



**Debt Issuance  
CITY OF AUSTIN  
RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.:** 51  
**AGENDA DATE:** Thu 08/26/2004  
**PAGE:** 1 of 3

**SUBJECT:** Authorize the issuance of City of Austin, Texas, Certificates of Obligation, Series 2004, in the amount of \$25,000,000 and all related documents.

**AMOUNT & SOURCE OF FUNDING:** \$2,066,698 in the first year debt service requirement and \$600 estimated annual administration fee for the paying agent/registrar for the proposed Certificate of Obligation sale is included in the 2004-2005 Proposed Operating Budget of the General Obligation Debt Service Fund.

**FISCAL NOTE:** There is no unanticipated fiscal impact. A fiscal note is not required.

**REQUESTING** Financial and **DIRECTOR'S**  
**DEPARTMENT:** Administrative Services - **AUTHORIZATION:**  
Treasury

**FOR MORE INFORMATION CONTACT:**

**PRIOR COUNCIL ACTION:** July 29, 2004 approved Notice of Intent to Issue Certificates of Obligation and General Obligation Bond Sale Schedule.

**BOARD AND COMMISSION ACTION:** Approved by the Audit and Finance Committee.

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On July 29, 2004, the City Council authorized publication of an Official Notice of Intent to Issue Certificates of Obligation. The financing of the projects complies with the Financial Policies for the use of non-voter approved debt listed in Attachment A. See Attachment B for the schedule of project costs and useful life. Annual debt service funding for the Certificates of Obligations is to be provided transfers into the General Obligation Debt Service Fund from issuing departments. The entire \$25,000,000 in Certificates of Obligation that is being issued is being issued to provide funding for reimbursement resolutions that have already been approved by Council

Electronic bids will be accepted beginning at 9:00 a.m. Central Daylight Time ("CDT") and ending at 9:30 a.m. CDT, on Thursday August 26, 2004. Bids will be verified by the City's Financial Advisor, Public Financial Management, Inc.

This item has been posted for not later than 2:00 p.m. to allow City Council action prior to the close of financial markets.



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The Debt Service Cost for the \$25,000,000 issuance is estimated as follows:

	<u>2004-2005</u>	<u>Total Cost over 20 Years</u>	<u>Average Per Year</u>
Principal	\$775,000	\$ 25,000,000	\$ 1,250,000
Interest	<u>1,291,698</u>	<u>16,665,595</u>	<u>833,280</u>
Total Debt Service	\$ 2,066,698	\$41,665,595	\$ 2,083,280

The entire \$25,000,000 is self-supporting debt paid by transfers to the General Obligation Debt Service Fund.

**ATTACHMENT A**

**FINANCIAL POLICIES**

**POLICY**

1. It is the City's priority to fund capital expenditures with cash or voter approved debt. However, non-voter approved debt may be used for capital expenditures as an alternative to lease/purchase or other financing options if capital expenditure is:

- \* Urgent,
- \* Unanticipated,
- \* Necessary to prevent an economic loss to the City,
- \* Revenue generating, resulting in an economic gain to the City within a reasonable time, or
- \* Approved and budgeted for financing in the annual budget, and
- \* Non-voter approved debt is the most cost effective option available.

**STATUS**

The projects were included in the 2003-2004 Amended Capital Budget or are included in the proposed 2004-2005 Capital Budget. Certificates of Obligation provide the most cost-effective option available.

**POLICY**

2. The average maturity of non-voter approved debt shall not exceed the average life of the capital items financed.

**STATUS**

It is anticipated that this issue of Certificates of Obligation will have an average maturity of less than thirteen years. The minimum life of the projects is in excess of thirteen years.



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**POLICY**

3. Capital items financed with non-voter approved debt shall have a value of at least \$10,000 and life of at least four years.

**STATUS**

All items are in compliance.

**ATTACHMENT B**

**PROJECTS PROPOSED FOR FINANCING**

Description	Approximate Cost	Useful Life
1. Parking Garage – Convention Center Expansion	\$ 16,400,000	20 years
2. School for the deaf building renovations	600,000	20 years
3. Mabel Davis Remediation	<u>8,000,000</u>	20 years
	\$25,000,000	

The entire \$25,000,000 issuance will be funded by transfers from operating funds.

**ORDI NANCE NO. \_\_\_\_\_**

**AN ORDI NANCE OF THE CITY COUNCI L OF THE CITY OF AUSTIN, TEXAS AUTHORIZING THE ISSUAN CE AND SALE OF \$25,925,000 CITY OF AUSTIN, TEXAS CERTIFICATES OF OBLIGATION, SERIES 2004; PRESCRIBING THE FORM OF SAID C CERTIFICATES; PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID CERTIFICATES; AWARDING THE SALE THEREOF; APPROVING THE OFFICIAL STATEMENT; ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT; AND DECLARING AN IMMEDIATE EFFECTIVE DATE**

WHEREAS, on the 29th day of July, 2004, the City Council of the City of Austin (the "City" or the "Issuer") passed an ordinance authorizing and directing notice of its intention to issue the Certificates of Obligation herein authorized to be issued, to be published in a newspaper as required by Section 271.049 of the Texas Local Government Code; and

WHEREAS, said notice was published in the *Austin American-Statesman*, as required by Section 271.049 of the Texas Local Government Code, on August \_\_, 2004 and August \_\_, 2004; and

WHEREAS, no petition, signed by 5% of the qualified electors of the Issuer as permitted by Section 271.049 of the Texas Local Government Code protesting the issuance of such Certificates of Obligation, has been filed; and

WHEREAS, the Certificates of Obligation hereinafter authorized are to be issued and delivered pursuant to Subchapter C of Chapter 271 of the Texas Local Government Code; and

WHEREAS, the meeting at which this Ordinance is considered is open to the public as required by law, and the public notice of the time, place and purpose of said meeting was given as required by Chapter 551, Texas Government Code, as amended. Now, Therefore,

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:**

Section 1. AU THORIZATION OF CERTIFICATES OF OBLIGATION. That the Issuer's Certificates of Obligation, to be designated the "City of Austin, Texas Certificates of Obligation, Series 2004" (the "Certificates"), are hereby authorized to be issued and delivered in the principal amount of \$25,925,000, for the purpose of providing part of the funds for paying contractual obligations to be incurred by the Issuer, as further described in Schedule I attached to this Ordinance, and the payment of fiscal, engineering and legal fees incurred in connection therewith. The term "Certificates" as used in this Ordinance shall mean and include collectively the Certificates of Obligation initially issued and delivered pursuant to this Ordinance and all substitute Certificates of Obligation exchanged therefor, as well as all other substitute Certificates of Obligation and replacement Certificates of Obligation issued pursuant hereto, and the term "Certificate" shall mean any of the Certificates.

