Paying Agent/Registrar and, if not already cancelled, shall be promptly cancelled by the Paying Agent/Registrar. The City may at any time deliver to the Paying Agent/Registrar for cancellation any Certificates previously certified or registered and delivered which the City may have acquired in any manner whatsoever, and all Certificates so delivered shall be promptly cancelled by the Paying Agent/Registrar. All cancelled Certificates held by the Paying Agent/Registrar shall be returned to the City.

SECTION 25. Mutilated, Destroyed, Lost and Stolen Certificates. In case any Certificate shall be mutilated, destroyed, lost or stolen, the Paying Agent/Registrar may execute and deliver a replacement Certificate of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Certificate, or in lieu of and in substitution for such destroyed, lost or stolen Certificate, only upon the approval of the City and after (i) the filing by the Holder thereof with the Paying Agent/Registrar of evidence satisfactory to the Paying Agent/Registrar of the destruction, loss or theft of such Certificate, and of the authenticity of the ownership thereof and (ii) the furnishing to the Paying Agent/Registrar of indemnification in an amount satisfactory to hold the City and the Paying Agent/Registrar harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Certificate shall be borne by the Holder of the Certificate mutilated, destroyed, lost or stolen.

Every replacement Certificate issued pursuant to this Section shall be a valid and binding obligation, and shall be entitled to all the benefits of this Ordinance equally and ratably with all other Outstanding Certificates, notwithstanding the enforceability of payment by anyone of the destroyed, lost or stolen Certificates.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Certificates.


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

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

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

“Computation Date” has the meaning set forth in Section 1.148-1(b) of the Regulations.
"Gross Proceeds" means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Certificates.

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

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

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

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

"Yield" of (1) any Investment has the meaning set forth in Section 1.148-5 of the Regulations and (2) the Certificates has the meaning set forth in Section 1.148-4 of the Regulations.

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

(c) No Private Use or Private Payments. Except as permitted by Section 141 of the Code and the Regulations and rulings thereunder, the City shall at all times prior to the last Stated Maturity of Certificates:

(1) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Certificates, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and
(2) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Certificates or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

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

(e) Not to Invest at Higher Yield. Except to the extent permitted by Section 148 of the Code and the Regulations and rulings thereunder, the City shall not at any time prior to the final Stated Maturity of the Certificates directly or indirectly invest Gross Proceeds in any Investment (or use Gross Proceeds to replace money so invested), if as a result of such investment the Yield from the Closing Date of all Investments acquired with Gross Proceeds (or with money replaced thereby), whether then held or previously disposed of, exceeds the Yield of the Certificates.

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

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

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

(1) The City shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last outstanding Certificate is discharged. However, to the extent permitted by law, the City may commingle Gross Proceeds of the Certificates with other money of the City, provided that the City separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.
(2) Not less frequently than each Computation Date, the City shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder. The City shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Certificates until six years after the final Computation Date.

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

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

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

(j) Elections. The City hereby directs and authorizes the Mayor, City Manager, Assistant City Manager, Finance Director and City Secretary, either or any combination of them, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Certificates, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document.
(k) **Qualified Tax Exempt Obligations.** In accordance with the provisions of paragraph (3) of subsection (b) of Section 265 of the Code, the City hereby designates the Certificates to be "qualified tax exempt obligations" in that the Certificates are not "private activity bonds" as defined in the Code and the reasonably anticipated amount of "qualified tax exempt obligations" to be issued by the City (including all subordinate entities of the City) for the calendar year 2017 will not exceed $10,000,000.

(l) **Nonpurpose Investments.** No portion of the proceeds of the Certificates will be used, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments which produce a yield materially higher than the yield on the Board’s bonds that were issued to provide financing for the Certificates (the "Source Series Bonds"), other than Nonpurpose Investments acquired with:

(a) proceeds of the Board’s Source Series Bonds invested for a reasonable temporary period of up to three (3) years (reduced by the period of investment by the Board) until such proceeds are needed for the facilities to be financed;

(a) amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the IRS Regulations; and

(a) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Certificates, 125% of average annual debt service on the Certificates, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Certificates.

**SECTION 27. Sale of the Certificates.** The sale of the Certificates to the Texas Water Development Board (the "Purchasers" or the "Board") at the price of par, less a loan origination fee of ____% calculated pursuant to Board rules, which shall be paid via wire transfer at no expense to the Board, pursuant to a loan commitment received from the Purchasers, is hereby confirmed and determined to be in the best interest of the City. Delivery of said Certificates shall be made to said Purchasers as soon as may be after the adoption of this Ordinance, upon payment therefor in accordance with the terms of sale.

