

PRELIMINARY OFFICIAL STATEMENT

DATED _____

Ratings: S&P: “_____”
See (“OTHER INFORMATION - RATING” herein)

NEW ISSUE - BOOK-ENTRY-ONLY

IN THE OPINION OF BOND COUNSEL TO THE CITY, INTEREST ON THE CERTIFICATES WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS ON THE DATE THEREOF, SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS.

\$40,000,000*
CITY OF FULSHEAR, TEXAS
(A political subdivision located within Fort Bend County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2024

Dated Date: October 1, 2024

Due: April 15, as shown on page 2

Interest Accrual Date: Date of Delivery

PAYMENT TERMS . . . Interest on the \$40,000,000* City of Fulshear, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2024 (the “Certificates”) will accrue from the date of delivery to the purchaser thereof (the “Delivery Date”), and will be payable October 15 and April 15 of each year commencing April 15, 2025, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See “The Certificates - Book-Entry-Only System” herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see “THE CERTIFICATES - PAYING AGENT/REGISTRAR”).

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, (the “Act”) and an ordinance of the City authorizing the issuance of the Certificates (the “Ordinance”), adopted by City Council, on [October 15, 2024]. The Certificates constitute direct obligations of the City, payable from an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and from a limited pledge of a subordinate lien on the surplus revenues of the City’s water and wastewater system as provided in the Ordinance (see “THE CERTIFICATES – AUTHORITY FOR ISSUANCE”).

PURPOSE . . . Proceeds from the sale of the Certificates will be used to (i) finance the construction, acquisition, and equipping of improvements to the City’s water and wastewater system (collectively, the “Projects”); and (ii) pay legal, fiscal and engineering fees in connection with such Projects and to pay the costs of issuance related to such Certificates of Obligation.

SEE MATURITY SCHEDULE ON PAGE 2

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after April 15, 2034, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on April 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. (See “THE CERTIFICATES – OPTIONAL REDEMPTION”).

MANDATORY SINKING FUND REDEMPTION. . . In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule on page 2 hereof are combined to create term certificates (the “Term Certificates”), each such Term Certificate shall be subject to mandatory sinking fund redemption commencing on April 15 of the first year which has been combined to form such Term Certificate and continuing on April 15 in each year thereafter until the stated maturity date of that Term Certificate, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule on page 2 hereof (see “THE CERTIFICATES – MANDATORY SINKING FUND REDEMPTION”).

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchaser (the “Initial Purchaser”) and subject to the approving opinions of the Attorney General of Texas and of McCall, Parkhurst & Horton L.L.P., Houston, Texas, Bond Counsel (see APPENDIX C, “FORM OF BOND COUNSEL’S OPINION”). Certain legal matters will be passed on for the City by McCall, Parkhurst & Horton L.L.P. as Special Disclosure Counsel to the City.

DELIVERY . . . It is expected that the Certificates will be available for delivery through The Depository Trust Company on or about October 31, 2024.

BIDS DUE: _____

*Preliminary, subject to change. (See “THE CERTIFICATES - ADJUSTMENT OF PRINCIPAL AMOUNTS” in the accompanying Notice of Sale)

\$40,000,000*
CITY OF FULSHEAR, TEXAS
(A political subdivision located within Fort Bend County)

COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION
SERIES 2024

MATURITY SCHEDULE*

Due April 1	Principal Amount*	Interest Rate	Initial Reoffering Yield ⁽²⁾	CUSIP Number ⁽³⁾
2025	\$ 300,000	%	%	
2026	200,000			
2027	600,000			
2028	920,000			
2029	965,000			
2030	1,015,000			
2031	1,065,000			
2032	1,115,000			
2033	1,170,000			
2034	1,230,000			
2035	1,290,000			
2036	1,355,000 ⁽¹⁾			
2037	1,425,000 ⁽¹⁾			
2038	1,495,000 ⁽¹⁾			
2039	1,570,000 ⁽¹⁾			
2040	1,650,000 ⁽¹⁾			
2041	1,730,000 ⁽¹⁾			
2042	1,820,000 ⁽¹⁾			
2043	1,910,000 ⁽¹⁾			
2044	2,005,000 ⁽¹⁾			
2045	2,105,000 ⁽¹⁾			
2046	2,210,000 ⁽¹⁾			
2047	2,320,000 ⁽¹⁾			
2048	2,435,000 ⁽¹⁾			
2049	2,560,000 ⁽¹⁾			
2050	2,685,000 ⁽¹⁾			
2051	2,820,000 ⁽¹⁾			
2052	3,035,000 ⁽¹⁾			
	<u>45,000,000</u>			

* Preliminary, subject to change. (See "THE CERTIFICATES - ADJUSTMENT OF PRINCIPAL AMOUNTS" in the accompanying Notice of Sale)

- (1) The City reserves the right, at its option, to redeem Certificates having stated maturities on and after April 15, 2035, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on April 15, 2034, or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption. Additionally, principal amounts for two or more consecutive maturities designated in the above schedule may be combined to create one or more term Certificate (the "Term Certificates"), with each such Term Certificate being subject to mandatory sinking fund redemption. (See "THE CERTIFICATES – Mandatory Sinking Fund Redemption").
- (2) The initial reoffering prices or yields on the Certificates are furnished by the Initial Purchaser and represent the initial offering prices or yields to the public, which may be changed by the Initial Purchaser at any time.
- (3) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Financial Advisor, nor Bond Counsel shall be responsible for the selection or correctness of CUSIP numbers shown herein.

USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), this document as the same may be supplemented or corrected by the City from time-to-time, may be treated as an Official Statement with respect to the Certificates described herein "deemed final" by the City as of the date hereof (or of any such supplement or correction) except for the omission of no more than the information provided by subsection (b)(1) of the Rule.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described.

None of the City, the Financial Advisor, the Initial Purchasers, or Bond Counsel make any representation or warranty with respect to the information contained in the Official Statement regarding the Depository Trust Company ("DTC") or its Book-Entry-Only System as described under "THE CERTIFICATES- BOOK-ENTRY-ONLY SYSTEM" as such information has been provided by DTC.

All the summaries of the statutes, ordinances, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the City.

The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as an agreement with the Initial Purchaser of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

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The cover page hereof, inside cover page, this page, the appendices included herein and any addenda or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY.....The City of Fulshear, Texas (the “City”) is a political subdivision and municipal corporation of the State of Texas (the “State”), located in Fort Bend County, Texas. The City covers approximately 15 square miles (see “INTRODUCTION - DESCRIPTION OF CITY”).

THE CERTIFICATES The Certificates are issued as \$40,000,000* Combination Tax and Revenue Certificates of Obligation, Series 2024. The Certificates are issued as serial Certificates maturing April 15, 2025 through and including April 15, 2051, unless the Initial Purchaser designates one or more maturities as Term Certificates (as defined herein) (see “THE CERTIFICATES - DESCRIPTION OF THE CERTIFICATES”).

PAYMENT OF INTEREST Interest on the Certificates accrues from the date of delivery and is payable April 15, 2025, and each April 15 and October 15 thereafter until maturity or prior redemption (see “THE CERTIFICATES - DESCRIPTION OF THE CERTIFICATES” and “THE CERTIFICATES - OPTIONAL REDEMPTION”).

AUTHORITY FOR

ISSUANCE.....The Certificates are issued pursuant to the general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code and an ordinance passed by the City Council of the City (see “THE CERTIFICATES - AUTHORITY FOR ISSUANCE”).

SECURITY FOR THE

CERTIFICATES The Certificates constitute direct obligations of the City, payable from the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City and a pledge of a subordinate lien on the surplus revenues of the City’s water and wastewater system (see “THE CERTIFICATES - SECURITY AND SOURCE OF PAYMENT”).