Section 2. DATE, DENOMINATIONS, NUMBERS AND MATURITIES. That the Certificates shall initially be issued, sold and delivered hereunder as fully registered certificates, without interest coupons, dated September 1, 2004, in the respective denominations and principal amounts hereinafter stated, numbered consecutively from R-1 upward, payable to the respective initial registered owners thereof, or to the registered assignee or assignees of the Certificates or any portion or portions thereof (in each case, the "Registered Owner"), and the Certificates shall mature and be payable on September 1 in each of the years and in the principal amounts as follows:

MATURITY DATE: SEPTEMBER 1

<u>YEARS</u>	<u>AMOUNTS (\$)</u>	<u>YEARS</u>	<u>AMOUNTS (\$)</u>
2005	805,000	2015	1,280,000
2006	845,000	2016	1,340,000
2007	885,000	2017	1,405,000
2008	925,000	2018	1,470,000
2009	970,000	2019	1,540,000
2010	1,015,000	2020	1,615,000
2011	1,065,000	2021	1,690,000
2012	1,115,000	2022	1,770,000
2013	1,165,000	2023	1,855,000
2014	1,225,000	2024	1,945,000

The Certificates shall be issued in denominations of \$5,000 or any integral multiple thereof (an "Authorized Denomination").

Section 3. REDEMPTION. (a) *Optional Redemption*. That the City reserves the right to redeem the Certificates maturing on or after September 1, 2015, in whole or in part in Authorized Denominations, on September 1, 2014, or on any date thereafter, for the principal amount thereof plus accrued interest thereon, without premium, to the date fixed for redemption. The years of maturity of the Certificates called for redemption at the option of the City prior to stated maturity shall be selected by the City. The Certificates or portions thereof redeemed within a maturity shall be selected by lot or other method by the Paying Agent/Registrar (hereinafter defined); *provided*, that during any period in which ownership of the Certificates is determined only by a book entry at a securities depository for the Certificates, if fewer than all of the Certificates of the same maturity and bearing the same interest rate are to be redeemed, the particular Certificates of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the City and the securities depository.

(b) *Mandatory Redemption*. The Certificates are not subject to mandatory sinking fund redemption prior to their scheduled maturities.

(c) *Notice*. At least 30 days prior to the date fixed for any such redemption the City shall cause a written notice of such redemption to be deposited in the United States Mail, first-class postage prepaid, addressed to each such registered owner at his address shown on the Registration

Books (hereinafter defined) of the Paying Agent/Registrar. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or the portions thereof which are to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such notice of redemption is given, and if due provision for such payment is made, all as provided above, the Certificates or the portions thereof which are to be so redeemed, thereby automatically shall be redeemed prior to their scheduled maturities, and shall not bear interest after the date fixed for their redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such redemptions of principal of the Certificates or any portion thereof. If a portion of any Certificate shall be redeemed a substitute Certificate or Certificates having the same maturity date, bearing interest at the same rate, in any Authorized Denomination, at the written request of the registered owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the City, all as provided in this Ordinance. In addition to the foregoing, the City shall cause the Paying Agent/Registrar to give notice of any such redemption in the manner set forth in Section 5(h) hereof. The failure to cause such notice to be given, however, or any defect therein, shall not affect the validity or effectiveness of such redemption.

Section 4. INTEREST. That the Certificates scheduled to mature during the years, respectively, set forth below shall bear interest at the following rates per annum:

maturities 2005, _____%	maturities 2015, _____%
maturities 2006, _____%	maturities 2016, _____%
maturities 2007, _____%	maturities 2017, _____%
maturities 2008, _____%	maturities 2018, _____%
maturities 2009, _____%	maturities 2019, _____%
maturities 2010, _____%	maturities 2020, _____%
maturities 2011, _____%	maturities 2021, _____%
maturities 2012, _____%	maturities 2022, _____%
maturities 2013, _____%	maturities 2023, _____%
maturities 2014, _____%	maturities 2024, _____%

Said interest shall be payable to the registered owner of any such Certificate in the manner provided and on the dates stated in the FORM OF CERTIFICATE. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Section 5. CHARACTERISTICS OF THE CERTIFICATES. That the City shall keep or cause to be kept at the designated corporate trust office in \_\_\_\_\_, \_\_\_\_\_ (the "Designated Payment/Transfer Office") of \_\_\_\_\_ (the "Paying Agent/Registrar"), or such other bank, trust company, financial institution, or other agency named in accordance with the provisions of (g) below, books or records of the registration and transfer of the Certificates (the "Registration Books"), and the City hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the City and the Paying Agent/Registrar may prescribe;

and the Paying Agent/Registrar shall make such transfers and registrations as herein provided. It shall be the duty of the Paying Agent/Registrar to obtain from the registered owner and record in the Registration Books the address of such registered owner of each Certificate to which payments with respect to the Certificates shall be mailed, as herein provided. The City or its designee shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. Registration of each Certificate may be transferred in the Registration Books only upon presentation and surrender of such Certificate to the Paying Agent/Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing the assignment of such Certificate, or any portion thereof in any Authorized Denomination, to the assignee or assignees thereof, and the right of such assignee or assignees to have such Certificate or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Certificate or any portion thereof, a new substitute Certificate or Certificates shall be issued in exchange therefor in the manner herein provided.

(b) The entity in whose name any Certificate shall be registered in the Registration Books at any time shall be treated as the absolute owner thereof for all purposes of this Ordinance, whether or not such Certificate shall be overdue, and the City and the Paying Agent/Registrar shall not be affected by any notice to the contrary; and payment of, or on account of, the principal of, premium, if any, and interest on any such Certificate shall be made only to such registered owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid.

(c) The City hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Certificates, and to act as its agent to exchange or replace Certificates, all as provided in this Ordinance. The Paying Agent/Registrar shall keep proper records of all payments made by the City and the Paying Agent/Registrar with respect to the Certificates, and of all exchanges thereof, and all replacements thereof, as provided in this Ordinance.