**SECTION 28. Proceeds of Sale.** (a) Immediately following the delivery of the Certificates to the initial purchaser, the proceeds of sale (less amounts to pay costs of issuance) shall be deposited in an account to be maintained at _____________ (the "Escrow Agent") and held in escrow pending written authorization to release said moneys. An "Escrow Agreement" by and between the City and the Escrow Agent providing for the deposit, safekeeping and administration of such funds pending their release from escrow is attached hereto as Exhibit B and incorporated herein by reference as a part of this Ordinance for all purposes, and such Escrow Agreement is hereby approved as to form and content. The Mayor and Mayor Pro Tem and City Secretary of the City are hereby authorized and directed to execute such Agreement for and on behalf of the City and as the act and deed of the City Council. The City hereby creates a construction fund account in a depository of the City, which is known as the "Construction Fund," into which shall be deposited proceeds derived from the sale of the Certificates which shall be applied in accordance with Section 29 of this Ordinance and this Section. The Construction Fund shall be kept separate and apart from all other funds and accounts of the City.
Upon the release of funds from such escrow account maintained pursuant to the "Escrow Agreement", the released amount shall be deposited to the credit of the Construction Fund. Pending expenditure for authorized projects and purposes, the amounts deposited to the credit of the Construction Fund may be invested in accordance with laws of the State and investment policies and guidelines of the City for such type funds, and any investment earnings realized may be expended for such authorized projects and purposes or deposited in the Certificate Account as shall be determined by the City Council. All surplus proceeds of sale of the Certificates, including investment earnings, remaining in the Construction Fund after completion of all authorized projects or purposes and after satisfying the requirements of Section 26 hereof shall be deposited to the credit of the Certificate Fund.

(b) As provided in the Escrow Agreement, the proceeds of sale of the Certificates are held in escrow shall only be invested in investments that are authorized by the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended.

(c) As provided in the Escrow Agreement, the proceeds of sale of the Certificates held in escrow pursuant to the Escrow Agreement and any accrued interest in excess of the amounts insured by the FDIC and remaining uninvested under the terms of the Escrow Agreement shall be continuously secured by a valid pledge of direct obligations of the United States of America or other collateral meeting the requirements of the Public Funds Collateral Act, Texas Government Code, as amended.

SECTION 29. Rules and Regulations of the Texas Water Development Board. In compliance with the published rules and regulations of the Texas Water Development Board, the City agrees and covenants that upon completion of the project being financed with the Certificates (the "Series 2017A Project"), the proper officials of the City promptly shall cause to be prepared and submitted to the Board (i) a final accounting of the total costs of the Series 2017A Project and the expenditure of funds therefor and (ii) a copy of the construction plans for the Series 2017A Project as built and completed. In addition to other information required by the Board, said final accounting shall identify (i) all funds utilized or represented to be available in the City’s application, from whatever source derived, and (ii) all Series 2017A Project costs contained and approved in the City’s application to the Board or approved in subsequent change orders.

If the total cost of the Series 2017A Project is less than the amount of Series 2017A Project funds available, then the City may use such surplus proceeds of the Certificates remaining after completion of the Series 2017A Project for the following purposes as approved by the Executive Administrator (1) to redeem Certificates, in inverse annual order of stated maturities, (2) to deposit into the Certificate Fund for the payment of capitalized interest or principal on the Certificates or (3) to pay eligible project costs as authorized by the Executive Administrator. In determining the amount of available funds for the Series 2017A Project, the City agrees to account for all amounts deposited to the credit of the Construction Fund, including all loan funds extended by the Board, all other funds available for the Series 2017A Project as described in the project engineer’s or fiscal representative’s sufficiency of funds statement and all interest earned by the City on money in the Construction Fund.

The City further agrees and covenants as follows:

(i) The Board may exercise all remedies available to it in law or equity, and any provision of the Certificates that restricts or limits the Board’s full exercise of these remedies shall be of no force and effect.
(ii) The proceeds of the Certificates shall be held in a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.

(iii) No Certificate proceeds will be used for sampling, testing, removing or disposing of contaminated soils and/or media at the project site and, to the extent permitted by law, to indemnify, hold harmless and protect the Board from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport and/or removal and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the City, its contractors, consultants, agents, officials and employees as a result of activities relating to the Series 2017A Project.

(iv) The City shall report to the Board the amounts of Series 2017A Project funds, if any, that were used to compensate historically underutilized businesses that worked on the Series 2017A Project, in accordance with 31 Texas Administration Code, Section 363.1312.