OPTIONAL REDEMPTION.....The City reserves the right, at its option, to redeem Certificates having stated maturities on and after April 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on April 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES—OPTIONAL REDEMPTION”). Additionally, the Certificates may be subject to mandatory redemption in the event the Initial Purchaser elects to aggregate one or more maturities as a Term Certificate. (See “THE CERTIFICATES – MANDATORY SINKING FUND REDEMPTION.”)

NOT QUALIFIED TAX-EXEMPT

OBLIGATIONS The City will **not** designate the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions (see “TAX MATTERS – PURCHASE OF TAX-EXEMPT OBLIGATIONS BY FINANCIAL INSTITUTIONS”).

TAX EXEMPTION In the opinion of Bond Counsel to the City, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.

USE OF PROCEEDS Proceeds from the sale of the Certificates will be used to (i) finance the construction, acquisition, and equipping of improvements to the City’s water and wastewater system (collectively, the “Projects”); and (ii) pay legal, fiscal and engineering fees in connection with such Projects and to pay the costs of issuance related to such Certificates of Obligation.

RATINGS.....The Certificates and outstanding debt of the City are rated “_____” by S&P Global Ratings, a Standard & Poor’s Financial Services LLC business (“S&P”) without regard to credit enhancement (see “OTHER INFORMATION - RATING”).

BOOK-ENTRY-ONLY

SYSTEM The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see “THE CERTIFICATES - BOOK-ENTRY-ONLY SYSTEM”).

PAYMENT RECORD The City has never defaulted in payment of its general obligation tax debt.

* Preliminary, subject to change. (See "THE CERTIFICATES - ADJUSTMENT OF PRINCIPAL AMOUNTS" in the accompanying Notice of Sale).

SELECTED FINANCIAL INFORMATION

Fiscal Year Ending	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	General Obligation (G.O.) Tax Debt	Per Capita G.O. Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	% Total Collections
2020	13,914	1,774,952,167	127,565.92	\$ -	\$ -	0.00%	100.80%
2021	16,856	2,142,332,440	127,096.13	-	-	0.00%	100.32%
2022	25,169	2,462,721,388	97,847.41	-	-	0.00%	99.20%
2023	34,264	3,188,173,735	93,047.33	-	-	0.00%	99.23%
2024		3,922,881,429		-		0.00%	

(1) Source: The City.

(2) As reported by the Fort Bend County Appraisal District; subject to change during the ensuing year.

(3) Preliminary, subject to change. After issuance of the Certificates. Excludes the self-supporting debt. The City intends to treat the Certificates as self-supporting debt. The City intends to pay the debt service on the Certificates from revenues of the water and wastewater system. The pledge of revenues from the water and wastewater system is limited. If the City were to discontinue its determination to pay the Certificates from revenues of the water and wastewater system, debt service would be paid from the ad valorem taxes pledged to their payment.

(4) As of March 31, 2024.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	2023	2022	2021	2020
Beginning Balance	7,746,238	7,467,707	6,729,672 ⁽¹⁾	7,854,216
Total Revenue	17,226,210	16,356,927	16,425,403	13,355,021
Total Expenditures	14,701,872	12,694,514	25,767,092	11,346,700
Other Financing Sources (Uses)	1,536,569	(3,383,882)	10,079,724	(2,670,641)
Ending Balance	11,807,145	7,746,238	7,467,707	7,191,896

(1) Prior period adjustment of (\$462,224).

CITY OF FULSHEAR, TEXAS
6611 W. Cross Creek Bend Lane
Fulshear, Texas 77441

CERTAIN CITY OFFICIALS

CITY COUNCIL

Name	Term Expires (May)	Occupation
Don McCoy Mayor	2026	President/CEO, Fulshear Katy Area Chamber of Commerce
Joel M. Patterson Mayor Pro-Tem, District 4	2025	Retired
Kent Pool Councilmember At-Large 1	2025	Retired
Jason Knappe Councilmember At-Large 2	2026	Executive, PROS Inc.
Sarah B. Johnson Councilmember District 1	2025	Change and Transformation Lead, BP
Patrick Powers Councilmember District 2	2026	Property Tax Consultant, Michel Gray & Rogers LLP
Christina Baron Councilmember District 3	2026	Group Exercise Instructor, YMCA of Greater Houston
Abhijeet Utturkar Councilmember District 5	2025	Chief Engineer, Sempra Infrastructure

Appointed Officials

Name	Position	Years of Experience	Time in Current Position
Zach Goodlander	Acting City Manager	10 years	< 1 year
Erin Tureau	Director of Finance	23 years	2 years
Mariela Rodriguez	City Secretary		

CONSULTANTS AND ADVISORS

Auditor Belt Harris Pechacek, LLLP

Bond Counsel and Disclosure Counsel..... McCall, Parkhurst & Horton L.L.P.
Houston, Texas

Financial Advisor Masterson Advisors LLC
Houston, Texas

For additional information regarding the City, please contact either:

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Masterson Advisors LLC
3 Greenway Plaza, Suite 1100
Houston, Texas 77046
(713) 814-0555 Phone
(713) 814-0581 Fax

PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$40,000,000*
CITY OF FULSHEAR, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
SERIES 2024

INTRODUCTION

This Official Statement, which includes the cover page, Schedule, and Appendices hereto, provides certain information regarding the issuance of the \$40,000,000* City of Fulshear, Texas Combination Tax and Revenue Certificates of Obligation, Series 2024 (the "Certificates"). Capitalized terms used in this Official Statement, except as otherwise indicated herein, have the same meanings assigned to such terms in the ordinance authorizing the issuance of the Certificates (the "Ordinance"), to be adopted on October 15, 2024.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City of Fulshear, Texas (the "City") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Masterson Advisors LLC, Houston, Texas, by electronic mail or upon payment of reasonable handling, mailing, and delivery charges.

DESCRIPTION OF THE CITY

THE CITY IS A POLITICAL SUBDIVISION AND MUNICIPAL CORPORATION OF THE STATE, DULY ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE, INCLUDING THE CITY'S HOME RULE CHARTER. THE CITY FIRST ADOPTED ITS HOME RULE CHARTER IN 2016 AND SUCH CHARTER WAS MOST RECENTLY AMENDED IN 2022. THE CITY OPERATES UNDER THE COUNCIL/MANAGER FORM OF GOVERNMENT COMPOSED OF A MAYOR AND SEVEN COUNCIL MEMBERS ELECTED FOR STAGGERED TWO-YEAR TERMS. IT IS THE CITY COUNCIL'S RESPONSIBILITY TO APPOINT A CITY MANAGER WHO IS THE CHIEF ADMINISTRATOR AND EXECUTIVE OFFICER OF THE CITY. SEE "APPENDIX B – GENERAL INFORMATION REGARDING THE CITY."

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES

The Certificates are dated October 1, 2024 and mature on April 15 in each of the years and in the amounts shown on page 2 hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on October 15 and April 15, commencing April 15, 2025. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "BOOK-ENTRY-ONLY SYSTEM" herein.

AUTHORITY FOR ISSUANCE

The Certificates are issued pursuant to the Constitution and general laws of the State including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and as provided in the Ordinance.

SECURITY AND SOURCE OF PAYMENT

Tax Pledge . . . The Certificates constitute direct obligations of the City payable from an annual ad valorem tax levied against all taxable property within the City, within the limits prescribed by law (see "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" below).

Pledge of Surplus Water and Wastewater System Revenues for Certificates . . . The Certificates are additionally secured by a pledge of surplus revenues ("Surplus Revenues") of the City's water and wastewater system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City's water and wastewater system, as provided in the Ordinance.

Although the Certificates are secured as described above, the City expects that debt service on the Certificates will be self-supporting and payable solely from revenues of the City's water and wastewater system.