(d) Each Certificate may be exchanged for fully registered bonds in the manner set forth herein. Each Certificate issued and delivered pursuant to this Ordinance, to the extent of the unredeemed principal amount thereof, may, upon surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, at the option of the registered owner or such assignee or assignees, as appropriate, be exchanged for fully registered bonds, without interest coupons, in the form prescribed in the FORM OF CERTIFICATE, in an Authorized Denomination (subject to the requirement hereinafter stated that each substitute Certificate shall have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unredeemed principal amount of any Certificate or Certificates so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If a portion of any Certificate shall be redeemed prior to its scheduled maturity as provided herein, a substitute Certificate or Certificates having the same maturity date, bearing interest at the same rate, in an Authorized Denomination at the request

of the registered owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. If any Certificate or portion thereof is assigned and transferred, each Certificate issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Certificate for which it is being exchanged. Each substitute Certificate shall bear a letter and/or number to distinguish it from each other Certificate. The Paying Agent/Registrar shall exchange or replace Certificates as provided herein, and each fully registered Certificate or Certificates delivered in exchange for or replacement of any Certificate or portion thereof as permitted or required by any provision of this Ordinance shall constitute one of the Certificates for all purposes of this Ordinance, and may again be exchanged or replaced. It is specifically provided, however, that any Certificate delivered in exchange for or replacement of another Certificate prior to the first scheduled interest payment date on the Certificates (as stated on the face thereof) shall be dated the same date as such Certificate, but each substitute Certificate so delivered on or after such first scheduled interest payment date shall be dated as of the interest payment date preceding the date on which such substitute Certificate is delivered, unless such substitute Certificate is delivered on an interest payment date, in which case it shall be dated as of such date of delivery; *provided, however*, that if at the time of delivery of any substitute Certificate the interest on the Certificate for which it is being exchanged has not been paid, then such substitute Certificate shall be dated as of the date to which such interest has been paid in full. On each substitute Certificate issued in exchange for or replacement of any Certificate or Certificates issued under this Ordinance there shall be printed thereon a Paying Agent/Registrar's Authentication Certificate, in the form hereinafter set forth in the FORM OF CERTIFICATE (the "Authentication Certificate"). An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such substitute Certificate, date such substitute Certificate in the manner set forth above, and manually sign and date the Authentication Certificate, and no such substitute Certificate shall be deemed to be issued or outstanding unless the Authentication Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all Certificates surrendered for exchange or replacement. No additional ordinances, orders, or resolutions need be passed or adopted by the City Council or any other body or person so as to accomplish the foregoing exchange or replacement of any Certificate or portion hereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Certificates in the manner prescribed herein. Pursuant to Chapter 1206, Texas Government Code, the duty of exchange or replacement of any Certificate as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the Authentication Certificate, the exchanged or replaced Certificate shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Certificates which originally were delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate so selected for redemption, in whole or in part, within 45 calendar days of the date fixed for redemption; *provided*, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled principal of a Certificate.

(e) All Certificates issued in exchange or replacement of any other Certificate or portion thereof, (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Certificates to be payable only to the registered owners thereof, (ii) may be redeemed prior to their scheduled maturities, (iii) may be transferred and assigned, (iv) may be exchanged for other Certificates, (v) shall have the characteristics, (vi) shall be signed and sealed, and (vii) the



principal of and interest on the Certificates shall be payable, all as provided, and in the manner required or indicated, in the FORM OF CERTIFICATE.

(f) The City shall pay the Paying Agent/Registrar's reasonable and customary fees and charges for making transfers of Certificates, but the registered owner of any Certificate requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The registered owner of any Certificate requesting any exchange shall pay the Paying Agent/Registrar's reasonable and standard or customary fees and charges for exchanging any such Certificate or portion thereof, together with any taxes or governmental charges required to be paid with respect thereto, all as a condition precedent to the exercise of such privilege of exchange, except, however, that in the case of the exchange of an assigned and transferred Certificate or Certificates or any portion or portions thereof in any Authorized Denomination, and in the case of the exchange of the unredeemed portion of a Certificate which has been redeemed in part prior to maturity, as provided in this Ordinance, such fees and charges will be paid by the City. In addition, the City hereby covenants with the registered owners of the Certificates that it will (i) pay the reasonable and standard or customary fees and charges of the Paying Agent/Registrar for its services with respect to the payment of the principal of and interest on the Certificates, when due, and (ii) pay the fees and charges of the Paying Agent/Registrar for services with respect to the transfer or registration of Certificates solely to the extent above provided, and with respect to the exchange of Certificates solely to the extent above provided.

(g) The City covenants with the registered owners of the Certificates that at all times while the Certificates are outstanding the City will provide a competent and legally qualified bank, trust company, or other entity duly qualified and legally authorized to act as and perform the services of Paying Agent/Registrar for the Certificates under this Ordinance, and that the Paying Agent/Registrar will be one entity. The City reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 60 days written notice to the Paying Agent/Registrar. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the City covenants that promptly it will appoint a competent and legally qualified national or state banking institution which shall be an entity organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, subject to supervision or examination by federal or state authority, and whose qualifications substantially are similar to the previous Paying Agent/Registrar to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Certificates, to the new Paying Agent/Registrar designated and appointed by the City. Upon any change in the Paying Agent/Registrar, the City promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Certificates, by United States Mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

(h) (i) In addition to the manner of providing notice of redemption of Certificates as set forth in this Ordinance, the Paying Agent/Registrar shall give notice of redemption of Certificates

by United States mail, first-class postage prepaid, at least 30 days prior to a redemption date to each NRMSIR (as defined in Section 18 hereof) and the SID (as defined in Section 18 hereof). In addition, in the event of a redemption caused by an advance refunding of the Certificates, the Paying Agent/Registrar shall send a second notice of redemption to the persons specified in the immediately preceding sentence at least 30 days but not more than 90 days prior to the actual redemption date. Any notice sent to the NRMSIRs or the SID shall be sent so that they are received at least two days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar shall also send a notice of prepayment or redemption to the owner of any Certificate who has not sent the Certificates in for redemption 60 days after the redemption date.

(ii) Each redemption notice, whether required in the FORM OF CERTIFICATE or otherwise by this Ordinance, shall contain a description of the Certificates to be redeemed, including the complete name of the Certificates, the series, the date of issue, the interest rate, the maturity date, the CUSIP number, if any, the amounts called of each certificate, the publication and mailing date for the notice (in the manner as provided in the FORM OF CERTIFICATE), the date of redemption, the redemption price, the name of the Paying Agent/Registrar and the address at which the Certificate may be redeemed, including a contact person and telephone number.