(v) The City will not use any portion of the proceeds of the Certificates in a manner that would cause the Certificates to become “private activity bonds” within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder.

(vi) Neither the City nor a related party thereto will acquire any of the Source Series Bonds (as defined in Section 26(l) hereof) in an amount related to the amount of the Certificates to be acquired from the City by the Board.

SECTION 30. Control and Custody of Certificates. The Mayor of the City shall be and is hereby authorized to take and have charge of all necessary orders and records pending the sale of the Certificates, the investigation by the Attorney General of the State of Texas, including the printing and supply of definitive Certificates, and shall take and have charge and control of the Initial Certificate(s) pending the approval thereof by the Attorney General, the registration thereof by the Comptroller of Public Accounts and the delivery thereof to the Purchasers.


(a) Definitions. As used in this Section, the following terms have the meanings ascribed to such terms below:

"MSRB" means the Municipal Securities Rulemaking Board.

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

"SEC" means the United States Securities and Exchange Commission.

(b) Annual Reports. The City shall provide annually to the MSRB (1) within 12 months after the end of each fiscal year, beginning in or after 2017, financial statements of the City, and (2) if audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time, and audited financial statements when and if such audited statements become available. Any financial statements so provided shall be prepared in accordance with the generally accepted accounting principles as applicable to governmental units as prescribed by the Government Accounting Standards Board or such
other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation. If audited financial statements are not available within 12 months after the end of any fiscal year, the City will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available.

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

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Web site or filed with the SEC.

(c) Notice of Certain Events. The City shall provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;
7. Modifications to rights of holders of the Certificates, if material;
8. Certificate calls, if material, and tender offers;
9. defeasances;
10. Release, substitution, or sale of property securing repayment of the Certificates, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below;
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

The City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with subsection (b) of this Section by the time required by such subsection.

(d) **Filing with the MSRB.** All financial information, operating data, financial statements, notices and other documents provided to the MSRB in accordance with this Section shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

(e) **Limitations, Disclaimers and Amendments.** The City shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the City remains an "obligated person" with respect to the Certificates within the meaning of the Rule, except that the City in any event will give the notice required by subsection (c) of this Section of any Certificate calls and defeasance that cause the City to be no longer such an "obligated person."

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

**UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY CERTIFICATE OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.**

No default by the City in observing or performing its obligations under this Section shall constitute a breach of or default under this Ordinance for purposes of any other provision of this Ordinance.

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

Notwithstanding anything herein to the contrary, the provisions of this Section may be amended by the City from time to time to adapt to changed circumstances resulting from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of
the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Certificates consent to such amendment or (b) a Person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Certificates. The provisions of this Section may also be amended from time to time or repealed by the City if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but only if and to the extent that reservation of the City's right to do so would not prevent underwriters of the initial public offering of the Certificates from lawfully purchasing or selling Certificates in such offering. If the City so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided pursuant to subsection (b) of this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

SECTION 32. Legal Opinion. The issuance of the Certificates to the Purchasers shall be subject to the delivery of a final approving market opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel to the City, such opinion to be dated and delivered as of the date of delivery and payment for the Certificates by the Purchasers. An executed counterpart of said opinion shall accompany the global certificates deposited with DTC or a true and correct reproduction thereof shall be printed on the definitive Certificates in the event the book-entry-only system shall be discontinued.

SECTION 33. CUSIP Numbers. That CUSIP numbers may be printed or typed on the definitive Certificates. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Certificates shall be of no significance or effect as regards the legality thereof, and neither the City nor attorneys approving said Certificates as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Certificates.

SECTION 34. Benefits of Ordinance. Nothing in this Ordinance, expressed or implied, is intended or shall be construed to confer upon any person other than the City, the Paying Agent/Registrar and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Ordinance or any provision hereof, this Ordinance and all its provisions is intended to be and being for the sole and exclusive benefit of the City, the Paying Agent/Registrar and the Holders.

SECTION 35. Inconsistent Provisions. Subject to Section 20 hereof, all ordinances, orders or resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed to the extent of such conflict, and the provisions of this Ordinance shall be and remain controlling as to the matters contained herein.

SECTION 36. Governing Law. This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 37. Incorporation of Findings and Determinations. The findings and determinations of the Council contained in the preamble hereof are hereby incorporated by reference and made a part of this Ordinance for all purposes as if the same were restated in full in this Section.
SECTION 38. Severability. If any provision of this Ordinance or the application thereof to any circumstance shall be held to be invalid, the remainder of this Ordinance and the application thereof to other circumstances shall nevertheless be valid, and the Council hereby declares that this Ordinance would have been enacted without such invalid provision.