* Preliminary, subject to change. (See "THE CERTIFICATES - ADJUSTMENT OF PRINCIPAL AMOUNTS" in the accompanying Notice of Sale).

USE OF PROCEEDS

Proceeds from the sale of the Certificates will be used for the purpose of paying all or any part of the costs to (i) finance the construction, acquisition, and equipping of improvements to the City's water and wastewater system (collectively, the "Projects"); and (ii) pay legal, fiscal and engineering fees in connection with such Projects and to pay the costs of issuance related to such Certificates of Obligation.

Par Amount of the Bonds*	45,000,000
Total Sources of Funds	45,000,000
Deposit to Construction Fund	41,255,180
Costs of Issuance ⁽¹⁾	250,000
Initial Purchaser's Discount	225,000
Additional Proceeds	3,269,820
Total Uses of Funds	45,000,000

*Preliminary, subject to change. (See "THE CERTIFICATES - ADJUSTMENT OF PRINCIPAL AMOUNTS" in the accompanying Notice of Sale).

(1) Includes professional costs, rating agency fees, fees of the Paying Agent/Registrar, rounding amount and other costs of issuance.

OPTIONAL REDEMPTION

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after April 15, 2035, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on April 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City shall determine the maturity or maturities (or mandatory sinking fund payments with respect to Term Certificates) to be redeemed, and shall direct the Paying Agent to call by lot or other custom method that results in random selection the Certificates, or portions thereof, within such maturity or maturities and in such principal amounts for redemption. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION

The Certificates maturing in _____ (the "Term Certificates"), shall be subject to mandatory sinking fund redemption, in whole or in part (at a redemption price equal to the principal amount thereof and any accrued interest thereon to the date set for redemption), on April 15 in each of the years and in the amounts set forth below:

<u>Term Certificates</u> <u>Maturing April 15, 20</u>	
<u>Mandatory Redemption</u> <u>Dates</u>	<u>Mandatory Sinking</u> <u>Fund Payment</u>
April 15, 20__	\$
April 15, 20__	\$
April 15, 20__ (Stated Maturity)	\$

The particular Term Certificates to be mandatorily redeemed shall be selected by lot or other customary random selection method by the Paying Agent/Registrar. The principal amount of the Term Certificates to be mandatorily redeemed on such mandatory redemption date shall be reduced at the option of the City by the principal amount of such Term Certificate which, by the 45th day prior to such mandatory redemption date, (i) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

NOTICE OF REDEMPTION

The Paying Agent/Registrar shall give notice of any redemption of Certificates by sending notice by United States mail, first class, postage prepaid, not less than thirty (30) days before the date fixed for redemption, to the Owner of each Certificate (or part thereof) to be redeemed, at the address shown on the registration books at the close of business on the Business Day next preceding the date of mailing such notice. The notice shall state the redemption date, the redemption price, the place at which the Certificates are to be surrendered for payment, and, if less than all the Certificates outstanding are to be redeemed, an identification of the Certificates or portions thereof to be redeemed. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The City reserves the right to give notice of its election or direction to redeem Certificates under "Optional Redemption" herein conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Certificates subject to conditional redemption where redemption has been rescinded shall remain outstanding.

DEFEASANCE

The Ordinance provides for the defeasance of the Certificates when the payment of the principal on the Certificates, plus interest on the Certificates to the due date thereof is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that the term "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Certificates. City officials may restrict such eligible securities in connection with the sale of the Certificates. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company, New York, New York, ("DTC") while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Initial Purchaser believe the source of such information to be reliable, but none of the City, the Financial Advisor nor the Initial Purchaser take any responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security will be issued for each maturity of the Certificates in the aggregate principal of such maturity and will be deposited with DTC.

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

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest, and redemption payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, interest and redemption payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT....In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM....In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed bonds will be issued to the holders and the Certificates will be subject to transfer, exchange, and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES - TRANSFER, EXCHANGE AND REGISTRATION" below.

PAYING AGENT/REGISTRAR

The initial Paying Agent/Registrar is BOKE, NA, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

OWNERSHIP

The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Certificate is registered as the absolute owner of such Certificates for the purposes of making payment of the principal thereof and the interest thereon and for all other purposes, whether or not such Certificate is overdue. Neither the City nor the Paying Agent/Registrar will be bound by any notice or knowledge to the contrary. All payments made to the registered owner of such Certificate in accordance with the Ordinance will be valid and effectual and will discharge the liability of the City and the Paying Agent/Registrar for such Certificate to the extent of the sums paid.

TRANSFERS AND EXCHANGES

In the event the book-entry-only system should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owners, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office or the Paying Agent/Registrar, or sent by United States mail, first class postage prepaid, to the new registered owner or his designee.

The ownership of a Certificate may be transferred only upon the presentation and surrender of the Certificate to the Paying Agent/Registrar at the Designated Payment/Transfer Office with such endorsement or other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. No transfer of any Certificate shall be effective until entered in the Register. The Certificates shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office for a Certificate or Certificates of the same maturity and interest rate and in any Authorized Denominations, and in an aggregate principal amount equal to the unpaid principal amount of the Certificates presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver Certificates transferred or exchanged in accordance with the Ordinance.

A new Certificate or Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificate being transferred or exchanged, at the Designated Payment/Transfer, or sent by United States mail, first class, postage prepaid, to the Owner or his designee. Each Certificate delivered by the Paying Agent/Registrar in accordance with this Section shall constitute an original contractual obligation of the City and shall be entitled to the benefits and security of the Ordinance to the same extent as the Certificate or Certificates in lieu of which such Certificate is delivered.

No service charge shall be made to the Owner for the initial registration, any subsequent transfer, or exchange for a different denomination of any of the Certificates. The Paying Agent/Registrar, however, may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer or exchange of a Certificate.

Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Certificate called for redemption, in whole or in part, where such redemption is scheduled to occur within 45 days after the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the Owner of the uncalled principal balance of a Certificate.

REPLACEMENT CERTIFICATES

If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same principal amount as the Certificate so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon presentation and surrender of such mutilated Certificate to the Paying Agent/Registrar. The City or the Paying Agent/Registrar may require the owner to pay all expenses and charges in connection therewith. In the case of any Certificate issued in lieu of and in substitution for a Certificate which has been destroyed, stolen or lost, such new Certificate will be delivered only once the owner (a) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Certificate, (b) furnishes security or indemnity as may be required by the Paying Agent/Registrar and the City, (c) pays all expenses and charges in connection therewith and (d) satisfies any other reasonable requirements imposed by the City and the Paying Agent/Registrar.

RECORD DATE FOR INTEREST PAYMENT

The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the last business day of the month next preceding such date. In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

REMEDIES IN THE EVENT OF DEFAULT

The Ordinance does not establish specific events of default with respect to the Certificates or any remedies to a registered owner if the City defaults on the payment of the principal of or interest on any Certificates. Further, the Ordinance does not provide for the appointment of a trustee to protect and enforce the interest of the registered owners upon the occurrence of such a default. If a registered owner of a Certificate does not receive payment of principal or interest when due, the registered owner may seek a writ of mandamus from a court of competent jurisdiction requiring the City to levy and collect taxes. The mandamus remedy, however, may be impractical and difficult to enforce. There is no provision for the acceleration of maturity of principal of a Certificate in the event of a default. A registered owner of a Certificate could file suit against the City if a default occurred in the payment of principal of or interest on any such Certificates; however, a suit for monetary damages could be vulnerable to the defense of sovereign immunity as discussed below, and any judgment could not be satisfied by execution against any property of the City.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Certificates or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to restrict the waiver of immunity when a city performs a proprietary function. The Court remanded the case so that the appellate court could rule on whether the contract at issue was proprietary or governmental. *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018). On remand, the appellate court found for the City of Jacksonville by holding the contract claim arose from the city's performance of a governmental function, and thus the claim was barred by immunity. After granting *Wasson's* petition for review of the appellate decision, the Court held that to determine if the city was engaged in a proprietary or governmental function, the focus of the inquiry is on the nature of the contract at the time of execution, not the nature of the breach at the time of the breach.