(iii) All redemption payments made by the Paying Agent/Registrar to the registered owners of the Certificates shall include CUSIP numbers relating to each amount paid to such registered owner.

Section 6. FORM OF CERTIFICATES. That the Certificates shall be signed with the manual or facsimile signatures of the Mayor and the City Clerk, and that the seal of the City shall be affixed or impressed upon the Certificates. The form of the Certificates, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Certificates initially issued and delivered pursuant to this Ordinance, shall be in substantially the form as set forth in Exhibit A to this Ordinance, with such appropriate variations, omissions, or insertions as are permitted or required by this Ordinance. The printer of the Certificates is hereby authorized to print on the Certificates (i) the form of bond counsel's opinion relating to the Certificates, and (ii) an appropriate statement of insurance furnished by a municipal bond insurance company providing municipal bond insurance, if any, covering all or any part of the Certificates.

Section 7. DEFINITIONS. That the terms "Certificates" and "Certificates of Obligation" shall mean the City of Austin, Texas Certificates of Obligation, Series 2004, authorized to be issued and delivered by this Ordinance; and the term "Surplus Revenues" shall mean those revenues from the operation of the City's solid waste disposal system remaining after payment of all operation and maintenance expenses thereof and other obligations heretofore or hereafter incurred to which such revenues have been or shall be encumbered by a lien on and pledge of such revenues superior to the lien on and pledge of such revenues to the Certificates.

Section 8. INTEREST AND SINKING FUND. That a special fund or account, to be designated the "City of Austin, Texas Series 2004 Certificate of Obligation Interest and Sinking Fund" (the "Interest and Sinking Fund") is hereby created and shall be established and maintained by the Issuer. The Interest and Sinking Fund shall be kept separate and apart from all other funds and

accounts of the Issuer, and shall be used only for paying the interest on and principal of the Certificates. All ad valorem taxes levied and collected for and on account of the Certificates shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while any of the Certificates are outstanding and unpaid, the governing body of the Issuer shall compute and ascertain the rate and amount of ad valorem tax, based on the latest approved tax rolls of the Issuer, with full allowances being made for tax delinquencies and the cost of tax collections, which will be sufficient to raise and produce the money required to pay the interest on the Certificates as such interest comes due, and to provide a sinking fund to pay the principal (including mandatory sinking fund redemption payments, if any) of the Certificates as such principal matures, but never less than 2% of the original amount of the Certificates as a sinking fund each year. Said rate and amount of ad valorem tax is hereby ordered to be levied against all taxable property in the Issuer for each year while any of the Certificates are outstanding and unpaid, and said ad valorem tax shall be assessed and collected each such year and deposited to the credit of the Interest and Sinking Fund. Said ad valorem taxes necessary to pay the interest on and principal of the Certificates, as such interest comes due and such principal matures or comes due through operation of the mandatory sinking fund redemption, if any, as provided in the FORM OF CERTIFICATE, are hereby pledged for such payment, within the limit prescribed by law. The Issuer hereby appropriates from current funds on hand, and directs the transfer to the Interest and Sinking Fund for the Certificates of, an amount of money sufficient when added to the accrued interest received from the sale of the Certificates, to pay the principal and interest scheduled to come due on the Certificates through March 1, 2005.

Section 9. REVENUES. That the Certificates of Obligation are additionally secured by and shall be payable from the Surplus Revenues. The Surplus Revenues are pledged by the City pursuant to authority of Chapter 363, Texas Health and Safety Code, specifically Section 363.135 thereof. The City shall promptly deposit the Surplus Revenues upon their receipt to the credit of the Interest and Sinking Fund created pursuant to Section 8, to pay the principal and interest on the Certificates of Obligation. The amount of Surplus Revenues pledged to the payment of the Certificates of Obligation shall not exceed \$1,000.

Chapter 1208, Texas Government Code, applies to the issuance of the Certificates and the pledge of ad valorem taxes and the Surplus Revenues granted by the City under Sections 8 and 9, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Certificates are outstanding and unpaid such that the pledge of the ad valorem taxes and Surplus Revenues granted by the City is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the 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 Chapter 9, Texas Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 10. TRANSFER. That the Issuer shall do any and all things necessary to accomplish the transfer of monies to the Interest and Sinking Fund of this issue in ample time to pay such items of principal and interest due on the Certificates.

Section 11. SECURITY FOR FUNDS. That the Interest and Sinking Fund created by this Ordinance shall be secured in the manner and to the fullest extent permitted or required by law for

the security of public funds, and the Interest and Sinking Fund shall be used only for the purposes and in the manner permitted or required by this Ordinance.

Section 12. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED CERTIFICATES. (a) *Replacement Certificates*. That in the event any outstanding Certificate is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new certificate of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Certificate, in replacement for such Certificate in the manner hereinafter provided.

(b) *Application for Replacement Certificates*. That application for replacement of damaged, mutilated, lost, stolen, or destroyed Certificates shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Certificate, the registered owner applying for a replacement certificate shall furnish to the Issuer and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Certificate, the registered owner shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Certificate, as the case may be. In every case of damage or mutilation of a Certificate, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Certificate so damaged or mutilated.

(c) *No Default Occurred*. That notwithstanding the foregoing provisions of this Section, in the event any such Certificate shall have matured, and no default has occurred which is then continuing in the payment of the principal of, premium, if any, or interest on the Certificate, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Certificate) instead of issuing a replacement certificate, provided security or indemnity is furnished as above provided in this Section.

(d) *Charge for Issuing Replacement Certificates*. That prior to the issuance of any replacement certificate, the Paying Agent/Registrar shall charge the registered owner of such Certificate with all legal, printing, and other expenses in connection therewith. Every replacement certificate issued pursuant to the provisions of this Section by virtue of the fact that any Certificate is damaged, mutilated, lost, stolen, or destroyed shall constitute a contractual obligation of the Issuer whether or not the damaged, mutilated, lost, stolen, or destroyed Certificate shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and proportionately with any and all other Certificates duly issued under this Ordinance.

(e) *Authority for Issuing Replacement Certificates*. That in accordance with Chapter 1206, Texas Government Code, this Section of this Ordinance shall constitute authority for the issuance of any such replacement certificate without necessity of further action by the Issuer or any other body or person, and the duty of the replacement of such certificates is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Certificates in the form and manner and with the effect, as provided in Section 5(a) of this Ordinance for Certificates issued in conversion and exchange of other Certificates.

Section 13. FEDERAL INCOME TAX MATTERS. That the Issuer covenants to refrain from any action which would adversely affect, or to take such action as to ensure, the treatment of

the Certificates as obligations described in Section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

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

(b) to take any action to assure that in the event that the "private business use" described in subsection (a) hereof exceeds 5 percent of the proceeds of the Certificates (less amount deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate", within the meaning of Section 141(b)(3) of the Code, to the governmental use;

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

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

(e) to refrain from taking any action that would result in the Certificates being "federally guaranteed" within the meaning of Section 149(b) of the Code;

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

(1) proceeds of the Certificates invested for a reasonable temporary period of three years or less or, in the case of a refunding bond, for a period of 30 days or less until such proceeds are needed for the purpose for which the certificates of obligation are issued,

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

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

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

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

For purposes of the foregoing (a) and (b), the Issuer understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Certificates. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or ruling are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Certificates, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Certificates under Section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Certificates, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Certificates under Section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the Mayor, the City Manager, any Assistant City Manager, and the Director of Financial Services to execute any documents, certificates or reports required by the Code, and to make such elections on behalf of the Issuer which may be permitted by the Code as are consistent with the purpose for the issuance of the Certificates.

In order to facilitate compliance with clause (h) above, a "Rebate Fund" is hereby established and held by the Issuer for the sole benefit of the United States of America, and such Fund shall not be subject to the claim of any other person, including without limitation the holders of the Certificates. The Rebate Fund is established for the additional purpose of compliance with Section 148 of the Code.

Section 14. ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR THE PROJECT. That the Issuer covenants to account for the expenditure of proceeds from the sale of the Certificates and any investment earnings thereon to be used for the purposes described in Schedule I attached to this Ordinance (each such purpose shall be referred to herein and Section 15 hereof as a "Project") on its books and records in accordance with the requirements of the Code. The Issuer recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (a) the

expenditure on a Project is made or (b) such Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the Issuer recognizes that in order for the proceeds to be expended under the Code, the sale proceeds or investment earnings must be expended no more than 60 days after the later of (a) the fifth anniversary of the date of delivery of the Certificates or (b) the date the Certificates are retired. The Issuer agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Certificates. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion from nationally-recognized bond counsel to the effect that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 15. DISPOSITION OF PROJECT. That the Issuer covenants that the property constituting a Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless the Issuer obtains an opinion of nationally-recognized bond counsel substantially to the effect that such sale or other disposition will not adversely affect the tax-exempt status of the Certificates. For purposes of this Section, the portion of the property comprising personal property and disposed of in the ordinary course of business shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes of this Section, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion of a nationally-recognized bond counsel to the effect that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 16. CUSTODY, APPROVAL, AND REGISTRATION OF CERTIFICATES. That the Mayor or the designee thereof is hereby authorized to have control of the Certificates and all necessary records and proceedings pertaining to the Certificates pending their delivery and their investigation, examination and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Certificates, said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate accompanying the Certificates, and the seal of said Comptroller shall be impressed, or placed in facsimile, on each such certificate. After registration by said Comptroller, delivery of the Certificates shall be made to the Purchaser, as defined in Section 19 below, under and subject to the general supervision and direction of the Mayor, against receipt by the City of all amounts due to the City under the terms of sale.

Section 17. DTC REGISTRATION. That the Certificates initially shall be issued and delivered in such manner that no physical distribution of the Certificates will be made to the public, and The Depository Trust Company ("DTC"), New York, New York, initially will act as depository for the Certificates. DTC has represented that it is a limited purpose trust company incorporated under the laws of the State of New York, 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 under Section 17A of the Securities Exchange Act of 1934, as amended, and the Issuer accepts, but in no way verifies, such representations. The Certificates initially authorized by this Ordinance shall be delivered to and registered in the name of CEDE & CO., the nominee of DTC. It is expected that DTC will hold the Certificates on behalf of the Purchaser and its participants. So

long as each Certificate is registered in the name of CEDE & CO., the Paying Agent/Registrar shall treat and deal with DTC the same in all respects as if it were the actual and beneficial owner thereof. It is expected that DTC will maintain a book-entry system which will identify ownership of the Certificates in integral amounts of \$5,000, with transfers of ownership being effected on the records of DTC and its participants pursuant to rules and regulations established by them, and that the Certificates initially deposited with DTC shall be immobilized and not be further exchanged for substitute Certificates except as hereinafter provided. The Issuer and the Paying Agent/Registrar are not responsible or liable for any functions of DTC, will not be responsible for paying any fees or charges with respect to its services, will not be responsible or liable for maintaining, supervising, or reviewing the records of DTC or its participants, or protecting any interests or rights of the beneficial owners of the Certificates. It shall be the duty of the DTC Participants, as defined in the Official Statement herein approved, to make all arrangements with DTC to establish this book-entry system, the beneficial ownership of the Certificates, and the method of paying the fees and charges of DTC. The Issuer does not represent, nor does it in any way covenant that the initial book-entry system established with DTC will be maintained in the future. Notwithstanding the initial establishment of the foregoing book-entry system with DTC, if for any reason any of the originally delivered Certificates is duly filed with the Paying Agent/Registrar with proper request for transfer and substitution, as provided for in this Ordinance, substitute Certificates will be duly delivered as provided in this Ordinance, and there will be no assurance or representation that any book-entry system will be maintained for such Certificates. In connection with the initial establishment of the foregoing book-entry system with DTC, the Issuer heretofore has executed a "Blanket Letter of Representations" prepared by DTC in order to implement the book-entry system described above.

Section 18. CONTINUING DISCLOSURE OBLIGATION. (a) *Definitions.* That as used in this Ordinance, the following terms have the meanings ascribed to such terms below:

"MSRB" means the Municipal Securities Rulemaking Board.

"NRMSIR" means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

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

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

"SID" means any person designated by the State of Texas or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

(b) *Annual Reports.* (i) The Issuer shall provide annually to each NRMSIR and any SID, within six months after the end of each fiscal year ending in or after 2004, financial information and operating data with respect to the Issuer of the general type included in the final Official Statement authorized by Section 19 of this Ordinance, being the information described in Exhibit B hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit B hereto, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the Issuer



commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Issuer shall provide unaudited financial statements by the required time, and shall provide audited financial statements for the applicable fiscal year to each NRMSIR and any SID, when and if the audit report on such statements become available.

(ii) If the Issuer changes its fiscal year, it will notify each NRMSIR and any SID of the change (and of the date of the new fiscal year end) prior to the next date by which the Issuer 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 (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to each NRMSIR and any SID or filed with the SEC.

