

RESOLUTION NO. 20161020-006

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

The Council authorizes the Pilot Knob Municipal Utility District No. 3 (District) to issue, in one or more series, its Unlimited Tax Bonds, Series 2016, in a principal amount not to exceed \$3,250,000, and acknowledges receipt of the District's Bond Resolution (Exhibit 1).

ADOPTED: October 20, 2016

ATTEST:


Jannette S. Goodall
City Clerk

Exhibit 1

CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

The undersigned officer of the Board of Directors of Pilot Knob Municipal Utility District No. 3 hereby certifies as follows:

1. The Board of Directors of Pilot Knob Municipal Utility District No. 3 (the "Board") convened in special session on the 7th day of June, 2016, at the offices of Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas, and the roll was called of the duly constituted officers and members of the Board:

- | | | |
|-------------------|---|---------------------|
| Thomas K. Rhodes | - | President |
| Michael C. Stouse | - | Vice President |
| Howard Surratt | - | Secretary |
| Patrick Ley | - | Assistant Secretary |
| Matthew W. Valdez | - | Assistant Secretary |

and all of said persons were present, except Director Stouse, thus constituting a quorum. Whereupon, among other business, a written

RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FOR APPROVAL OF PROJECT AND BONDS

(the "Resolution") was introduced for consideration of the Board. It was then duly moved and seconded that the Resolution be adopted, and, after due discussion, the motion prevailed and carried unanimously.

2. A true, full, and correct copy of the Resolution adopted at the meeting described in the above paragraph is attached to this certificate; the Resolution has been duly recorded in the Board's minutes of the meeting; the persons named in the paragraph above are the duly chosen, qualified, and acting officers and members of the Board as indicated therein; each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the meeting and that the Resolution would be introduced and considered for adoption at the meeting, and each of the officers and members consented, in advance, to the holding of the meeting for such purpose; the meeting was open to the public as required by law; and public notice of the time, place, and subject of the meeting was given as required by Chapter 551 of the Texas Government Code and Chapter 49.063 of the Texas Water Code, as amended.

* * * *

SIGNED AND SEALED the 7th day of June, 2016.

(SEAL)



Howard Surratt, Secretary
Board of Directors

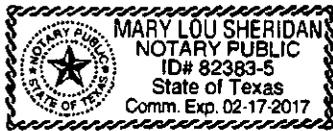
STATE OF TEXAS

§
§
§

COUNTY OF TRAVIS

This instrument was acknowledged before me on the 7th day of June, 2016, by Howard Surratt, Secretary of the Board of Directors of Pilot Knob Municipal Utility District No. 3, on behalf of the District.

(SEAL)



Notary Public, State of Texas

RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FOR APPROVAL OF PROJECT AND BONDS

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

WHEREAS, Pilot Knob Municipal Utility District No. 3 (the "District") is a political subdivision of the State of Texas, created and operating under Chapters 49 and 54 of the, Texas Water Code; and

WHEREAS, the Board of Directors of the District (the "Board") desires to issue \$3,250,000 in District bonds (the "Bonds") to finance the acquisition of certain water, wastewater, and drainage capacity and facilities; and

WHEREAS, Section 49.181 of the Texas Water Code requires that, prior to issuing the Bonds, the District submit an application to the Texas Commission on Environmental Quality (the "Commission") requesting investigation of any proposed project to be financed with the Bonds, together with a copy of an engineer's report on the project and all data, profiles, maps, plans, and specifications prepared in connection with that report; and

WHEREAS, the Board desires to request the Commission's approval of the issuance of the Bonds to finance certain water, wastewater, and drainage capacity and facilities that are more completely described in the engineering report prepared by Peloton Land Solutions, Inc. and submitted with this Resolution (the "Engineer's Report");

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD THAT:

Section 1: The President and Secretary of the Board and the District's consultants, including the District's engineers, Peloton Land Solutions, Inc., the District's attorneys, Armbrust & Brown, PLLC, the District's bond counsel, McCall, Parkhurst & Horton, L.L.P., and the District's financial advisor, Specialized Public Finance Inc., are hereby authorized and directed as follows:

(a) to apply to the Commission for an investigation and report on the feasibility of the District's acquisition of the water, wastewater, and drainage capacity and facilities described in the Engineer's Report; and

(b) to request that the Commission approve the Bonds in the principal amount of \$3,250,000 bearing interest at a net effective interest rate not to exceed the highest rate permitted by applicable law, and maturing serially in accordance with the amortization schedule contained in the Engineer's Report.