The City is also eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Certificate holders of an entity which has sought protection under Chapter 9.

Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court), and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

TAX INFORMATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Fort Bend Central Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies").

STATE MANDATED HOMESTEAD EXEMPTIONS

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed or fatally wounded in the line of duty and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

PERSONAL PROPERTY

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport

Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

OTHER EXEMPT PROPERTY

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

TAX INCREMENT REINVESTMENT ZONES

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See “AD VALOREM PROPERTY TAXATION” – City Application of Property Tax Code” for descriptions of any TIRZ created in the City.

TAX ABATEMENT AGREEMENTS

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See “AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code” for descriptions of any of the City’s tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the City, see “TAX INFORMATION – City Application of Property Tax Code” herein.

CHAPTER 380 AGREEMENTS

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended (“Chapter 380”) to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the City, adopting its tax rate for the tax year. A taxing unit, such as the City, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS

The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“special taxing unit” means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

“unused increment rate” means the cumulative difference between a city’s voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city’s tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the “unused increment rate”.

The City’s tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its “voter-approval tax rate” and “no-new-revenue tax rate” (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its “de minimis rate”, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city’s adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city’s voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its “voter-approval tax rate” using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city’s total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City’s ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City’s tax-supported debt obligations, including the Certificates.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

DEBT TAX RATE LIMITATIONS

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

CITY AND TAXPAYER REMEDIES

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see “AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations”). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

LEVY AND COLLECTION OF TAXES

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. Taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran, are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

CITY’S RIGHTS IN THE EVENT OF TAX DELINQUENCIES

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser’s deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF PROPERTY TAX CODE

The City does not grant a local option exemption of the market value of all residence homesteads.

The City does grant a local option exemption of the market value of the residence homestead of persons 65 years of age or older.

The City does not grant a local option freeze on taxes for persons 65 years of age or older or disabled persons.

The City does not permit split payments, and discounts are not allowed. The City does not tax Freeport Property.

The City does not tax Goods-in-Transit.

The City does not offer tax abatements.

The City does not participate in a TIRZ.

The City does participate in Chapter 380 agreements (see “Appendix C - Excerpts from the City’s Annual Financial Report for Fiscal Year Ending September 30, 2023 – Note I” for detailed information).

DEVELOPER AGREEMENT/MUNICIPAL UTILITY DISTRICT CONTRACTS

The City has entered into multiple developer agreements (the "Agreements") and related utility agreements with several municipal utility districts (the "MUDs"), created by the developers, whose boundaries overlap the boundaries of the City. The MUDs construct water, sanitary sewer, public streets, and drainage facilities to serve the areas within the MUDs and issue bonds to finance such facilities. The MUDs release their security interests in the facilities to the City, and the City operates and maintains the systems via contracted third parties.

The City's original Agreements with the MUDs stated that the City is to rebate to the MUDs all property tax revenue collected by the City within each MUD in excess of \$0.10 per \$100 taxable assessed valuation of the City's ad valorem tax rate. On July 16, 2019, all Agreements for tax rebate payments (referred to in the amended Agreements as the "Annual Payment") were amended to be calculated on a percentage of the City's total ad valorem property tax rate. The Annual Payment required to be made by the City to each MUD is equal to such MUD's taxable assessed valuation multiplied by the applicable percentage of the City's ad valorem tax.

The rebate percentage is as follows:

<u>Property Tax Rate Per \$100 of Assessed Value</u>	<u>Tax Rebate Percentage</u>
\$0.219999 or less	0.06251%
\$0.22 - \$0.239999	0.07%
\$0.24 - \$0.259999	0.08%
\$0.26 - \$0.279999	0.09%
\$0.28 - \$0.299999	0.10%
\$0.30 or higher	0.11%

The City represented in the Agreements that its obligation to pay the Annual Payments due under the Agreements constitutes a "debt" of the City within the meaning of Article 11, Section 5, of the Texas Constitution and Section 26.012(7) of the Texas Tax Code. The City further represented that, pursuant to Section 552.014(c) of the Texas Local Government Code, it has the legal authority to annually levy an ad valorem tax to pay the Annual Payments due under the Agreements. Beginning with the City's 2019/2020 fiscal year, the City agreed to adopt and levy an interest and sinking tax rate sufficient to make the Annual Payments.

The Agreements provide that all Annual Payments received by a MUD from the City are required to be deposited by such MUD into a debt service fund of the MUD and allocated only to the payment of debt service that is due on unlimited tax bonds issued by such MUD to fund its water system, sanitary wastewater system, and drainage system. The schedule below shows the MUDs with active Agreements that currently receive Annual Payments from the City, the final year each Agreement term ends, and the amount of the Annual Payment received by each MUD during the last two fiscal years of the City:

<u>Entity</u>	<u>Final Year of Agreement Term</u>	<u>Fiscal Year 2023 Expenditures</u>	<u>Fiscal Year 2022 Expenditures</u>
Fulshear MUD No. 1	2048	\$ 204,194	\$ 143,257
Fort Bend County MUD No. 170	2045	313,406	196,427
Fort Bend County MUD No. 171	2040	249,759	228,117
Fort Bend County MUD No. 172	2044	530,893	448,996
Fort Bend County MUD No. 173	2047	335,332	307,351
		<u>\$ 1,633,584</u>	<u>\$ 1,324,148</u>

* The City is not required to pay the Annual Payment to a MUD once the MUD no longer owes any debt service on its outstanding unlimited tax bonds.

FINANCIAL POLICIES

Basis of Accounting . . . Budgets for the General, and Debt Service funds are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). The budgetary basis of accounting is different than the basis of accounting for auditing purposes. The City does not budget for all component units that are accounted for in the Annual Financial Report.

General Fund . . . The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund . . . The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Proprietary Fund . . . The City maintains one type of proprietary fund. Proprietary funds are used to report the same functions presented as business type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer utility.

Budgetary Procedures . . . The budget process starts many months before the adoption of the annual budget. In the month of May or June each year, the departments submit their budgetary needs to the City Manager. On or before the first day of August each year, the City Manager is required to submit a budget to the City Council for the ensuing fiscal year with an accompanying message. The budget and all supporting schedules must be filed with the City Secretary when submitted to the City Council and open for public inspection.

The City Council must analyze the budget, making any additions or deletions that they feel appropriate and must, at least ten days prior to the beginning of the next fiscal year, adopt the budget. On final adoption by the City Council, the budget takes effect for the next fiscal year.

Adoption of the budget constitutes adoption of an ordinance appropriating the amounts specified as proposed expenditures and an ordinance levying the property tax as the amount of the tax to be assessed and collected for the corresponding tax year. A separate ordinance is adopted to set the tax rate. Estimated expenditures cannot exceed available resources. Unused appropriations may be transferred to any item required for the same general purpose, except when otherwise specified by the City's charter or State law. Under conditions which may arise and which could not reasonably have been foreseen in the normal process of planning the budget, the City Council may amend or change the budget to provide for any additional expense in which the general welfare of the citizenry is involved. These amendments must be by ordinance, and become an attachment to the original budget.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the City. Both state law and the City's investment policies are subject to change.