SECTION 39. Further Procedures. Any one or more of the Mayor, City Manager, Assistant City Manager, Finance Director and City Secretary 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 on behalf of the City all agreements, instruments, certificates or other documents, whether mentioned herein or not, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance and the issuance of the Certificates. In addition, prior to the initial delivery of the Certificates, the Mayor, City Manager, Assistant City Manager or Finance Director of the City or Bond Counsel to the City are each hereby authorized and directed to approve any changes or corrections to this Ordinance or to any of the documents authorized and approved by this Ordinance: (i) in order to cure any ambiguity, formal defect or omission in this Ordinance or such other document; or (ii) as requested by the Attorney General of the State of Texas or his representative to obtain the approval of the Certificates by the Attorney General and if such officer or counsel determines that such changes are consistent with the intent and purpose of this Ordinance, which determination shall be final. In the event that any officer of the City whose signature shall appear on any document shall cease to be such officer before the delivery of such document, such signature nevertheless shall be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 40. Effect of Headings. The Section headings herein are for convenience of reference only and shall not affect the construction hereof.

SECTION 41. Construction of Terms. If appropriate in the context of this Ordinance, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

SECTION 42. Public Meeting. It is officially found, determined and declared that the meeting at which this Ordinance is adopted was open to the public and public notice of the time, place and subject matter of the public business to be considered at such meeting, including this Ordinance, was given, all as required by Texas Government Code, Chapter 551, as amended.

SECTION 43. Effective Date. In accordance with the provisions of Texas Government Code, Section 1201.028, as amended, this Ordinance shall be in force and effect from and after its passage and it is accordingly so ordained.

[Remainder of page left blank intentionally]
PASSED AND ADOPTED, this __________________________, 2017.

CITY OF AZLE, TEXAS

______________________________
Mayor

ATTEST:

______________________________
City Secretary

(City Seal)
EXHIBIT A

PAYING AGENT/REGISTRAR AGREEMENT
EXHIBIT B

ESCROW AGREEMENT
Associated PIF PDF

The following document is for associated PIF #12196
OLA ID 500107
PIF No. 12196
Entity Name: Azle
Project Name: Main Street Water Line Replacement

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Estimated Costs
Submittal
General Information

Project Information

Funding Type: SWIFT

Contact Information

County: Parker

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<tr>
<td>First Name: Rick</td>
<td>First Name: Derek</td>
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<tr>
<td>Last Name: White</td>
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<tr>
<td>Addr 1: 603 SE Parkway</td>
<td>Addr 1: 1508 Santa Fe Drive</td>
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Service Area

Population Served: 10,947

Project Description

Project Name: Main Street Water Line Replacement

Where can Project be found in the most recent Regional Water Plan?
Project listed on page: 5D.329
Capital costs on page: 5D.365
Phase(s) Applied For
Planning: Y
Acquisition: Y
Design: Y
Construction: Y

Emergency
Applicant/entity's water supply will last less than 180 days.: N
Water Supply need occurs earlier than anticipated in the State Water Plan: Y
Applicant has received or applied for Federal emergency funding.: N
None of the above.: N

Agricultural Efficiency Project?: N

Estimated average annual residential water bill: $45
Annual Median Household Income: $51,739

Project will produce water: N
Project will conserve water: Y
Please provide the volume of water anticipated to be produced or conserved by the project per decade:

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Project will address water loss: Y

Project Long Desc: Replace approximately 10,500 l.f. of 10" water line to reduce water loss.
Public Water Systems served by the City of Azle:

The City of Azle
The City of Springtown
Community WSC
Readiness to Proceed to Construction

Preliminary planning or design work (30% of total project) has been completed or is not required.: Y

Applicant is prepared to begin implementation or construction within 18 months of application deadline.: Y

Applicant has acquired all water rights associated with the proposed project, or none will be required.: Y
Estimated Costs

TWDB Requested Amount

Low-Interest Loan Amount: $1350000.00

Deferred Loan Amount:

Board Participation Amount:

Local Contribution Amount:

Other Amount:
Other Desc:

Total Estimated Project Costs: $1350000.00

Submittal

I, Derek Turner, PE, as the designated authorized representative of the Azle, hereby approve and authorize the submission of this project information form to the Texas Water Development Board. I certify that all information contained herein is true and correct to the best of my knowledge. I understand the failure to submit a complete project information form by the stated deadlines may result in the withdrawal of the form without review.

Submitted by: Derek Turner, PE
Telephone Number: (817) 594-9880
Submitted date: 2017-01-31 17:13:31.853