Section 2: By this application, the District confirms to the Commission that it will comply with the terms and conditions prescribed by the Commission.

Section 3: A full and complete copy of the Engineer's Report is enclosed in support of this application, together with a copy of the data, profiles, maps, plans, and specifications prepared in connection with the Engineer's Report.

Section 4: The President and Secretary of the Board, the District's engineers, Peloton Land Solutions, Inc., the District's attorneys, Armbrust & Brown, PLLC, the District's bond counsel, McCall, Parkhurst & Horton, L.L.P., and the District's financial advisor, Specialized Public Finance Inc., are authorized and directed (i) to do all things required in connection with this application, and (ii) in accordance with the terms and conditions of the Consent Agreement between the City of Austin, Texas (the "City"), Carma Easton LLC, and the District dated effective as of April 13, 2012 (the "Consent Agreement"), to give notice to the City of the District's intention to issue the Bonds by filing the information described in Section 10 of the Consent Agreement with the director of the City's finance department (the "Finance Director"), including, without limitation, giving written notice to the Finance Director at the time the District submits this application to the Commission for approval of the issuance of the Bonds, and submitting the following to the City for review: (a) upon the Commission's approval of the issuance of the Bonds, a copy of the District's application, including the engineering report and projected debt service schedule; (b) a copy of the Commission's order approving the issuance of the Bonds; and (c) any other information reasonably required by the director of the City's Planning and Review Department.

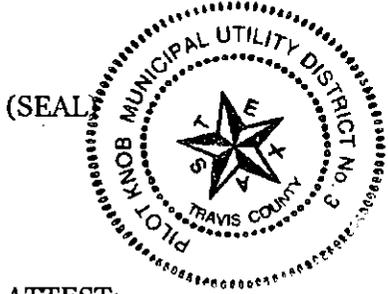
Section 5: Section 10.06 of the Consent Agreement requires the District to include, in each application for the approval of the issuance of Bonds, the terms and conditions of the Consent Agreement related to the bond issuance. Accordingly, the terms and conditions of the Consent Agreement related to the bond issuance are attached to this Resolution as Exhibit "A", and are included and incorporated in this Resolution and application by reference.

Section 6: A certified copy of this Resolution constitutes an application to the Commission under Section 49.181 of the Texas Water Code for approval of the project and the Bonds described above.

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[SIGNATURE PAGE FOLLOWS]

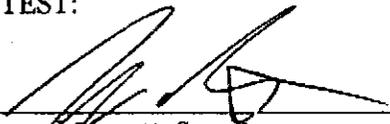
PASSED AND APPROVED this 7th day of June, 2016.





Thomas K. Rhodes, President
Board of Directors

ATTEST:



Howard Surratt, Secretary
Board of Directors

EXHIBIT "A"

ARTICLE X OF CONSENT AGREEMENT

Section 9.02 Limitation on District Powers. The District agrees that it will not have or exercise the power to enforce Restrictive Covenants nor the power to own, finance, construct, or maintain any OA Amenities. The Developer agrees that all OA Amenities will be conveyed to and be owned, operated, and maintained by an Owners Association and not the District.

Section 9.03 Creation of Owners Association by the Developer. The Developer agrees to cause the Owners Association to be created as a Texas nonprofit corporation on or before the date the first subdivided lot within the District is sold to a third-party purchaser. This agreement of the Developer will constitute a covenant running with the Land, and will be binding upon the Developer and its successors and assigns until such time as the Owners Association is duly incorporated and notice of the creation is provided to the City and recorded in the Official Public Records of Travis County, Texas.

Section 9.04 Membership in and Duties of the Owners Association. The owners of all developed lots within the District (other than the Owners Association, the District and/or Limited District, and any other public utility or public entity owning property within the District, including the City and/or Travis County), will be required to be members of the Owners Association under the terms of the Restrictive Covenants. The Owners Association will be granted assessment powers and lien rights under the Restrictive Covenants. The Owners Association will be obligated, among other duties, to enforce the Restrictive Covenants in order to maintain property values in the District and to accept all OA Amenities constructed by the Developer within the District for ownership, operation, and maintenance. The Owners Association will be required, under the terms of the Restrictive Covenants, to levy assessments sufficient to pay all capital, operations and maintenance expenses associated with the OA Amenities.