LEGAL INVESTMENTS

Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "PFIA"), (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in

compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either

(i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with City funds, and a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly, the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City on the date of the report, (2) be prepared jointly by all investment officers of the City, (3) be signed by each investment officer of the City, (4) contain a summary statement, prepared in compliance with generally accepted accounting principles, of each pooled fund group that states the: (a) beginning market value for the reporting period, (b) additions and changes to the market value during the period, (c) ending market value for the period, and (d) fully accrued interest for the reporting period, (5) state the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested, (6) state the maturity date of each separately invested asset that has a maturity date, (7) state the account or fund or pooled group fund of the City for which each individual investment was acquired, and (8) state the compliance of the investment portfolio of the City as it related to (a) the investment strategy expressed in the City's investment policy, and (b) Texas law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS

Under Texas law, the City is additionally required to (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization (i) is dependent on an analysis of the makeup of the City's entire portfolio, (ii) requires an interpretation of subjective investment standards, or (iii) relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

See Appendix A for a description of the City's current investments.

PENSION PLANS AND RETIREMENT FUND

All qualified employees of the City are members of the Texas Municipal Retirement System. Covered employees of the City contribute 7% of gross covered salary. The City's contribution is determined annually by actuarial study as a percent of gross covered payroll. For the calendar year 2023, the rate was ____%. For additional information, refer to the notes to the Combined Financial Statements for the year ended September 30, 2023, in Appendix C herein.

TAX MATTERS

OPINION

On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton, L.L.P., Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"),

(1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix D -- Form of Bond Counsel's Opinion.

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City's federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Certificates to become includable in gross income retroactively to the date of issuance of the Certificates.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The opinion of Bond Counsel is conditioned on compliance by the City with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the property financed with proceeds of the Certificates. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the Issuer that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree

with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the owners of the Certificates may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT

The initial public offering price to be paid for one or more maturities of the Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Certificates"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments made thereon. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificate and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificate.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT CERTIFICATES BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Interest on the Certificates may be includable in certain corporations' "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or

exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

INFORMATION REPORTING AND BACKUP WITHHOLDING

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Certificates will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

FUTURE AND PROPOSED LEGISLATION

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under federal or state law and could affect the market price or marketability of the Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

OTHER INFORMATION

WEATHER EVENTS

The City is located in proximity to the Texas Gulf Coast and has been and could again be impacted by high winds, heavy rains, and flooding caused by hurricane, tornado, tropical storm, or other adverse weather events. In the event that a natural disaster should damage or destroy improvements and personal property in the City, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the assessed taxable value of the City and an increase in the City's tax rates. See "AD VALOREM PROPERTY TAXATION – Valuation of Taxable Property" and "AD VALOREM PROPERTY TAXATION – Temporary Exemption for Qualified Property Damaged by a Disaster." There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the City that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the City would be adversely affected. There can be no assurance the City will not sustain damage from meteorological events.

CYBERSECURITY RISKS

The City relies on its information systems to provide security for processing, transmission and storage of confidential personal, health-related, credit and other information. While the City deploys layered technologies and requires employees to receive cybersecurity training, as is required by state law, it is possible that the City's security measures will not prevent improper or unauthorized access or disclosure of personally identifiable information resulting from cyber-attacks. Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches can create disruptions or shutdowns of the City and the services it provides, or the unauthorized disclosure of confidential personal, health-related, credit and other information. If personal or otherwise protected information is improperly accessed, tampered with or distributed, the City may incur significant costs to remediate possible injury to the affected persons, and the City may be subject to sanctions and civil penalties if it is found to be in violation of federal or state laws or regulations. Any failure to maintain proper functionality and security of information systems could interrupt the City's operations, delay receipt of revenues, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations, financial condition and results of operations.

RATING

The Certificates and presently outstanding tax supported debt of the City are rated "_____" by S&P Global Ratings, a Standard and Poor's Financial

Services LLC business ("S&P") without regard to credit enhancement. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

LEGAL OPINIONS

The Certificates are offered when, as and if issued, subject to the approval by the Attorney General of the State and the rendering of an opinion by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Bond Counsel for the City, in substantially the form attached hereto as APPENDIX D. The City will furnish the Initial Purchaser with a complete transcript of proceedings held incident to the authorization and issuance of the Certificates, including the approving opinion of the Attorney General of the State of Texas as recorded in the Certificate Register of the Comptroller of Public Accounts of the State, to the effect that the Certificates are valid and legally binding obligations of the City under the Constitution and laws of the State. The City will also furnish the approving legal opinion of Bond Counsel in substantially the form attached hereto as APPENDIX D.

In its capacity as Bond Counsel, McCall, Parkhurst & Horton L.L.P., Houston, Texas, has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. Bond Counsel's role in connection with the Official Statement was limited to reviewing the information describing the Certificates in the Official Statement to verify that such descriptions conform to the provisions of the Ordinance. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein. Certain legal matters will be passed on for the City by McCall, Parkhurst & Horton L.L.P. as Special Disclosure Counsel. The legal fee to be paid to Bond Counsel and Special Disclosure Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

LITIGATION

In the opinion of various officials of the City, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the City in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the City.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Certificates are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the Texas Public Funds Investment Act, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "Other Information - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

REGISTRATION, SALE AND DISTRIBUTION

No registration statement relating to the Certificates has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Certificates have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been registered or qualified under the securities laws of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Certificates under the securities laws of any other jurisdiction in which the Certificates may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

AUDITED FINANCIAL STATEMENTS

Belt Harris Pechacek, LLLP, the City's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of Belt Harris Pechacek, LLLP, relating to City's financial statements for the fiscal year ended September 30, 2023 is included in this Official Statement in APPENDIX A; however, Belt Harris Pechacek, LLLP, has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the City, including without limitation any

of the information contained in this Official Statement, and has not been asked to consent to the inclusion of its report, or otherwise be associated with this Official Statement.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Certificates, the City will furnish a Certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in this Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of the Certificates and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in this Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

AUTHENTICITY OF FINANCIAL INFORMATION

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

NO-LITIGATION CERTIFICATE

The City will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Certificates, executed by an appropriate official of the City, to the effect that no litigation of any nature is then pending or threatened in any court, restraining or enjoining the issuance or delivery of the Certificates; affecting the provisions made for the payment of or security for the Certificates; in any manner questioning the authority or proceeding for the issuance, execution or delivery of the Certificates; or affecting the validity of the Certificates.

FORWARD LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date thereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement while it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB") via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information."

ANNUAL REPORTS

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in Appendix A of this Official Statement under Tables 1 through 4 and 6 through 12, and in Appendix C. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2024.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by United States Securities and Exchange Commission Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time, and will provide audited financial statements when and if an audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix C or such other accounting principles as the City may be required to employ from time to time pursuant to State law.

The City’s current fiscal year end is September 30. Accordingly, it must provide updated information by the last day of September in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS

The City also will provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten (10) business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional paying agent/registrar or change of name of the paying agent/registrar, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the City, any of which reflect financial difficulties.

For these purposes, any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under the state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. For the purposes of the above describe event notices (15) and (16), the term “financial obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a “financial obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

NOTICE OF FAILURE TO TIMELY FILE

The City also will notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with the provisions described above.

AVAILABILITY OF INFORMATION

All information and documentation filings required to be made by the City will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings is provided, without charge to the general public, by the MSRB through its EMMA system at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS

The City has agreed to update information and to provide notices of significant events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of the Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The continuing disclosure agreement may be amended by the City 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 City, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell the 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 the Ordinance that authorizes such an amendment) of the outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Certificates. The City may also amend or repeal the provisions of the continuing disclosure agreement if the United States Securities and Exchange Commission 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 the Certificates in the primary offering of the Certificates. If the City so amends the provisions of either of the agreements described above, it shall include with

any financial information or operating data next provided in accordance with such agreement 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.