(c) *Material Event Notices.* The Issuer shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any of the following events with respect to the Certificates of Obligation, if such event is material within the meaning of the federal securities laws:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
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 or events affecting the tax-exempt status of the Certificates;
7. Modifications to rights of holders of the Certificates;
8. Certificate calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Certificates; and
11. Rating changes.

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

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

(ii) The provisions of this Section are for the sole benefit of the registered owners and beneficial owners of the 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 Issuer

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 Issuer'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 Issuer 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.

(iii) UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE LIABLE TO THE REGISTERED OWNER 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 ISSUER, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANTS 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.

(iv) No default by the Issuer in observing or performing its obligations under this Section shall comprise a breach of or default under the 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 Issuer under federal and state securities laws.

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

Section 19. SALE. That the sale of the Certificates to \_\_\_\_\_, and associates (the "Purchaser"), at a price of par and accrued interest on the Certificates to the date of delivery is hereby authorized, ratified and confirmed. The Certificates were sold pursuant to the terms of a "Notice of Sale and Bidding Instructions", "Official Bid Form" and "Official Statement", the use of which documents, a true and correct copy of each such document is attached hereto, is hereby approved. It is hereby officially found, determined and declared that the Certificates were sold to the highest bidder at terms that were the most advantageous reasonably obtained. The use of the "Preliminary Official Statement" prepared in connection with the sale of the Certificates is hereby ratified. Any accrued interest received in connection with the sale of the Certificates shall be deposited to the Interest and Sinking Fund. Any premium received in connection with the sale of the Certificates shall be used in a manner consistent with the provisions of Section 1201.029, Texas Government Code. The City Council hereby finds that the sum of the aggregate principal amount of the Certificates and premium, if any, received as part of the purchase price for the Certificates to be expended for the construction of the permanent improvements set forth in Schedule I hereof will not exceed the maximum amount of Certificates authorized to be sold in the notice of intention published in connection with the sale of the Certificates. The Certificates are to be insured by a municipal bond insurance policy issued by \_\_\_\_\_, as purchased by the Purchaser.

Section 20. INTEREST EARNINGS. That the interest earnings derived from the investment of proceeds from the sale of the Certificates may be used along with other proceeds for the purposes set forth in Schedule I attached to this Ordinance for which the Certificates are issued; provided that after completion of such projects, if any of such interest earnings remain on hand, such interest earnings shall be deposited in the Interest and Sinking Fund. It is further provided, however, that any interest earnings on proceeds which are required to be rebated to the United States of America pursuant to this Ordinance hereof in order to prevent the Certificates from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

Section 21. DEFEASANCE. (a) *Defeased Certificates*. That any Certificate and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Certificate") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Certificate, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Certificates shall have become due and payable. There shall be delivered to the Paying Agent/Registrar a certificate from a firm of certified public accountants certifying as to the sufficiency of the deposit made pursuant to clause (ii) above. The Paying Agent/Registrar shall also receive an opinion of bond counsel acceptable to the

Issuer that reflects such payment does not adversely affect the exclusion under the Code of interest on the Defeased Certificates from the gross income of the holders thereof for federal income taxation purposes. At such time as a Certificate shall be deemed to be a Defeased Certificate hereunder, as aforesaid, such Certificate and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes or revenues herein levied and pledged as provided in this Ordinance, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem Defeased Certificates that is made in conjunction with the payment arrangements specified in subsection 21(a)(i) or (ii) shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the Issuer expressly reserves the right to call the Defeased Certificates for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Certificates immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) *Investment in Defeasance Securities.* Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Certificates and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Certificates may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection 21(a)(i) or (ii). All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Certificates, with respect to which such money has been so deposited, shall be remitted to the Issuer or deposited as directed in writing by the Issuer. The Paying Agent/Registrar shall not be liable for any loss pertaining to an investment executed in accordance with written instructions from the Issuer.

(c) *Defeasance Securities Defined.* The term "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

(d) *Paying Agent/Registrar Services.* Until all Defeased Certificates shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for

such Defeased Certificates the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such services as required by this Ordinance.

Section 22. PREAMBLE. That the findings set forth in the preamble to this Ordinance are hereby incorporated into the body of this Ordinance and made a part hereof for all purposes.

Section 23. OFFICIALS AUTHORIZED TO ACT ON BEHALF OF THE CITY. That the Mayor, the City Clerk, the City Manager, any Assistant City Manager or the Director of Financial Services of the City, and all other officers, employees, and agents of the City, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the Certificates, the offering documents prepared in connection with the sale of the Certificates, or the Paying Agent/Registrar Agreement. In case any officer whose signature appears on any Certificate shall cease to be such officer before the delivery of such Certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until such delivery.

Section 24. RULES OF CONSTRUCTION. That for all purposes of this Ordinance, unless the context requires otherwise, all references to designated Sections and other subdivisions are to the Sections and other subdivisions of this Ordinance. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Ordinance as a whole and not to any particular Section or other subdivision. Except where the context otherwise requires, terms defined in this Ordinance to impart the singular number shall be considered to include the plural number and vice versa. References to any named person means that party and its successors and assigns. References to any constitutional, statutory or regulatory provision means such provision as it exists on the date this Ordinance is adopted by the City and any future amendments thereto or successor provisions thereof. Any reference to the payment of principal in this Ordinance shall be deemed to include the payment of any mandatory sinking fund redemption payments as described herein. Any reference to "FORM OF CERTIFICATE" shall refer to the form of the Certificates set forth in Exhibit A to this Ordinance. The titles and headings of the Sections and subsections of this Ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof.

Section 25. CONFLICTING ORDINANCES REPEALED. That all ordinances and resolutions or parts thereof in conflict herewith are hereby repealed.

Section 26. IMMEDIATE EFFECT. That in accordance with the provisions of V.T.C.A., Government Code, Section 1201.028, this Ordinance shall be effective immediately upon its adoption by the City Council.

**FINALLY PASSED, APPROVED AND EFFECTIVE this August 26, 2004.**

\_\_\_\_\_  
Mayor, City of Austin, Texas

ATTES T:

\_\_\_\_\_  
City Clerk, City of Austin, Texas

(SEAL)

APPROVED:

\_\_\_\_\_  
David Allan Smith, City Attorney,  
City of Austin, Texas

## **SCHEDULE I**

The following projects are to be funded with the proceeds of the Certificates:

the costs of constructing a parking garage for use at the Austin Convention Center;

the costs associated with the acquisition of equipment for the City's 9-1-1 system;

the costs of the construction of improvements to the City's Health and Human Services Department offices located at 601 Airport Boulevard; and

the costs of remediation of and improvements to property owned by the City located at 3427 Parker Lane, for use as public space and park purposes

together with the payment of fiscal, engineering and legal fees incurred in connection with the issuance of the Certificates and the projects funded therewith.

EXHIBIT A

FORM OF CERTIFICATE

NO. \_\_\_\_\_

\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF TEXAS  
CITY OF AUSTIN, TEXAS  
CERTIFICATES OF OBLIGATION  
SERIES 2004

<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>ORIGINAL ISSUED DATE</u>	<u>CUSIP</u>
	%	SEPTEMBER 1, 2004	

ON THE MATURITY DATE SPECIFIED ABOVE, THE CITY OF AUSTIN, TEXAS (the "Issuer"), in the Counties of Travis and Williamson, hereby promises to pay to

\_\_\_\_\_ or to the registered assignee hereof (either being hereinafter called the "registered owner") the principal amount of:

\_\_\_\_\_ DOLLARS

and to pay interest thereon, from the Original Issue Date specified above, to the Maturity Date specified above, or the date of its redemption prior to scheduled maturity, at the interest rate per annum specified above, with said interest payable on March 1, 2005, and semiannually on each September 1 and March 1 thereafter; except that if this Certificate is required to be authenticated and the date of its authentication is later than March 1, 2005, such interest is payable semiannually on each September 1 and March 1 following such date.

THE PRINCIPAL OF AND INTEREST ON this Certificate are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Certificate shall be paid to the registered owner hereof upon presentation and surrender of this Certificate at maturity or redemption prior to maturity at the designated corporate trust office in \_\_\_\_\_, \_\_\_\_\_ (the "Designated Payment/Transfer Office"), of \_\_\_\_\_, which is the "Paying Agent/Registrar" for this Certificate. The payment of interest on this Certificate shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the ordinance authorizing the issuance of this Certificate (the "Certificate Ordinance") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class, postage prepaid, on each such interest payment date, to the registered owner hereof, at its address as it appeared on the fifteenth day of the month preceding each such date (the "Record Date") on the Registration Books kept by the



Paying Agent/Registrar, as hereinafter described. Any accrued interest due at maturity as provided herein shall be paid to the registered owner upon presentation and surrender of this Certificate for payment at the Designated Payment/Transfer Office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Certificate that on or before each principal and interest payment date for this Certificate it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Certificate Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of, premium, if any, and interest on the Certificates, when due. All Certificates of this Series are issuable solely as fully registered certificates, without interest coupons, in any integral multiple of \$5,000 (an "Authorized Denomination").

IN THE EVENT OF NON-PAYMENT of interest on a scheduled payment date, and for 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 Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each registered owner of a Certificate appearing on the Registration Books kept by the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

IF THE DATE for the payment of the principal of, premium, if any, or interest on this Certificate shall be a Saturday, Sunday, a legal holiday, or a day on which 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 on which 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.

THIS CERTIFICATE is one of a Series of Certificates dated as of the Original Issue Date stated above, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$25,925,000, FOR THE PURPOSE OF PROVIDING PART OF THE FUNDS FOR PAYING CONTRACTUAL OBLIGATIONS TO BE INCURRED BY THE CITY, TO-WIT, MAKING AND ACQUIRING VARIOUS PUBLIC IMPROVEMENTS FOR THE CITY, AS DESCRIBED IN THE CERTIFICATE ORDINANCE, AND THE PAYMENT OF FISCAL, ENGINEERING AND LEGAL FEES INCURRED IN CONNECTION THEREWITH.

ON SEPTEMBER 1, 2014, or on any date thereafter, the Certificates of this Series maturing on September 1, 2015 and thereafter may be redeemed prior to their scheduled maturities, at the option of the Issuer, in whole, or in part, at par and accrued interest to the date fixed for redemption. The years of maturity of the Certificates called for redemption at the option of the City prior to stated maturity shall be selected by the City. The Certificates or portions thereof redeemed within a maturity shall be selected by lot or other method by the Paying Agent/Registrar; *provided*, that during any period in which ownership of the Certificates is

determined only by a book entry at a securities depository for the Certificates, if fewer than all of the Certificates of the same maturity and bearing the same interest rate are to be redeemed, the particular Certificates of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Issuer and the securities depository.

THE CERTIFICATES are also subject to mandatory redemption in part by lot pursuant to the terms of the Certificate Ordinance, on September 1 in each of the years 20\_\_ through 20\_\_, with respect to Certificates maturing September 1, 20\_\_, in the following years and in the following amounts, at a price equal to the principal amount thereof and accrued and unpaid interest to the date of redemption, without premium:

<u>Year</u>	<u>Principal Amount (\$)</u>
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\*Final Maturity

To the extent, however, that Certificates subject to sinking fund redemption have been previously purchased or called for redemption in part and otherwise than from a sinking fund redemption payment, each annual sinking fund payment for such Certificate shall be reduced by the amount obtained by multiplying the principal amount of Certificates so purchased or redeemed by the ratio which each remaining sinking fund redemption payment for such Certificates bears to the total remaining sinking fund payments, and by rounding each such payment to the nearest \$5,000 integral; *provided*, that during any period in which ownership of the Certificates is determined only by a book entry at a securities depository for the Certificates, the particular Certificates to be called for mandatory redemption shall be selected in accordance with the arrangements between the Issuer and the securities depository.

AT LEAST 30 days prior to the date fixed for any such redemption a written notice of such redemption shall be given to the registered owner of each Certificate or a portion thereof being called for redemption by depositing such notice in the United States mail, first-class postage prepaid, addressed to each such registered owner at his address shown on the Registration Books of the Paying Agent/Registrar, and to major securities depositories, national bond rating agencies and bond information services. By the date fixed for any such redemption due provision shall be made by the Issuer with the Paying Agent/Registrar for the payment of the required redemption price for this Certificate or the portion hereof which is to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such notice of redemption is given, and if due provision for such payment is made, all as provided above, this Certificate, or the portion hereof which is to be so redeemed, thereby automatically shall be redeemed prior to its scheduled maturity, and shall not bear interest after the date fixed for its redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such redemptions of principal of this Certificate or any portion hereof. If a portion of any Certificate shall be redeemed a substitute Certificate or Certificates having the same maturity date, bearing interest at the same rate, in any Authorized Denomination, at the written request of the registered owner, and in aggregate principal amount

equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Ordinance.

AS PROVIDED IN THE CERTIFICATE ORDINANCE, this Certificate may, at the request of the registered owner or the assignee or assignees hereof, be assigned, transferred, and exchanged for a like aggregate principal amount of fully registered certificates, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, and bearing interest at the same rate, in any Authorized Denomination as requested in writing by the appropriate registered owner, assignee, or assignees, as the case may be, upon surrender of this Certificate to the Paying Agent/Registrar at its Designated Payment/Transfer Office for cancellation, all in accordance with the form and procedures set forth in the Certificate Ordinance. Among other requirements for such assignment and transfer, this Certificate must be presented and surrendered to the Paying Agent/Registrar at its Designated Payment/Transfer Office, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Certificate or any portion or portions hereof in any Authorized Denomination to the assignee or assignees in whose name or names this Certificate or any such portion or portions hereof is or are to be transferred and registered. The form of Assignment printed or endorsed on this Certificate may be executed by the registered owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Certificate or any portion or portions hereof from time to time by the registered owner. The foregoing notwithstanding, in the case of the exchange of an assigned and transferred Certificate or Certificates or any portion or portions thereof, such fees and charges of the Paying Agent/Registrar will be paid by the Issuer. The one requesting such exchange shall pay the Paying Agent/Registrar's reasonable standard or customary fees and charges for exchanging any Certificate or portion thereof. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, or exchange as a condition precedent to the exercise of such privilege. In any circumstance, neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate so selected for redemption, in whole or in part, within 45 calendar days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled principal of a Certificate.

WHENEVER the beneficial ownership of this Certificate is determined by a book entry at a securities depository for the Certificates, the foregoing requirements of holding, delivering or transferring this Certificate shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

IN THE EVENT any Paying Agent/Registrar for the Certificates is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Certificate Ordinance that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Certificates.

IT IS HEREBY certified, recited and covenanted that this Certificate has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to

be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Certificate have been performed, existed, and been done in accordance with law; that this Certificate is a direct obligation of said Issuer, issued on the full faith and credit thereof, that annual ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Certificate, as such interest comes due and such principal matures, have been levied and ordered to be levied against all taxable property in said Issuer, and have been pledged for such payment, within the limits prescribed by law, and that a limited pledge (not to exceed \$1,000) of the surplus revenues from the operation of the City's solid waste disposal system remaining after payment of all operation and maintenance expenses thereof and any other obligations heretofore or hereafter incurred to which such revenues have been or shall be encumbered by a lien on and pledge of such revenues superior to the lien on and pledge of such revenues to the Certificates, have been pledged as additional security for the Certificates.

BY BECOMING the registered owner of this Certificate, the registered owner thereby acknowledges all of the terms and provisions of the Certificate Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Certificate Ordinance is duly recorded and available for inspection in the official minutes and records of the Issuer, and agrees that the terms and provisions of this Certificate and the Certificate Ordinance constitute a contract between each registered owner hereof and the Issuer.

IN WITNESS WHEREOF, this Certificate has been duly executed on behalf of the City, under its official seal, in accordance with law.

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City Clerk  
City of Austin, Texas

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Mayor  
City of Austin, Texas

(SEAL)

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Certificate of Obligation has been issued under the provisions of the proceedings adopted by the Issuer as described in the text of this Certificate of Obligation; and that this Certificate of Obligation has been issued in exchange for or replacement of a certificate of obligation, certificates of obligation, or a portion of a certificate of obligation or certificates of obligation of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated \_\_\_\_\_

\_\_\_\_\_  
Paying Agent/Registrar

By \_\_\_\_\_  
Authorized Representative

\*FORM OF COMPTROLLER'S CERTIFICATE ATTACHED TO  
THE CERTIFICATES UPON INITIAL DELIVERY THEREOF

OFFICE OF COMPTROLLER :

REGISTER NO. \_\_\_\_\_

STATE OF TEXAS :

I hereby certify that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Certificate has been examined by him as required by law, and that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and that it is a valid and binding obligation of the City of Austin, Texas, payable in the manner provided by and in the ordinance authorizing same, and said Certificate has this day been registered by me.

WITNESS MY HAND and seal of office at Austin, Texas this \_\_\_\_\_.

(SEAL)

\_\_\_\_\_  
Comptroller of Public Accounts of  
the State of Texas

NOTE:

\*¶ to accompany initial certificates only

FORM OF ASSIGNMENT:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_  
(Please insert Social Security or Taxpayer Identification Number of Transferee)

\_\_\_\_\_  
/ \_\_\_\_\_/

\_\_\_\_\_  
(Please print or typewrite name and address, including zip code of Transferee)

the within Certificate of Obligation and all rights thereunder, and hereby irrevocably constitutes  
and appoints \_\_\_\_\_ attorney to  
register the transfer of the within Certificate of Obligation on books kept for registration thereof,  
with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed  
by a member firm of the New York Stock  
Exchange or a commercial bank or trust  
company.

NOTICE: The signature above must  
correspond with the name of the Registered  
Owner as it appears upon the front of this  
Certificate in every particular, without  
alteration or enlargement or any change  
whatsoever.

The printer of the Certificates is hereby authorized to print on the Certificates (i) the form of bond  
counsel's opinion relating to the Certificates, and (ii) an appropriate statement of insurance  
furnished by a municipal bond insurance company providing municipal bond insurance, if any,  
covering all or any part of the Certificates.

## **DESCRIPTION OF ANNUAL FINANCIAL INFORMATION**

The following information is referred to in Section 18 of this Ordinance.

### **Annual Financial Statements and Operating Data**

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

The quantitative financial information and operating data with respect to the City of the general type included in the main text of the Official Statement under the subcaptions: "Tax Valuation" with respect to the appraised value as of January 1 during the fiscal year as to which such annual report relates; "Current Investments"; "Valuation and Funded Debt History"; "Tax Rates, Levy and Collection History"; "Ten Largest Taxpayers"; "Property Tax Rate Distribution"; "General Fund Revenues and Expenditures and Changes in Fund Balance"; "Municipal Sales Tax"; and "Transfers from Utility Fund".

The portions of the financial statements of the City appended to the Official Statement as Appendix B, but for the most recently concluded fiscal year.

### **Accounting Principles**

The accounting principles referred to in such Section are the accounting principles described in the notes to the financial statements referred to in the third paragraph under the heading "Annual Financial Statements and Operating Data" above.