ARTICLE X. FINANCIAL AND BONDS

Section 10.01 Tax Rate. The District agrees that, unless otherwise approved in writing by the City Council, the District's total annual ad valorem tax rate must equal or exceed the City's annual ad valorem tax rate. The District agrees to adopt its annual tax rate in compliance with the legal requirements applicable to municipal utility districts, to report the tax rate set by the District each year to the District's tax assessor/collector and to perform all acts required by law for its tax rate to be effective.

Section 10.02 District Fees. The District agrees that the City will be exempt from, and will not be assessed, any District fees.

Section 10.03 Authority to Issue Bonds. The District will have the authority to issue Bonds:

(a) for the purchase, construction, acquisition, repair, extension, and improvement of land, easements, works, improvements, facilities, plants, equipment, and appliances, undivided interests in facilities, and/or contract rights, necessary to:

- (1) provide a water supply for municipal uses, domestic uses, and commercial purposes;
- (2) collect, transport, process, dispose of, and control all domestic, industrial, or communal wastes whether in fluid,

solid, or composite state (other than solid waste, as defined in Chapter 15-6 of the City Code); and

- (3) gather, conduct, divert, and control local storm water or other local harmful excesses of water in the District;
- (b) to pay expenses authorized by Section 49.155, Texas Water Code, as amended;
- (c) to develop and maintain Parks and Recreational Facilities as authorized by Subchapter N of Chapter 49 (Sections 49.461, et seq.), Texas Water Code, as amended;
- (d) to pay its prorata share of the cost of any Shared Facilities;
- (e) in accordance with the Enabling Legislation, to design, acquire, construct, and finance Road Improvements; and
- (f) to finance any fire protection plan approved in accordance with Section 49.351, Texas Water Code, and this Agreement.

The District must issue its Bonds for the purpose of financing reimbursable expenses under Section 49.155, Texas Water Code, and the cost of purchasing, acquiring or constructing water, wastewater, and drainage facilities, interests in facilities, and/or contract rights prior to or simultaneously with issuance of Bonds for any other purpose. The City agrees that the District may issue its Bonds to finance, pay or reimburse 100% of all costs and expenses that it is authorized to finance, pay or reimburse under applicable rules of the Commission, and any conflicting, inconsistent or limiting provisions of Ordinance No. 810819-E, other City ordinances, or any other Applicable Rules are hereby waived.

Section 10.04 Maximum Amount of New Money Bonds. The District agrees that the total principal amount of new money Bonds that may be authorized for issuance by the District and the Other Pilot Knob Districts for capital improvements, on a cumulative basis, may not exceed \$895,000,000 without City Council approval. This total principal amount of Bonds will be exclusive of the principal amount of any authorized refunding Bonds and Bonds authorized to finance any fire plan approved by the District and the Other Pilot Knob Districts as contemplated by Section 5.06. At such time as the District canvasses the results of its bond election, it will provide a copy of the Board's order canvassing the returns of such election to the City.

Section 10.05 Timing of Issuance; Amortization Period; Maturities. The District proposes to issue Bonds substantially in accordance with the finance plan attached as Exhibit Q. In order to provide the City with some assurance as to the timing of the District's issuance and retirement of its debt, the District will use good faith efforts, subject to market conditions and sufficient tax base existing, to sell its last issue of Bonds on or before December 30, 2037. If the District fails or is unable to do so, the City will have the authority to revoke the District's authority to issue its remaining authorized but unissued Bonds and to proceed with annexation of the District for full purposes. All Bonds must be amortized over a period that does not exceed 25 years from the date of issuance, each issue of Bonds must be structured so that substantially level debt service requirements will be maintained throughout the amortization period of the issue, and each Bond issue must include an optional redemption date no later than 10 years after the date of issuance. These requirements may only be modified if the modification is approved in writing by the Finance Director following receipt of a written

application from the District, setting forth the justification for the requested modification. The Finance Director will have no obligation to approve any such application.

Section 10.06 Notification for Bond Reviews. The District agrees to include, in each application for the approval of the issuance of Bonds, the terms and conditions of this Agreement related to bond issuance. The Developer and the District each agree that it will not request reimbursement or authorization to reimburse any expenses not authorized by this Agreement.

Section 10.07 Notice to City. The District agrees to give notice to the City of its intention to issue Bonds by filing the information described in this Section with the Finance Director.

Section 10.08 Bonds Requiring Commission Approval. The District must give written notice to the Finance Director at the time the District submits any application to the Commission for approval of the issuance of Bonds.