COMPLIANCE WITH PRIOR UNDERTAKINGS

[INSERT]

FINANCIAL ADVISOR

Masterson Advisors LLC is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Masterson Advisors LLC, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER

INITIAL PURCHASER

After requesting competitive bids for the Certificates, the City accepted the bid of _____ (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the inside cover of this Official Statement at a purchase price of _____ % of par. The initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser. The City has no control over the price at which the Certificates are subsequently sold. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser.

APPENDIX A

FINANCIAL INFORMATION REGARDING
THE CITY OF FULSHEAR, TEXAS

**FINANCIAL INFORMATION REGARDING THE
CITY OF FULSHEAR, TEXAS**

Table 1-Valuations, Exemptions and Tax Supported Debt

2023/24 Market Valuation Established by Fort Bend Central Appraisal District (Net of Totally Exempt Property)	\$ 4,980,030,933.00
Less: Exemptions/Reductions at 100% Market Value	
Veterans Exemption	\$ 66,045,815
10% Lost to Cap Adjustment	438,447,311
Over 65/Disabled	15,856,044
Productivity Loss	105,559,881
Local Homestead	422,085,442
Other	9,155,011
Total	\$ 1,057,149,504.00
2023/24 Net Taxable Assessed Valuation	<u>\$ 3,922,881,429.00</u>

City Funded Debt Payable from Ad Valorem Taxes (as of October 1, 2023):

Current Outstanding Debt Service	\$ -
The Certificates	36,530,000
Total General Obligation Debt Payable From Ad Valorem Taxes	<u>\$ 36,530,000</u>

Less: Self-Supporting General Obligation Debt

The Certificates	\$ 36,530,000
------------------	---------------

Net General Obligation Debt Payable From Ad Valorem Taxes	<u>\$ -</u>
---	--------------------

Interest and Sinking Fund Balance on of September 30, 2023	\$ -
Ratio Total General Obligation Debt to 2022/23 Taxable Assessed Valuation	0.93%
Estimated Population	34,264
Per Capita Net General Obligation Funded Debt	\$ 1,066
Per Capita Net Taxable Assessed Valuation	\$ 114,490

Table 2 - Taxable Assessed Valuation by Category⁽¹⁾

Taxable Appraised Value for Fiscal Year Ended September 30:						
Category	2024		2023		2022	
	Value	% of Total	Value	% of Total	Value	% of Total
Real, Residential, Single Family	\$4,308,895,672	86.52%	\$3,365,223,266	82.69%	\$2,301,685,762	80.10%
Real Residential, Multi-Family	132,748,405	2.67%	58,716,076	1.44%	45,764,840	1.59%
Real, Vacant Lots/Tracts	45,143,875	0.91%	72,160,160	1.77%	65,601,150	2.28%
Real, Acreage (Land Only)	106,262,212	2.13%	115,823,900	2.85%	102,662,950	3.57%
Real, Farm and Ranch Improvements	37,712,105	0.76%	61,579,860	1.51%	27,486,000	0.96%
Real, Commercial and Industrial	197,933,290	3.97%	210,801,836	5.18%	183,038,705	6.37%
Oil and Gas	-	0.00%	-	0.00%	-	0.00%
Real, Tangible Personal, Utilities	13,195,612	0.26%	10,951,456	0.27%	8,702,480	0.30%
Tangible Personal, Commercial and Industrial	45,399,293	0.91%	33,203,676	0.82%	33,062,350	1.15%
Mobile Homes	-	0.00%	576,110	0.01%	273,970	0.01%
Tangible Personal Other	959,369	0.02%	140,720,690	3.46%	105,211,050	3.66%
Real Inventory	91,781,100	1.84%	-	0.00%	-	0.00%
Special Inventory	-	0.00%	12,600	0.00%	-	0.00%
Total Appraised Value Before Exemptions	\$4,980,030,933	100.00%	\$4,069,769,630	100.00%	\$2,873,489,257	100.00%
Less: Total Exemptions/ Reductions	(1,057,149,504)		(881,595,895)		(410,767,869)	
Taxable Assessed Value	<u>\$3,922,881,429</u>		<u>\$ 3,188,173,735</u>		<u>\$ 2,462,721,388</u>	

Taxable Appraised Value for Fiscal Year Ended September 30:				
Category	2021		2020	
	Value	% of Total	Value	% of Total
Real, Residential, Single Family	\$1,940,405,831	76.90%	\$1,592,638,417	75.16%
Real Residential, Multi-Family	37,347,910	1.48%	27,273,491	1.29%
Real, Vacant Lots/Tracts	71,009,460	2.81%	57,576,850	2.72%
Real, Acreage (Land Only)	112,370,910	4.45%	133,734,630	6.31%
Real, Farm and Ranch Improvements	33,264,502	1.32%	38,412,885	1.81%
Real, Commercial and Industrial	161,270,186	6.39%	111,709,225	5.27%
Oil and Gas	-	0.00%	-	0.00%
Real, Tangible Personal, Utilities	8,891,920	0.35%	8,798,768	0.42%
Tangible Personal, Commercial and Industrial	35,512,370	1.41%	32,292,330	1.52%
Mobile Homes	479,880	0.02%	406,370	0.02%
Tangible Personal Other	118,639,000	4.70%	116,092,970	5.48%
Real Inventory	-	0.00%	-	0.00%
Special Inventory	4,101,60	0.16%	9,160	0.00%
Total Appraised Value Before Exemptions	\$2,523,293,569	100.00%	\$2,118,945,096	100.00%
Less: Total Exemptions/ Reductions	(380,961,129)		(343,992,929)	
Taxable Assessed Value	<u>\$ 2,142,332,440</u>		<u>\$ 1,774,952,167</u>	

⁽¹⁾ Obtained from property tax reports provided by the Fort Bend Central Appraisal District and the State of Texas Comptroller of Public Accounts.

Table 3 - Valuation and Tax Supported Debt History

Fiscal Year Ended <u>30-Sep</u>	Taxable Assessed <u>Valuation</u>	Percent Increase Over <u>Prior Year</u>	Tax Supported Debt at End <u>of Year</u>	Ratio of Direct Debt to Assessed <u>Valuation</u>
2020	\$ 1,774,952,167	17.48%	\$ -	0.00%
2021	2,142,332,440	20.70%	-	0.00%
2022	2,462,721,388	14.96%	-	0.00%
2023	3,188,173,735	29.46%	36,530,000	1.15%
2024	3,922,881,429	23.04%	76,530,000 ⁽¹⁾	1.95%

Source: City Records.

⁽¹⁾ Includes the Certificates. Debt is supported by Utility System Revenue

Table 4 - Tax Rate, Levy and Collection History

Fiscal Year Ending 9/30	General Fund	Interest and Sinking Fund	Total Tax Rate	Total Tax Levy	% Total Collections
2019	\$ 0.16251	\$ -	\$ 0.16251	\$ 2,452,518	100.00%
2020	0.16446	0.05405	0.21851	3,855,706	100.80%
2021	0.15282	0.05425	0.20707	4,410,271	100.32%
2022	0.15264	0.05041	0.20305	5,000,580	99.20%
2023	0.13845	0.04212	0.18057	5,756,917	
2024	0.12717	0.04159	0.16876		

Source: City Records.

⁽¹⁾ Unaudited, as of _____.

Table 5 - Overlapping Debt Statement

Taxing Body	Gross Debt	As of	Percent Overlapping	Amount Overlapping
Fort Bend County.....	\$ 876,570,455	7/31/2024	3.48%	\$ 30,504,652
Fort Bend County Drainage District.....	22,655,000	7/31/2024	3.53%	799,722
Fort Bend Co MUD #169.....	11,714,970	7/31/2024	100.00%	11,714,970
Fort Bend Co MUD #170.....	78,311,760	7/31/2024	100.00%	78,311,760
Fort Bend Co MUD #171.....	43,117,730	7/31/2024	100.00%	43,117,730
Fort Bend Co MUD #172.....	93,196,310	7/31/2024	100.00%	93,196,310
Fulshear MUD #1.....	55,785,000	7/31/2024	100.00%	55,785,000
Fulshear MUD #2.....	17,520,000	7/31/2024	100.00%	17,520,000
Katy ISD.....	2,386,475,000	7/31/2024	6.91%	164,905,423
Lamar CISD.....	2,800,355,000	7/31/2024	13.82%	387,009,061
Total Estimated Overlapping Debt.....				\$ 882,864,627
The District.....	76,530,000 (1)	Current	100.00%	76,530,000
Total Direct and Estimated Overlapping Debt..				\$ 959,394,627
Ratio of Estimated Direct and Overlapping Debt to 2023 Certified Taxable Assessed Valuation.....				24.46%
Ratio of Estimated Direct and Overlapping Debt to 2023 Appraised Market Value.....				19.26%
Per Capita Direct and Overlapping Debt.....				\$ 28,000.08

⁽¹⁾ Preliminary, subject to change. Includes the Certificates.

TABLE 6 – TEN LARGEST TAXPAYERS

Name of Taxpayer	2023/2024	% of Total
	Taxable	
	Assessed	Taxable Assessed
	Valuation	Valuation
CCR 21 LLC	49,465,379	1.26%
Greenhouse 15, LLC	38,094,412	0.97%
Broadstone Cross Creek Owner LP	26,288,368	0.67%
Alders at Cross Creek Property LLC	23,591,470	0.60%
TPHTL Rogers LLC	22,244,867	0.57%
HEB Grocery Company LP	13,799,485	0.35%
Tri Pointe Homes of Texas INC	13,403,247	0.34%
Pulte Homes of Texas LP	11,765,642	0.30%
Securecare Moveit Mcallen LLC	10,652,954	0.27%
Cross Creek Shoppes LLC	8,788,728	0.22%
	218,094,552	5.56%

Source: Fort Bend Central Appraisal District.

TABLE 7 - OTHER OBLIGATIONS

On June 18, 2021, the City issued a note payable (the “Note”) in the amount of \$8,900,000 to help finance the purchase and remodel of facilities for the future City hall. The Note carries an interest rate of 3.25% for the first ten years and is for the total term of thirty years. The City makes monthly installments on the Note, which will be payable in full in June of 2051.

Fiscal Year	Total	Total	
Ended	Principal	Interest	Total
30-Sep	Due	Due	Due
2024	\$ 191,549	\$ 273,250	\$ 464,799
2025	197,868	266,932	464,800
2026	204,394	260,406	464,800
2027-2031	1,127,851	1,196,147	2,323,998
2032-2036	1,327,328	996,674	2,324,002
2037-2041	1,561,190	762,812	2,324,002
2042-2046	1,836,256	487,746	2,324,002
2047-2051	2,048,582	164,531	2,213,113
Total	\$ 8,857,595	\$ 4,975,524	\$ 13,833,119

Source: City's Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2021.

TABLE 8 - PRO-FORMA OUTSTANDING GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 30-Sep	Current Outstanding Debt Service	The Certificates*			Less: Self-Supporting Debt Service	Net Outstanding Debt Service
		Principal	Interest	Total		
2024	\$ 1,898,081	\$ -	\$ -	\$ -	\$ 1,898,081	\$ -
2025	2,375,581	300,000	1,031,250	1,331,250	3,706,831	-
2026	2,373,831	200,000	2,235,000	2,435,000	4,808,831	-
2027	2,375,581	600,000	2,225,000	2,825,000	5,200,581	-
2028	2,375,581	920,000	2,195,000	3,115,000	5,490,581	-
2029	2,373,831	965,000	2,149,000	3,114,000	5,487,831	-
2030	2,375,331	1,015,000	2,100,750	3,115,750	5,491,081	-
2031	2,374,831	1,065,000	2,050,000	3,115,000	5,489,831	-
2032	2,377,331	1,115,000	1,996,750	3,111,750	5,489,081	-
2033	2,377,581	1,170,000	1,941,000	3,111,000	5,488,581	-
2034	2,375,581	1,230,000	1,882,500	3,112,500	5,488,081	-
2035	2,376,331	1,290,000	1,821,000	3,111,000	5,487,331	-
2036	2,374,581	1,355,000	1,756,500	3,111,500	5,486,081	-
2037	2,375,331	1,425,000	1,688,750	3,113,750	5,489,081	-
2038	2,378,331	1,495,000	1,617,500	3,112,500	5,490,831	-
2039	2,375,331	1,570,000	1,542,750	3,112,750	5,488,081	-
2040	2,373,975	1,650,000	1,464,250	3,114,250	5,488,225	-
2041	2,375,700	1,730,000	1,381,750	3,111,750	5,487,450	-
2042	2,374,725	1,820,000	1,295,250	3,115,250	5,489,975	-
2043	2,374,588	1,910,000	1,204,250	3,114,250	5,488,838	-
2044	2,377,150	2,005,000	1,108,750	3,113,750	5,490,900	-
2045	2,375,513	2,105,000	1,008,500	3,113,500	5,489,013	-
2046	2,374,675	2,210,000	903,250	3,113,250	5,487,925	-
2047	2,374,375	2,320,000	792,750	3,112,750	5,487,125	-
2048	2,374,350	2,435,000	676,750	3,111,750	5,486,100	-
2049	2,378,625	2,560,000	555,000	3,115,000	5,493,625	-
2050	2,373,850	2,685,000	427,000	3,112,000	5,485,850	-
2051	2,375,250	2,820,000	292,750	3,112,750	5,488,000	-
2052	2,377,375	3,035,000	75,875	3,110,875	5,488,250	-
TOTAL	69,141,567	\$ 45,000,000	\$39,418,875	\$ 84,418,875	\$ 152,832,072	\$ -

*Preliminary, subject to change. Interest calculated at an assumed rate for purposes of illustration only.

Authorized but Unissued General Obligation Bonds: The City has no voter-authorized but unissued general obligation bonds.

TABLE 9 - TAX ADEQUACY FOR GENERAL OBLIGATION DEBT

2023/24 Taxable Assessed Valuation (less exemptions)	\$	3,922,881,429
Maximum Net Debt Service for the Fiscal Year Ending September 30, 2045	\$	2,378,625
Indicated Interest and Sinking Fund Tax Rate	\$	0.041593
Indicated Interest and Sinking Fund Tax Levy	\$	1,631,644
Estimated 98% Tax Collections	\$	1,599,011