Section 10.09 Refunding Bonds. In connection with: (a) an advance refunding which (i) has a final maturity no longer than the final maturity on the obligations refunded, (ii) will achieve a net present value savings in an amount consistent with the City's financial policies for City refundings, and (iii) has savings that are substantially or fairly uniform over each maturity being refunded; or (b) a current refunding which (i) has a final maturity no longer than the final maturity on the refunded obligations, (ii) will achieve a net present value savings, and (iii) has savings that are substantially or fairly uniform over each maturity of obligations being refunded, no prior notice to or City review or approval will be required; however, the District must deliver a certificate from its financial advisor that demonstrates that the proposed refunding will comply with this Section at least three business days before execution of the purchase agreement for the refunding and must deliver evidence of its compliance with the requirements of this Section to the City within three business days after the execution of the purchase agreement for the refunding.

Section 10.10 City Review and Approval. Upon Commission approval of any issuance of Bonds, the District must submit a copy of its application to the Commission, including the engineering report and projected debt service schedule; a copy of the Commission order approving the issuance of the Bonds; and any other information reasonably required by the PDRD Director to the City for review. The City's approval of any District Bond issue will not be unreasonably withheld, conditioned or delayed. The City will have the right to disapprove any proposed Bond issue only if the District or the Developer is not in compliance with any material term of this Agreement or the SPA. The District may be required to provide evidence of compliance with this Section 10.10 at the time of the sale of its Bonds; therefore, the City agrees that the PDRD Director will be authorized to and will provide written confirmation of City approval to the District promptly upon the District's request.

Section 10.11 Other Funds. The District may use funds obtained from any available, lawful source to acquire, own, operate, and maintain its facilities, as well as to accomplish any purpose or to exercise any function, act, power, or right authorized by law and not prohibited by this Agreement. Such funds may include revenues from any of the systems, facilities, properties, and assets of the District that are not otherwise committed for the payment of indebtedness of the District; maintenance taxes; loans, gifts, grants, and donations from public or private sources; and revenues from any other lawfully available source.

Section 10.12 Expenses Not Eligible for Reimbursement. A District Bond issue may include not more than two years of capitalized interest. Proceeds from a District

Bond issue may not be used to reimburse a developer for more than two years of developer interest or land costs for the following:

(a) Easements for water and wastewater facilities within the boundary of the District that are granted to the City;

(b) Sites for lift stations, pump stations, and other above-ground water and wastewater infrastructure located within the boundary of the District that are conveyed to the City, except for sites for Major Water and Wastewater Facilities that are eligible for reimbursement under the rules of the Commission; and

(c) Sites for fire and emergency services stations, and library buildings.

Section 10.13 District Debt Service Tax. The District agrees to levy a tax to pay debt service on the District's Bonds in accordance with the terms of each resolution or order approving the issuance of its Bonds in each year while such Bonds are outstanding until the full purpose annexation of the District. All debt service tax revenues will be maintained in a separate account or accounts from the District's general operating funds. The District will require that its bookkeeper provide an accounting allocation of the debt service fund among the various categories of bonded facilities in order to simplify the City's internal allocation of the debt service fund following the full purpose annexation of the District and transfer of the fund to the City.

Section 10.14 Assumption of the District's Outstanding Obligations, Liabilities, and Assets Upon Full Purpose Annexation. Upon the City's full purpose annexation of the District, the District's outstanding obligations, indebtedness, other liabilities, and assets will be transferred and assumed as provided in the SPA.

Section 10.15 Reimbursement Agreements; Payment to Developer Following Full Purpose Annexation. The District agrees that all Reimbursement Agreements that it enters into with any developer within the District will include the following provision relating to any sums payable by the City upon full purpose annexation of the District under Section 43.0715, Texas Local Government Code:

If, at the time of full purpose annexation of the District, the developer has completed the construction of or financed any facilities or undivided interests in facilities on behalf of the District in accordance with the terms of this agreement, but the District has not issued Bonds to reimburse the developer for the cost of the facilities or undivided interests in facilities, the developer agrees that it will convey the facilities or undivided interests in question to the City, free and clear of any liens, claims or encumbrances, subject to the developer's right to reimbursement under Section 43.0715, Texas Local Government Code, modified as provided in this section. The developer agrees that the amount payable by the City will be determined based on costs and expenses that are eligible for reimbursement under Commission rules, without any waivers or variances, but will be payable to the developer in three equal annual installments, with the first payment being made within 30 days of the date of the City's full purpose annexation.