TABLE 10 - GENERAL FUND REVENUES AND EXPENDITURES

	Fiscal Years Ended September 30:				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Revenues:</u>					
Taxes	\$ 10,414,561	\$ 9,079,381	\$ 7,911,122	\$ 6,710,994	\$ 4,995,851
Public Improvement Fees	482,722	818,751	1,084,891	507,474	519,551
Licenses and Permits	2,943,405	3,436,221	3,284,590	2,422,642	2,201,606
Intergovernmental	414,685	562,884	891,881	1,112,064	500,238
Charges for Services	1,661,987	2,129,384	2,884,649	2,320,715	2,071,531
Fines and Forfeitures	642,096	498,361	313,289	173,998	325,190
Investment Earnings	628,956	(178,956)	22,346	97,017	172,802
Other Revenues	37,798	10,901	32,635	10,117	7,296
Total Revenues	<u>17,226,210</u>	<u>16,356,927</u>	<u>16,425,403</u>	<u>13,355,021</u>	<u>10,794,065</u>
<u>Expenditures:</u>					
General Government	\$ 6,181,865	\$ 5,390,813	\$ 4,196,323	\$ 3,840,529	\$ 3,177,750
Permits and Inspections	899,447	943,399	1,624,519	1,260,907	830,779
Public Safety	3,672,206	3,237,376	3,468,487	3,036,192	2,524,209
Public Works	2,402,946	2,200,245	3,146,114	2,954,915	2,791,761
Planning and Development	163,462	309,457	166,260	215,596	276,522
Debt Service	1,193,168	464,801	116,200	-	-
Capital Outlay	188,778	148,423	13,049,189	38,561	212,459
Total Expenditures	<u>14,701,872</u>	<u>12,694,514</u>	<u>25,767,092</u>	<u>11,346,700</u>	<u>9,813,480</u>
Excess/(Deficiency) of Revenues					
Over Expenditures	2,524,338	3,662,413	(9,341,689)	2,008,321	980,585
<u>Other Financing Sources/Uses:</u>					
Sale of Assets	-	1,600,100	-	-	-
Loan Proceeds	-	-	8,900,000	-	-
Operating Transfers In	2,002,569	1,016,018	1,179,724	1,034,359	877,365
Operating Transfers Out	(466,000)	(6,000,000)	-	(3,705,000)	(325,000)
Total Other Financing Sources/Uses	<u>1,536,569</u>	<u>(3,383,882)</u>	<u>10,079,724</u>	<u>(2,670,641)</u>	<u>552,365</u>
Beginning Fund Balance	7,746,238	7,467,707	6,729,672	7,854,216	6,321,266
Prior Period Adjustment	-	278,531	(462,224)	-	-
Ending Fund Balance - Sept. 30	<u>\$ 11,807,145</u>	<u>\$ 7,746,238</u>	<u>\$ 7,467,707</u>	<u>\$ 7,191,896</u>	<u>\$ 7,854,216</u>

Source: City's Audited Financial Statements for the Fiscal Years Ended September 30, 2019-2023.

Note: The City's anticipated General Fund Balance for the Fiscal Year ending on September 30, 2024 is \$_____.

TABLE 11 - CURRENT INVESTMENTS

<u>Investment Description</u>	<u>Total Invested</u>	<u>Percent</u>
Certificates of Deposit	\$ 482,756	0.67%
Municipal and State Bonds	3,761,594.00	5.24%
U.S. Government Agency Bonds	1,982,323.00	2.76%
Texas CLASS	<u>65,507,773.00</u>	<u>91.32%</u>
Total	\$ 71,734,446	100.00%

Source: City's Audited Financial Statements for the Fiscal Year Ended September 30, 2023.

TABLE 12 - WATERWORKS AND WASTEWATER SYSTEM FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30:				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Operating Revenues:</u>					
Charges for Sales and Services	\$ 17,054,281	\$ 14,163,554	\$ 12,351,533	\$ 8,543,284	\$ 8,407,022
Other Revenues	119,796	150,417	187,945	125,937	66,205
Total Revenues	\$ 17,174,077	\$ 14,313,971	\$ 12,539,478	\$ 8,669,221	\$ 8,473,227
<u>Operating Expenses:</u>					
Supplies	\$ 363,998	\$ 232,090	\$ 162,180	\$ 94,803	\$ 44,639
Contractual Services	4,402,054	3,186,573	1,749,274	1,453,412	1,249,684
Utilities	541,630	510,077	464,337	337,409	341,162
Repairs and Maintenance	1,407,513	2,060,579	1,268,365	2,233,808	1,153,425
Other Operating Expenses	7,235,417	5,940,795	4,402,592	3,511,206	2,525,422
Depreciation	2,880,356	2,598,129	2,277,231	1,979,752	1,741,270
Total Expenditures	\$ 16,830,968	\$ 14,528,243	\$ 10,323,979	\$ 9,610,390	\$ 7,055,602
Excess/(Deficiency) of Revenues Over Expenditures	\$ 343,109	\$ (214,272)	\$ 2,215,499	\$ (941,169)	\$ 1,417,625
<u>Nonoperating Revenues:</u>					
Investment Earnings	\$ 2,022,594	\$ 75,388	\$ 22,516	\$ 116,838	\$ 158,651
Miscellaneous Revenues	(391,956)	-	-	2,500	60,235
Total Nonoperating Revenues	\$ 1,630,638	\$ 75,388	\$ 22,516	\$ 119,338	\$ 218,886
<u>Contributions and Transfers:</u>					
Capital Contributions	\$ 10,587,744	\$ 7,427,059	\$ 10,237,389	\$ 9,879,143	\$ 2,181,719
Transfers In	-	-	200,000	200,000	170,000
Transfers Out	(1,702,569)	(1,141,018)	(1,304,724)	(1,078,109)	(1,047,365)
Total Contributions and Transfers	\$ 8,885,175	\$ 6,286,041	\$ 9,132,665	\$ 9,001,034	\$ 1,304,354
Beginning Fund Balance	94,766,777	88,619,620	77,248,940	69,069,737	66,186,560
Prior Period Adjustment	-	-	-	-	(57,688)
Ending Fund Balance	\$ 105,625,699	\$ 94,766,777	\$ 88,619,620	\$ 77,248,940	\$ 69,069,373

Source: City's Comprehensive Annual Financial Report for Fiscal Years Ended September 30, 2019 - September 30, 2023.

APPENDIX B

GENERAL INFORMATION REGARDING THE CITY

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GENERAL INFORMATION REGARDING THE CITY OF FULSHEAR, TEXAS

LOCATION

The City of Fulshear is located 30 miles west of downtown Houston on Westpark Tollway in north Fort Bend County. This location places the City within the Houston Metropolitan Statistical area, 7 miles south of the City of Katy and 15 miles east of the City of Wallis, and approximately 70 miles from the Texas Gulf Coast.

POPULATION

Year	City of Fulshear	Fort Bend County
2020	16,856	858,902
2010	1,134	585,375
2000	716	354,452

LOCAL ECONOMY

Fulshear has a highly educated, affluent demographic, with nearly 68.5% of the population holding a bachelor's degree or higher and earning a median household income of \$166,863. The largest revenue sources in the General Fund are property tax, sales tax and building fees. These are all driven and sustained by continued growth of commercial and residential construction. The City has experienced significant commercial and retail growth over the last several years.

Fort Bend County	2023	2022	2021	2020	2019
Labor Force		419,630	407,603	400,509	395,228
Employed		401,363	383,362	369,972	381,510
Unemployed		18,267	24,241	30,537	13,715
Unemployed Rate		4.4%	5.9%	7.6%	3.5%

State of Texas	2023	2022	2021	2020	2019
Labor Force		14,601,731	14,220,446	13,983,319	14,045,312
Employed		13,971,714	13,413,036	12,915,337	13,551,791
Unemployed		630,017	807,410	1,067,982	493,521
Unemployed Rate		4.3%	5.7%	7.6%	3.5%

As of _____, 2024.

MAJOR EMPLOYERS WITHIN THE CITY LIMITS

<u>Employer</u>	<u>Industry</u>	<u>Number of Employees</u>
Katy ISD	Public Education	650
Lamar Consolidated ISD	Public Education	564
HEB #65	Retail	490
Local Table	Dining	105
City of Fulshear	Government	82
Emergency Services District #4	Emergency Services	74
Molina's Cantina	Dining	61
Saltgrass Steakhouse	Dining	56
Orleans Seafood	Dining	52
Pier 36	Dining	43

Source: City of Fulshear Audited Financial Statements

APPENDIX C

EXCERPTS FROM THE
CITY OF FULSHEAR, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2023

The information contained in this Appendix consists of excerpts from the City of Fulshear, Texas Annual Financial Report for the Year Ended September 30, 2023, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL