



AGENDA
WATAUGA CITY COUNCIL
VIDEOCONFERENCE MEETING
MONDAY, AUGUST 24, 2020
6:30 PM

This notice is posted pursuant to the Texas Open Meetings Act. Notice is hereby given that a **Special City Council Meeting** of the City of Watauga, Texas will be held at which time the following subjects will be discussed and may be acted upon.

If you wish to view-only, the meeting will be streamed “live” on our web-site at the normal location: <https://www.cowtx.org/1403/Agendas-and-Minutes>

If you wish to comment during the meeting, you may do so by registering using the form located at: <https://www.cowtx.org/comments>. You will have the option to join the virtual meeting and comment “live” at the appropriate time using a computer, Android device, iOS device and/or a phone. Or, you can provide your comments at the time of registration and they will be read into the record for you.

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Special City Council - Comment Registration - August 24, 2020

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This notice is posted pursuant to the Texas Open Meetings Act. Notice is hereby given that a Special City Council Meeting of the City of Watauga, Texas will be held at which time the following subjects will be discussed and may be acted upon.

Members of the public are invited and encouraged to attend all public meetings that are not closed to the public in accordance with the Texas Open Meetings Act. Public input is encouraged during Public Testimony, Public Hearings or Action sections of a meeting agenda. As authorized by the Executive Orders issued by the Texas Governor, the City and is making special provisions to allow the public to comment at this meeting. The meeting will be hosted using WEBEX. "Live" participation is limited. A person desiring to comment "live," during the meeting must register in advance using this form. Once registered, citizens will be provided with the meeting link information on a first come, first served basis until all slots have been filled.

Citizens may also provide their comments in writing. ALL COMMENTS MUST BE RECEIVED NO LATER THAN 1 HOUR PRIOR TO THE MEETING. All written comments must comply with applicable decorum rules for comments made during a public meeting of the City Council to be read into the record. Up to three minutes shall be allotted for each written comment to be read into the record of the meeting. All timely comments will be read into the record of the meeting at the appropriate time during the meeting.

While reasonable efforts will be taken to gather comments received within the hour prior to the meeting or received during the meeting, all such comments are considered untimely and may not be recognized and read during the meeting.

First Name*

Last Name*

Address1*

“Live” meeting space is limited and will be provided on a first come, first served basis. If you select the “live” meeting option, the WEBEX meeting details will be emailed to you at the e-

mail address you provide during registration. You will be responsible for ensuring that you are available in the WEBEX meeting at the time public testimony is requested and that you have a microphone or have called in via telephone so that your comments can be heard.

A copy of the agenda packet for this meeting may be obtained here: <https://www.cowtx.org/1403/Agendas-and-Minutes>. A recording of this meeting will be made available on-line at the city's website as soon as practicable after the meeting.

CALL TO ORDER (Council Members, City Staff, Members of the Public - when speaking during the meeting please speak directly into the microphones on the dais or podium)

ROLL CALL

PUBLIC TESTIMONY Government Code Section 551.007(b) provides that a governmental body shall allow each member of the public who desires to address the body regarding an item on the agenda to address the body regarding the item at the meeting before or during the body's consideration of the item. The governing body is permitted to decide when during the meeting a member of the public speaks. The City Council encourages citizens to share their viewpoints on any item listed on the agenda. Questions raised to the Council during a meeting may be directed to the City Manager for prompt response, within a reasonable time, after the meeting. Individuals desiring to speak during Public Testimony shall be called upon to speak only after completing a Request to Speak form attached hereto as Annex E. The Request to Speak form must be completed truthfully and submitted to the administrative staff member prior to speaking. Once the form is received by administrative staff, the individual shall be recognized and called upon by the Chair prior to being allowed to speak. Reasonable time limitations may be placed on public testimony by the presiding officer in order to conduct an efficient and effective public meeting.

CONSENT AGENDA

1. Consider and approval of the Monthly Financial Report for the period ending June, 30, 2020
Sandra Gibson, CGFO, CGFM, Director of Finance
Andrea Gardner, City Manager
2. Consideration and approval of the Quarterly Investment Report for the period ending June 30, 2020
Sandra Gibson, CGFO, CGFM, Director of Finance
Andrea Gardner, City Manager
3. Consider action and approval of a resolution accepting the Certified Tax Roll for Tax Year 2020 from the Tarrant Appraisal District as certified by the Chief Appraiser Jeff Law
Sandra Gibson, CGFO, CGFM, Director of Finance
Andrea Gardner, City Manager

PUBLIC HEARING

1. Public Hearing on the Watauga Economic Development Corporation FY2020-2021 Proposed Budget

Sandra Gibson, CGFO, CGFM, Director of Finance
Andrea Gardner, City Manager

2. Public Hearing on the Fiscal Year 2020-2021 Proposed Budget
Sandra Gibson, CGFO, CGFM, Director of Finance
Andrea Gardner, City Manager

ACTION ITEMS

1. Presentation by Samco Capital Markets, the City's Financial Advisor, and provide direction to the City Manager about refunding currently outstanding city debt for interest rate savings and authorizing the City's Financial Advisor, Bond Counsel and staff to proceed if certain savings targets are reached and other matters related thereto
Sandra Gibson, CGFO, CGFM, Director of Finance
Andrea Gardner, City Manager
2. Discuss and consider action to approve an ordinance authorizing the issuance of "City of Watauga, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020" in an amount not to exceed \$3,000,000.00; providing for the payment of said certificates by the levy of an ad valorem tax upon all taxable property within the City and further securing said certificates by a lien on and pledge of the pledged revenues of the system; providing the terms and conditions of said certificates and resolving other matters incident and relating to the issuance, payment, security, sale, and delivery of said certificates, including the approval and distribution of an official statement pertaining thereto; authorizing the execution of a paying agent/registrar agreement and an official bid form; complying with the requirements of the letter of representations previously executed with the depository trust company; authorizing the execution of any necessary engagement agreements with the City's Financial Advisors and/or Bond Counsel; and providing an effective date {CAPTION}
Sandra Gibson, CGFO, CGFM, Director of Finance
Andrea Gardner, City Manager
3. Discuss and consider action on the Fiscal Year 2020-2021 Proposed Budget
Sandra Gibson, CGFO, CGFM, Director of Finance
Andrea Gardner, City Manager
4. Discuss and consider action to approve an Ordinance amending the FY2019-2020 Budget for anticipated CARES Act grant revenues and expenditures relating to Covid-19 Response
Sandra Gibson, CGFO, CGFM, Director of Finance
Andrea Gardner, City Manager
5. Discuss and consider action to approve Weaver and Tidwell, LLP as the vendor for Professional Audit Services
Sandra Gibson, CGFO, CGFM, Director of Finance
Deby Woodard, Assistant Director of Finance
Andrea Gardner, City Manager
6. Discuss and consider action on approval of the Watauga Economic Development Corporation (WEDC) Budget for Fiscal Year 2020-2021

Sandra Gibson, CGFO, CGFM, Director of Finance
Andrea Gardner, City Manager

7. Discuss and consider action on approval of the Watauga Crime Control Prevention District (WCCPD) Proposed Budget for Fiscal Year 2020-2021
Sandra Gibson, CGFO, CGFM, Director of Finance
Andrea Gardner, City Manager
8. Discuss the proposed tax rate of \$0.580404 per \$100 valuation for Fiscal Year 2020-2021 and accept Notice About 2020 Tax Rates
Sandra Gibson, CGFO, CGFM, Director of Finance
Andrea Gardner, City Manager
9. Discuss and Consider action on a Staffing Reimbursement Agreement between the City of Watauga and the Watauga Economic Development Corporation
Sandra Gibson, CGFO, CGFM, Director of Finance
Andrea Gardner, City Manager
10. Acknowledgement of City Councilmember Danielle Tucker's August 17, 2020 resignation as City Councilmember City Council Place 1; discuss and consider action as provided by Section 3.05 of the City Charter to fill the vacancy on City Council by the appointment of a qualified person to fill the unexpired term of office for City Councilmember City Council Place 1 and conduct Oath of Office ceremony (as necessary).
Andrea Gardner, City Manager

ADJOURNMENT

Meeting Notices and Reservation of Rights

The City Council may retire to executive session any time between the meeting's opening and adjournment for the purpose of consultation with legal counsel pursuant to Chapter 551.071 of the Texas Government Code; discussion of personnel matters pursuant to Chapter 551.074 of the Texas Government Code if the requisite information is otherwise posted; deliberation regarding real property pursuant to Chapter 551.072 of the Texas Government Code; deliberation regarding economic development negotiations pursuant to Chapter 551.087 of the Texas Government Code; and/or deliberation regarding the deployment, or specific occasions for implementation of security personnel or devices pursuant to Chapter 551.076 of the Texas Government Code (as applicable) when determined necessary by the to address a subject matter on the agenda. Action, if any, will be taken in open session.

This agenda has been reviewed and approved by the City's legal counsel and the presence of any subject in any Executive Session portion of the agenda constitutes a written interpretation of Texas Government Code Chapter 551 by legal counsel for the governmental body and constitutes an opinion by the attorney that the items discussed therein may be legally discussed in the closed portion of the meeting considering available opinions of a court of record and opinions of the Texas Attorney General known to the attorney. This provision has been added to this agenda with the intent to meet all elements necessary to satisfy Texas Government Code Chapter 551.144(c) and the meeting is conducted by all participants in reliance on this opinion.

Attendance by Other Elected or Appointed Officials: It is anticipated that members of other governmental bodies, and/or city council, boards, commissions and/or committees may attend the meeting in numbers that may constitute a quorum of the body, board, commission and/or committee. Notice is hereby given that the meeting, to the extent required by law, is also noticed as a possible meeting of the other body, board, commission and/or committee, whose members may be in attendance, if such numbers constitute a quorum. The members of the city council, boards, commissions and/or committees may be permitted to participate in discussions on the same items listed on the agenda, which occur at the meeting, but no action will be taken by such in attendance unless such item and action is specifically provided for on an agenda for that city council, body, board, commission or committee subject to the Texas Open Meetings Act.

NOTICE

THIS FACILITY IS WHEELCHAIR ACCESSIBLE AND ACCESSIBLE PARKING SPACES ARE AVAILABLE. REQUESTS FOR ACCOMMODATIONS OR INTERPRETIVE SERVICES MUST BE MADE 48 HOURS PRIOR TO THIS MEETING. PLEASE CONTACT THE CITY SECRETARY'S OFFICE AT (817) 514-5825, OR FAX (817) 514-3625.

I, Andrea Gardner, City Secretary for the City of Watauga, hereby certify that this agenda was posted on the bulletin boards at City Hall, 7105 Whitley Road, Watauga, Texas, on Friday, August 21, 2020, before 5:00 p.m., in accordance with Chapter 551 of the Texas Government Code.

Andrea Gardner

Andrea Gardner, City Secretary





AGENDA MEMORANDUM

DATE: August 13, 2020

TO: Honorable City Council Members

FROM: Sandra Gibson, CGFO, CGFM, Director of Finance

THROUGH: Andrea Gardner, City Manager

SUBJECT: Consider and approval of the Monthly Financial Report for the period ending June, 30, 2020

BACKGROUND/INFORMATION:

The monthly financial report for the period ending June 30, 2020 is attached for Council review and approval.

FINANCIAL IMPLICATIONS:

N/A

RECOMMENDATION/ACTION DESIRED:

Respectfully recommend the Council review and take action on the item presented.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. Council Report - June 2020 to Council August 24 2020

REVIEWED BY:

Sandra Gibson, CGFO, CGFM, Director of Finance

Andrea Gardner, City Manager

Approved as to form for inclusion on Agenda

Approved - 8/18/2020

Final Approval - 8/18/2020



Monthly Financial Report Fiscal 2019-2020

For the period ending June 30, 2020

Sales Tax

The City's sales tax distribution from the State Comptroller received in July and August 2020 for sales tax receipts from May and June, 2020 are reflected below. The City of Watauga's sales tax receipts for May 2020 have decreased 6.41% compared to the same prior year period. The decline in May 2020 from the prior year period was anticipated due to the continuation of pandemic related restrictions put in place on Watauga businesses. The City's sales tax receipts for June 2020 have increased 13.18% compared to prior year for the same period. Due to the uncertainty of economic factors as a result of Covid-19, decreases in sales tax receipts for the period were originally projected. Although the increase is encouraging, we remain conservative during the pandemic on future forecasts but look forward to the potential of continued positive trends this year in the City's sales tax receipts.

SALES TAX RECEIPTS COMPARISONS MAY 2019 vs. MAY 2020 RECEIVED FROM COMPTROLLER - JULY FISCAL YEAR 2019-2020

Sales Tax Receipts for the Month:

City	MAY 2020 Sales	MAY 2019 Sales	\$ Change	% Change
Keller	\$ 1,129,021.83	\$ 870,686.96	\$ 258,334.87	29.67%
Saginaw	\$ 515,775.38	\$ 427,288.67	\$ 88,486.71	20.71%
Richland Hills	\$ 471,113.18	\$ 396,704.00	\$ 74,409.18	18.76%
Colleyville	\$ 496,481.89	\$ 449,684.63	\$ 46,797.26	10.41%
Roanoke	\$ 1,399,018.50	\$ 1,284,221.03	\$ 114,797.47	8.94%
N. Richland Hills	\$ 1,299,437.36	\$ 1,206,036.40	\$ 93,400.96	7.74%
Euless	\$ 1,528,485.67	\$ 1,513,941.70	\$ 14,543.97	0.96%
Haltom City	\$ 1,069,056.65	\$ 1,069,121.95	\$ (65.30)	-0.01%
Bedford	\$ 921,586.74	\$ 936,033.88	\$ (14,447.14)	-1.54%
Fort Worth	\$ 12,529,626.14	\$ 12,953,643.71	\$ (424,017.57)	-3.27%
Grapevine	\$ 2,283,648.06	\$ 2,374,529.92	\$ (90,881.86)	-3.83%
Watauga	\$ 315,752.41	\$ 337,363.30	\$ (21,610.89)	-6.41%
Southlake	\$ 2,175,967.64	\$ 2,444,000.59	\$ (268,032.95)	-10.97%
Hurst	\$ 1,088,240.25	\$ 1,226,729.33	\$ (138,489.08)	-11.29%

Source: State Comptroller

City Collections only - not Special Purpose Districts or Transit

As shown below, many surrounding cities received significant increases for sales tax receipts for the period of June, 2020 (received in August, 2020). The City will receive more detail in the next few weeks from the State Comptroller to analyze which segment(s) showed increases over prior year.

**SALES TAX RECEIPTS COMPARISONS JUNE 2019 vs. JUNE 2020
RECEIVED FROM COMPTROLLER - AUGUST
FISCAL YEAR 2019-2020**

Sales Tax Receipts for the Month:

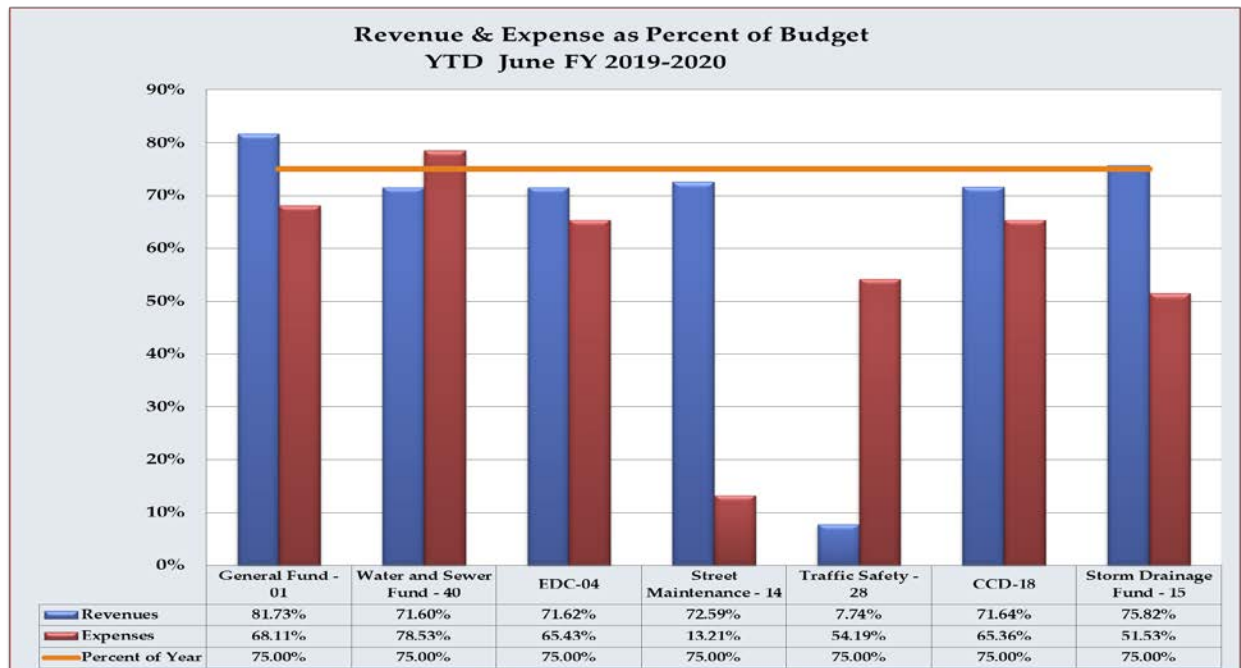
City	JUNE 2020 Sales	JUNE 2019 Sales	\$ Change	% Change
Roanoke	\$ 1,742,155.69	\$ 1,369,822.09	\$ 372,333.60	27.18%
Keller	\$ 1,293,332.11	\$ 1,053,266.59	\$ 240,065.52	22.79%
Richland Hills	\$ 572,103.95	\$ 473,946.93	\$ 98,157.02	20.71%
N. Richland Hills	\$ 1,664,503.17	\$ 1,392,599.89	\$ 271,903.28	19.52%
Colleyville	\$ 638,050.90	\$ 553,033.07	\$ 85,017.83	15.37%
Watauga	\$ 449,072.25	\$ 396,789.57	\$ 52,282.68	13.18%
Saginaw	\$ 587,312.53	\$ 526,730.62	\$ 60,581.91	11.50%
Bedford	\$ 1,196,940.71	\$ 1,102,248.98	\$ 94,691.73	8.59%
Southlake	\$ 2,595,539.75	\$ 2,404,412.07	\$ 191,127.68	7.95%
Fort Worth	\$ 15,945,469.97	\$ 14,975,148.66	\$ 970,321.31	6.48%
Haltom City	\$ 1,378,834.94	\$ 1,302,985.19	\$ 75,849.75	5.82%
Hurst	\$ 1,449,906.58	\$ 1,393,315.89	\$ 56,590.69	4.06%
Eules	\$ 1,834,706.56	\$ 1,831,823.31	\$ 2,883.25	0.16%
Grapevine	\$ 3,275,347.59	\$ 3,827,726.32	\$ (552,378.73)	-14.43%

Source: State Comptroller

City Collections only - not Special Purpose Districts or Transit

Financial Highlights

Through June, 2020, the City is 75% through the fiscal year 2019-2020. Revenue and expenses are reflected in the chart below and details of each fund's revenues and expenditures are attached.



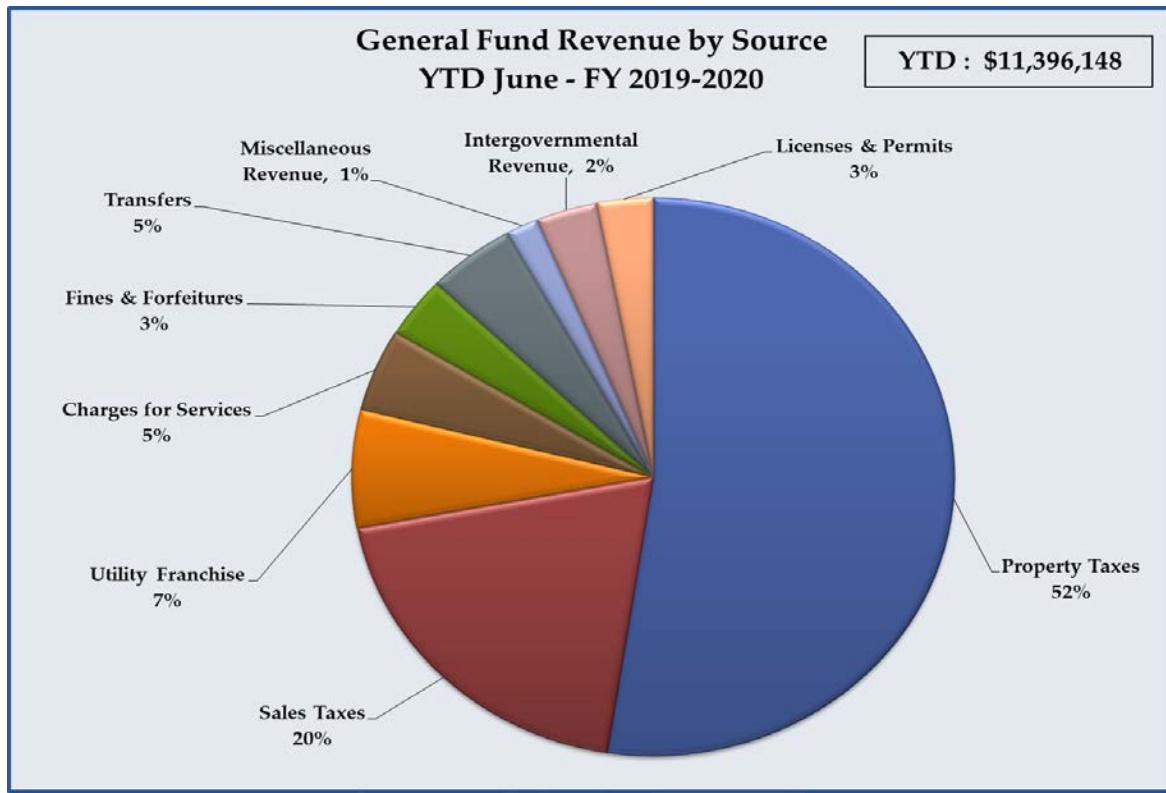
General Fund

Revenues – Year-to-date revenues represent 81.73% of budget collected, or \$11,396,148.

Property Tax – As we complete the 3rd quarter for fiscal year 2019-2020, the City has received 97% of budgeted property taxes and receipts remain in line with expectations at this time. The majority of property tax revenues are received in December and January.

Utility Franchise Revenue - The majority of franchise receipts are received on a quarterly basis. The City has received \$779,121 or 84% in budgeted franchise fee revenues through June, 2020. The year-to-date decrease in comparison to last year's receipts is \$53,035 or 6.4% lower than last year. The decline is attributed to HB 1152 Legislative action that was effective January, 2020 and eliminated the lower of telecommunications or cable franchise fees for providers of these services.

Licenses and Permits - License and permit fees are at 65% of budget collected; an increase of \$17,412 from prior year.



Charges for Services - Charges for Services revenues are at 62% of budget collected. Charges for services include recreation fees, ambulance services, garbage collection fees and animal adoption fees. For the month of June, this revenue category is up \$11,673 or 22% higher in comparison to the period last year, although remains flat with YTD comparisons to prior year.

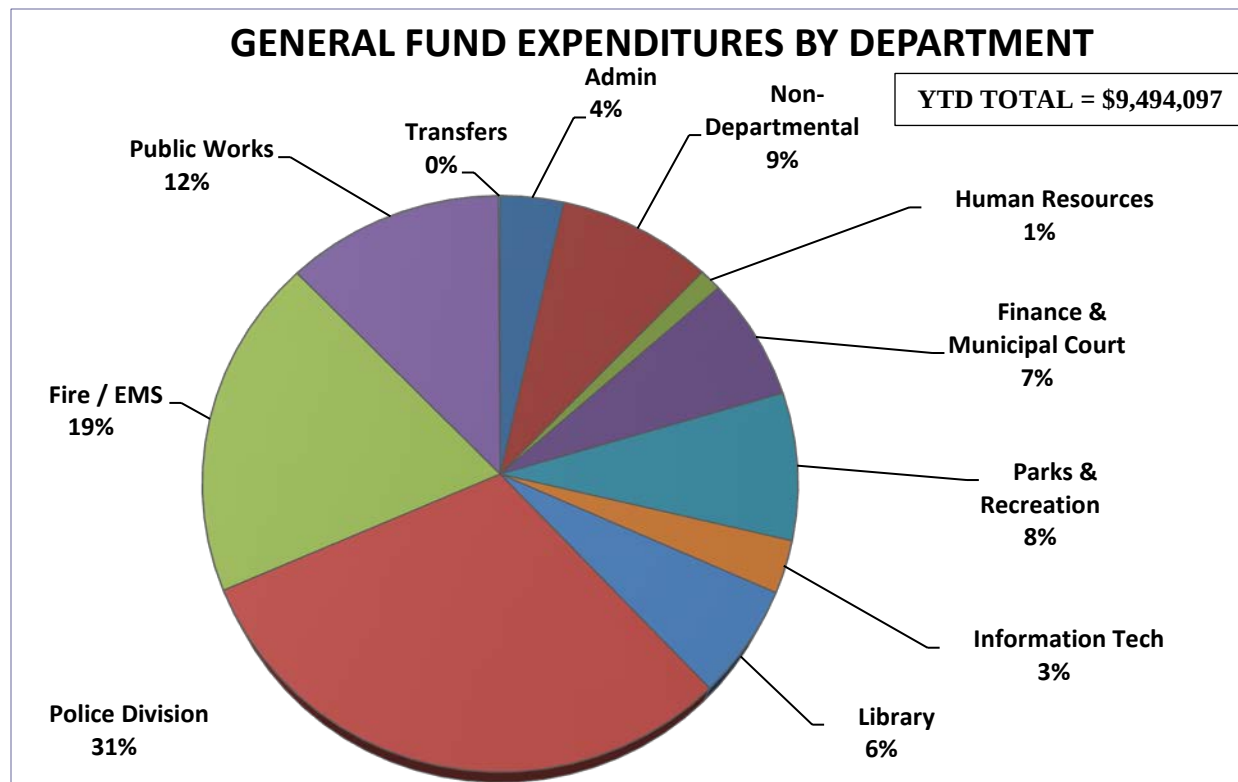
Fines and Forfeitures - Fines and Forfeitures are at 65% of budget which is \$84,311 or 26.5% higher than last year's collections. Citations were trending upwards this fiscal

year through the middle of March due to additional personnel assigned to traffic enforcement this fiscal year. Fine receipts in June were up \$12,214 or 35.5% higher in comparison to last year.

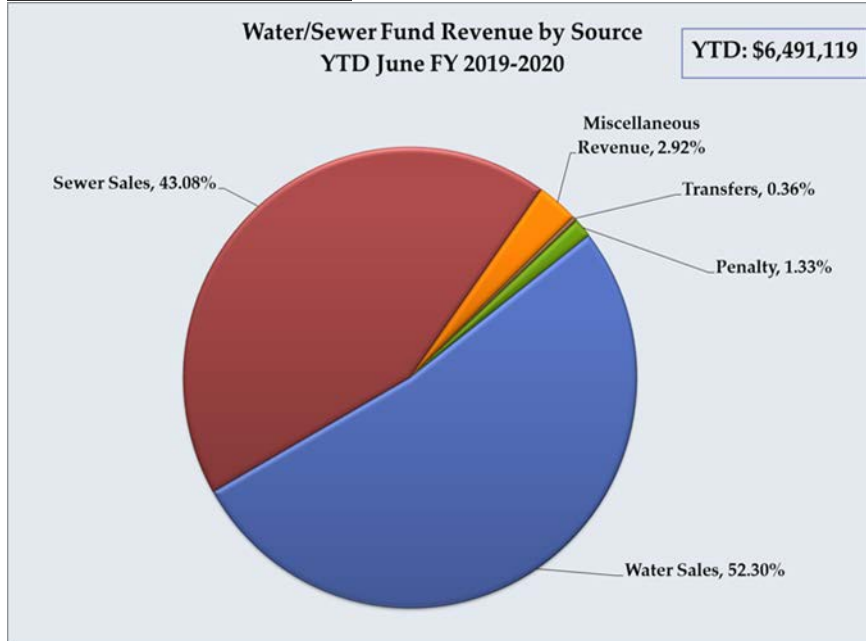
Miscellaneous Revenue - Miscellaneous revenues include Interest earnings, rental of recreational facilities, and other revenue. These receipts total \$195,888, which is 41% of budget collected. Interest income is expected to end the year lower than budget expectations due to the declines in recreation receipts such as facilities rentals, and lower interest yields in the City's investment and money market accounts.

Intergovernmental Revenue and Transfers - Intergovernmental Revenue include transfers from other funds for services the general fund provides and payments in lieu of taxes from the enterprise funds. Currently these revenues are on target with Intergovernmental at 74.6% of budget and Transfers at 74.8% of budget.

Expenses - General fund expenses are at 68% of budget expended and total \$9,494,097 for the year. Expenditures are 4.4% higher in comparison to the prior year, due in large part to the Park Department's expenditures having been moved to the general fund this fiscal year, and fewer police department vacancies this year in comparison to prior year. In March, due to the COVID-19 pandemic and expected financial impact, expense reduction measures were put in place to help offset the expected revenue losses in future months. These actions include a hiring freeze, ceasing all discretionary spending, and discontinuing lease payments to the equipment replacement fund for the remainder of the year.



Water and Sewer Fund



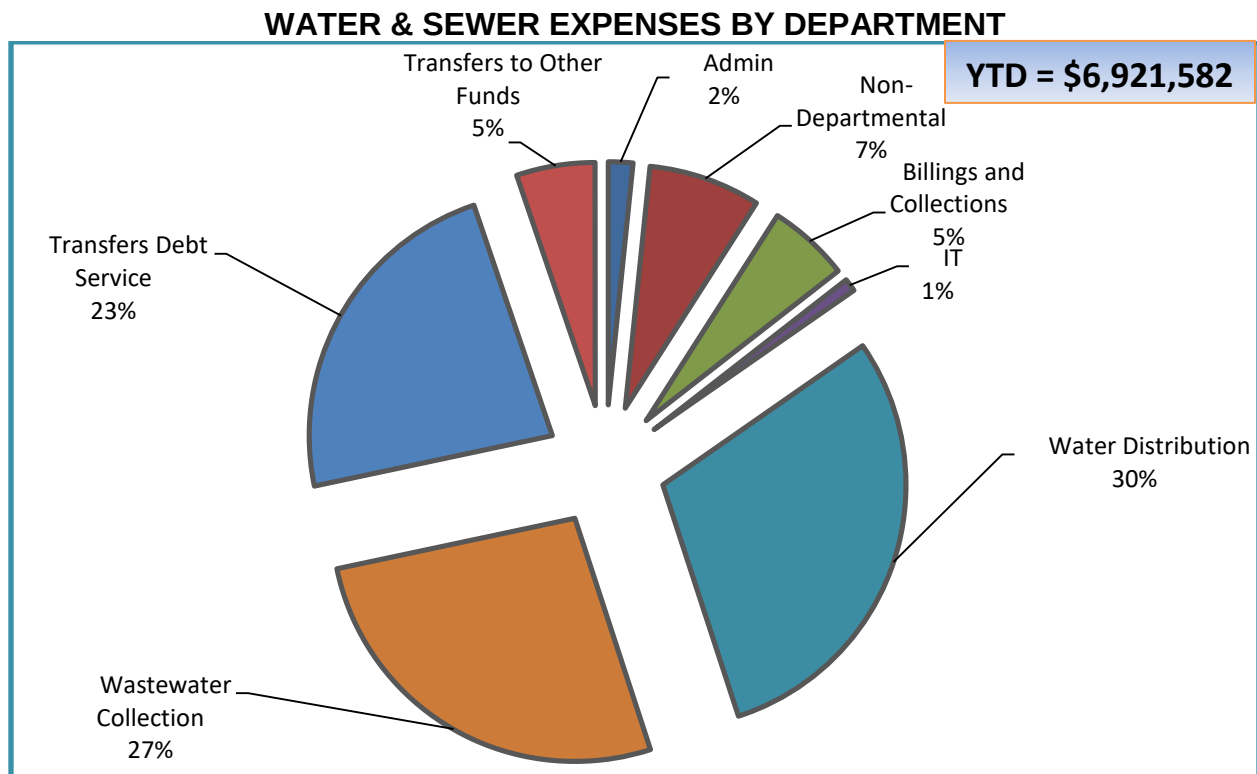
Total water and sewer revenues are 3.4% below target and are currently at 71.6% of budgeted revenues through June, 2020. Water sales are at 71.5% of budgeted revenues and Sewer revenues are at 73.1% of budget.

Miscellaneous Sales and Penalties-

Miscellaneous sales include penalty revenue, EPA revenue, service charges, returned check

fees, and damaged/tampering fees. This category of revenue is at 85.3% of budget collected.

Expenses – Year-to-date expenses in the Water/Sewer fund are 3.5% higher than budget expectations and are currently at 78.5%. Transfers to Debt Service are at 93.8% of budget due to the payments that were due and paid on February 1, 2020. The remaining debt service payments are due on August 1, 2020. Wastewater expenditures are down \$192,416 or 9.4% from last year. Wastewater expenditures were higher than normal last year due to inflow and infiltration issues.



Storm Drain Fund – Revenues represent 75.2% of budget collected. Expenses are at 51.5% of budget in this fund through June, 2020. Capital projects budgeted this year include Capp Smith wall repair, Whitley Road phase 2 and phase 3, of which expenditures total \$1,805, 267 through June, 2020.

Special Revenue Funds - In the **Street Maintenance Fund**, revenues are at 72.6% of budget collected and expenses are at 13.2% of budget. Street projects will begin later this fiscal year. The **Watauga Crime Control and Prevention District** has collected 71.6% of total revenues and is at 65.4% of budget expended. The **Watauga Economic Development Corporation Fund** has collected 71.6% of sales tax revenues and is at 65.4% of budget expended through June, 2020. The **Traffic Safety Fund** will not collect any revenues this year due to the photographic enforcement program discontinuation by HB1631, but the fund received \$2,221 of investment income or 7.7% of budget year-to-date and expenditures are at 54.2% of budget at this time. Traffic personnel are budgeted in this fund.

Quarterly Reports

3rd Quarter Report on Certificates of Obligation Expenditures

Attached is an expenditure and project listing of 2016, 2017, 2018 and 2019 Certificates of Obligation proceeds through 6/30/2020.

- ❖ The **2016** Certificates of Obligation proceeds were received in September, 2016 in the amount of \$6.0 million. Expenditures to date include the engineering design and construction expenditures for Bursey Road, Phase II, the Whitley Road Phase One - Three engineering and construction, and the community center parking lot. Whitley Road Phase Three and partial funding for the splashpad and pavestone wall repair at Capp Smith Park.
- ❖ The \$7.5 million **2017** Certificates of Obligation proceeds were received in June, 2017. These proceeds are used to fund water and wastewater infrastructure improvements as identified in the 5-year Capital Improvement Plan. These include Whitley Road Phase One - Three and Whitley Road Phase Four water and sewer projects, Starnes Road Water Main, and Meadowlark East.
- ❖ The \$7.0 million **2018** Certificates of Obligation proceeds were received in September, 2018. Projects include Whites Branch Creek Trail, Branding Signs, Whitley Road Four, and various parks projects. Various equipment and vehicle purchases are planned as well. Attached is a detailed list for vehicles and equipment and capital projects planned.
- ❖ The \$8.850 million **2019** Certificates of Obligation proceeds were received in September, 2019 and placed in the construction Money Market account. These funds are reserved for water and wastewater projects, parks projects, and capital outlay to include vehicles and equipment for various departments. A listing of items is attached with cost estimates.
- ❖ The \$450,000 2020 Tax Notes proceeds were received in February, 2020 for the purchase of an ambulance and the design costs of the Fire Station Restroom renovation project.

3rd Quarter Investment Report

As of June 30, 2020 the City's investments total \$38,377,466. Of this amount, \$24,023,854 is restricted for funding for of capital improvement projects and/or equipment. The City investment officers are focusing on placing funds in the Money Market interest bearing accounts and Certificates of Deposit. As of June 30, 2020, the City's investment portfolio consisted of the following:

\$22,551,288, or 59% in Money Market accounts
\$ 9,208,495, or 24% in Certificates of Deposit,
\$ 6,617,683, or 17% in Investment Pools.

The average quarterly yield on investments for March was .83%, down from 1.75% last quarter. Through June 30, 2020, the City has accrued/received \$459,679 in interest earnings.

Fund Detail Report

JUNE 2020

CITY OF WATAUGA
BUDGET TO ACTUAL COMPARISON
FISCAL YEAR 2020
For the period ending June 30, 2020 (3rd FY Qtr.)

GENERAL FUND - 01

REVENUE:	CURRENT BUDGET	6/30/2020 YTD ACTUAL	% USED	% REMAINING	6/30/2019 YTD ACTUAL	\$ CHG 20 vs 19	% CHG 20 vs 19
TAXES							
AD VALOREM	6,120,000	5,917,202	96.69%	3.31%	5,478,293	438,909	8.01%
Delinquent	26,000	33,203	127.70%	-27.70%	22,366	10,837	48.45%
Penalty & Interest	27,000	28,029	103.81%	-3.81%	24,118	3,911	16.22%
SALES TAX	3,107,000	2,232,755	71.86%	28.14%	2,284,088	(51,334)	-2.25%
UTILITY FRANCHISE	932,000	779,121	83.60%	16.40%	832,157	(53,035)	-6.37%
LICENSES & PERMITS	529,000	344,455	65.11%	34.89%	327,043	17,412	5.32%
INTERGOVERNMENTAL REVENUE	502,600	374,814	74.58%	25.42%	344,904	29,910	8.67%
CHARGES FOR SERVICES	877,000	544,218	62.05%	37.95%	539,159	5,058	0.94%
FINES & FORFEITURES	617,900	401,879	65.04%	34.96%	317,568	84,311	26.55%
MISCELLANEOUS INCOME	478,200	195,888	40.96%	59.04%	277,528	(81,641)	-29.42%
OPERATING TRANSFERS IN	727,792	544,585	74.83%	25.17%	396,356	148,229	37.40%
TOTAL REVENUE	\$13,944,492	\$11,396,148	81.73%	18.27%	\$10,843,581	\$552,567	5.10%
ADMINISTRATION	449,585	337,193	75.00%	25.00%	215,441	121,752	56.51%
HUMAN RESOURCES	165,175	118,124	71.51%	28.49%	122,264	(4,140)	-3.39%
BUILDINGS - PW	823,000	522,888	63.53%	36.47%	548,210	(25,322)	-4.62%
FINANCE	470,440	343,126	72.94%	27.06%	356,445	(13,319)	-3.74%
MUNICIPAL COURT - FIN	436,750	314,909	72.10%	27.90%	295,922	18,987	6.42%
DEVELOPMENTAL SERVICES - PW	205,555	144,652	70.37%	29.63%	122,224	22,428	18.35%
LIBRARY	998,400	596,141	59.71%	40.29%	691,979	(95,839)	-13.85%
PARKS AND RECREATION	1,340,550	785,961	58.63%	41.37%	528,003	257,958	48.86%
POLICE	4,022,700	2,898,763	72.06%	27.94%	2,561,227	337,536	13.18%
FIRE/EMS	2,692,725	1,823,337	67.71%	32.29%	1,845,154	(21,817)	-1.18%
PUBLIC WORKS - STREETS	606,650	354,415	58.42%	41.58%	371,330	(16,915)	-4.56%
FLEET MANAGEMENT - PW	198,450	138,372	69.73%	30.27%	141,144	(2,772)	-1.96%
NON-DEPARTMENTAL	1,137,666	824,456	72.47%	27.53%	874,979	(50,522)	-5.77%
INFORMATION TECHNOLOGY	378,560	282,385	74.59%	25.41%	310,848	(28,463)	-9.16%
ECONOMIC DEVELOPMENT	-	0	0.00%	100.00%	62,904	(62,904)	-100.00%
TRANSFERS TO OTHER FUNDS	12,500	9,375	75.00%	25.00%	45,939	(36,564)	-79.59%
TOTAL EXPENDITURES	\$13,938,706	\$9,494,097	68.11%	31.89%	\$9,094,013	\$400,084	4.40%
EXCESS REVENUE OVER (UNDER) EXPENDITURES	\$5,786	\$1,902,051			\$1,749,568	\$152,482.92	

CITY OF WATAUGA
BUDGET TO ACTUAL COMPARISON
FISCAL YEAR 2020
For the period ending June 30, 2020 (3rd FY Qtr.)

DEBT SERVICE FUND - 03

REVENUE:	<u>CURRENT BUDGET</u>	<u>6/30/2020 YTD ACTUAL</u>	<u>% USED</u>	<u>% REMAINING</u>	<u>6/30/2019 YTD ACTUAL</u>	<u>\$ CHG 20 vs 19</u>	<u>% CHG 20 vs 19</u>
TAXES							
AD VALOREM	2,628,000	2,545,649	96.87%	3.13%	2,359,442	\$186,207	7.89%
Delinquent	12,000	14,299	119.16%	-19.16%	9,707	\$4,592	47.30%
Penalty & Interest	10,000	10,994	109.94%	-9.94%	9,166	\$1,828	19.95%
INTEREST EARNINGS	15,500	11,117	71.72%	28.28%	15,580	(\$4,464)	-28.65%
OTHER FINANCING SOURCES	-	0	-	-	0	\$0	-
OPERATING TRANSFERS IN	100,178	75,133	75.00%	25.00%	0	\$75,133	-
TOTAL REVENUE	\$2,765,678	\$2,657,193	96.08%	3.92%	\$2,393,896	\$263,297	11.00%
 Contractual & Sundry	 2,642,003	 2,349,912	 88.94%	 11.06%	 2,190,883	 \$159,029	 7.26%
TOTAL EXPENDITURES	\$2,642,003	2,349,912	88.94%	11.06%	2,190,883	\$159,029	7.26%
 EXCESS REVENUE OVER (UNDER) EXPENDITURES	 \$123,675.00	 \$307,280			 \$203,013	 \$104,268	

CITY OF WATAUGA
BUDGET TO ACTUAL COMPARISON
FISCAL YEAR 2020
For the period ending June 30, 2020 (3rd FY Qtr.)

WATER & SEWER - 40

REVENUE:	CURRENT BUDGET	6/30/2020 YTD ACTUAL	% USED	% REMAINING	6/30/2019 YTD ACTUAL	\$ CHG 20 vs 19	% CHG 20 vs 19
WATER SALES	4,745,000	3,394,968	71.55%	28.45%	2,916,545	478,423	16.40%
SEWER SALES	3,825,000	2,796,594	73.11%	26.89%	2,604,865	191,728	7.36%
MISCELLANEOUS	211,000	179,907	85.26%	14.74%	156,008	23,899	15.32%
PENALTY	205,000	86,509	42.20%	57.80%	125,088	(38,579)	-30.84%
INTEREST	50,000	8,628	17.26%	82.74%	31,266	(22,638)	-72.40%
TRANSFERS	30,000	23,248	-	-	-	23,248	0.00%
TAP FEES	-	1,266	-	-	1,250	16	0.00%
SALE OF ASSETS	-	-	-	-	-	-	-
TOTAL REVENUE	\$9,066,000	\$6,491,119	71.60%	28.40%	\$5,835,022	\$656,097	11.24%
ADMINISTRATIVE	152,850	112,572	73.65%	26.35%	196,460	(83,888)	-42.70%
NON-DEPARTMENTAL	684,830	514,889	75.18%	24.82%	465,877	49,012	10.52%
BILLING & COLLECTIONS	526,700	373,032	70.82%	29.18%	353,924	19,108	5.40%
MGT. INFO SYSTEMS	78,050	59,277	75.95%	24.05%	54,855	4,422	8.06%
WATER DISTRIBUTION	2,749,200	2,052,177	74.65%	25.35%	2,129,997	(77,820)	-3.65%
WASTEWATER COLLECTION	2,531,950	1,848,816	73.02%	26.98%	2,041,232	(192,416)	-9.43%
TRANSFERS	2,090,000	1,960,819	93.82%	6.18%	1,756,078	204,741	11.66%
TOTAL EXPENDITURES	\$8,813,580	\$6,921,581	78.53%	21.47%	\$6,998,423	(\$76,841)	-1.10%
EXCESS REVENUE OVER (UNDER) EXPENDITURES	\$252,420	(\$430,462)			(\$1,163,400)	\$732,938	

CITY OF WATAUGA
BUDGET TO ACTUAL COMPARISON
FISCAL YEAR 2020
For the period ending June 30, 2020 (3rd FY Qtr.)

WATAUGA ECONOMIC DEVELOPMENT CORP - 04

	CURRENT BUDGET	6/30/2020 YTD ACTUAL	% USED	% REMAINING	6/30/2019 YTD ACTUAL	\$ CHG 20 vs 19	% CHG 20 vs 19
REVENUE:							
SALES TAX	764,000	550,967	72.12%	27.88%	564,529	(13,561)	-2.40%
INTEREST EARNINGS	10,000	3,358	33.58%	66.42%	18,718	(15,360)	-82.06%
INTEREST/ESCROW	-	-	-	-	-	-	-
CONTRIBUTIONS/OTHER	-	-	-	-	-	-	-
TOTAL REVENUE	\$774,000	\$554,325	71.62%	28.38%	\$583,247	(28,921)	-4.96%
PERSONNEL SERVICES	-	(0)	0.00%	100.00%	304,154	(304,154)	-100.00%
NON-DEPARTMENTAL	-	-	0.00%	100.00%	13,674	(13,674)	-100.00%
SUPPLIES	2,200	324	14.71%	85.29%	24,511	(24,188)	-98.68%
MAINTENANCE	4,000	-	0.00%	100.00%	28,143	(28,143)	-100.00%
CONTRACTUAL & SUNDRY	148,450	77,678	52.33%	47.67%	77,960	(283)	-0.36%
TRANSFERS	294,470	220,752	74.97%	25.03%	39,712	181,040	455.88%
CAPITAL OUTLAY	7,500	-	0.00%	100.00%	5,500	(5,500)	0.00%
TOTAL EXPENDITURES	456,620	298,753	65.43%	34.57%	\$ 493,654	(194,901)	-39.48%
EXCESS REVENUE OVER (UNDER) EXPENDITURES	\$317,380	\$255,572			\$89,593	\$165,979	

CITY OF WATAUGA
BUDGET TO ACTUAL COMPARISON
FISCAL YEAR 2020
For the period ending June 30, 2020 (3rd FY Qtr.)

CRIME CONTROL DISTRICT - 18

	CURRENT BUDGET	6/30/2020 YTD ACTUAL	% USED	% REMAINING	6/30/2019 YTD ACTUAL	\$ CHG 20 vs 19	% CHG 20 vs 19
REVENUE:							
SALES TAX	1,509,000	1,086,453	72.00%	28.00%	1,119,160	(32,707)	-2.92%
INTEREST EARNING/OTHER	67,000	8,232	12.29%	87.71%	79,597	(71,365)	-89.66%
			-	-		-	-
TOTAL REVENUE	\$1,576,000	\$1,094,685	69.46%	30.54%	\$1,198,758	(\$104,073)	-8.68%
PERSONNEL SERVICES	982,500	764,405	77.80%	22.20%	\$664,743	99,662	14.99%
SUPPLIES	147,500	72,521	49.17%	50.83%	\$81,273	(8,753)	-10.77%
MAINTENANCE	198,500	147,260	74.19%	25.81%	\$140,038	7,223	5.16%
CONTRACTUAL & SUNDRY	329,870	103,472	31.37%	68.63%	\$232,232	(128,760)	-55.44%
TRANSFERS	30,000	21,152	70.51%	29.49%	\$33,865	(12,713)	-37.54%
CAPITAL OUTLAY	17,000	5,760	33.88%	66.12%	\$230	5,530	0.00%
TOTAL EXPENDITURES	1,705,370	1,114,570	65.36%	34.64%	\$1,152,382	(\$37,811)	-3.28%
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(\$129,370)	(\$19,885)			\$ 46,376	(\$66,261)	

CITY OF WATAUGA
BUDGET TO ACTUAL COMPARISON
FISCAL YEAR 2020
For the period ending June 30, 2020 (3rd FY Qtr.)

STORM DRAIN FUND - 15

	CURRENT BUDGET	6/30/2020 YTD ACTUAL	% USED	% REMAINING	6/30/2019 YTD ACTUAL	\$ CHG 20 vs 19	% CHG 20 vs 19
REVENUE:							
USERS FEE	1,470,000	1,105,684	75.22%	24.78%	1,101,809	3,875	0.35%
OTHER REVENUE	-	-	-	-	-	-	-
INTEREST INCOME	55,000	50,618	92.03%	7.97%	92,158	(41,540)	-45.07%
						-	-
TOTAL REVENUE	\$1,525,000	\$1,156,302	75.82%	24.18%	\$1,193,967	(\$37,665)	-3.15%
PERSONNEL	501,300	347,411	69.30%	30.70%	\$320,624	26,786	8.35%
SUPPLIES	38,650	12,033	31.13%	68.87%	\$12,449	(416)	-3.34%
MAINTENANCE	56,500	9,983	17.67%	82.33%	\$10,274	(290)	0.00%
CONTRACTUAL & SUNDRY	167,880	97,663	58.17%	41.83%	\$104,301	(6,638)	-6.36%
CAPITAL	3,679,518	1,805,267	49.06%	50.94%	\$6,646	1,798,621	0.00%
TRANSFERS TO OTHER FUNDS	73,500	55,284	75.22%	24.78%	\$78,340	(23,056)	-29.43%
TOTAL EXPENDITURES	\$4,517,348	\$2,327,642	51.53%	48.47%	\$532,635	\$1,795,007	337.01%
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(\$2,992,348)	(\$1,171,340)			\$661,332	(\$1,832,672)	

100.00%

CITY OF WATAUGA
BUDGET TO ACTUAL COMPARISON
FISCAL YEAR 2020
For the period ending June 30, 2020 (3rd FY Qtr.)

STREET MAINTENANCE FUND - 14

REVENUE:	CURRENT BUDGET	6/30/2020 YTD ACTUAL	% USED	% REMAINING	6/30/2019 YTD ACTUAL	\$ CHG 20 vs 19	% CHG 20 vs 19
SALES TAX	759,000	550,957	72.59%	27.41%	563,773	(12,816)	-2.3%
INTEREST EARNINGS	10,000	7,388	-	-	30,003	(22,615)	-75.4%
INTEREST/ESCROW	-	-	-	-	-	0	-
CONTRIBUTIONS/OTHER	-	-	-	-	-	0	-
TOTAL REVENUE	\$769,000	\$558,345	72.59%	27.41%	593,776	(\$35,431)	-5.97%
 MAINTENANCE	100,000	61,036	61.04%	38.96%	59,525	1,511	0.0%
CONTRACTUAL & SUNDRY	8,000	850	10.63%	89.38%	595	255	0.0%
CAPITAL OUTLAY	800,000	58,049	7.26%	92.74%	202,918	(144,869)	-71.4%
 TOTAL EXPENDITURES	908,000	119,935	13.21%	86.79%	263,038	(\$143,103)	-54.4%
 EXCESS REVENUE OVER (UNDER) EXPENDITURES	(\$139,000)	\$438,409			\$330,738	\$107,672	

100.00%

CITY OF WATAUGA
BUDGET TO ACTUAL COMPARISON
FISCAL YEAR 2020
For the period ending June 30, 2020 (3rd FY Qtr.)

Traffic Safety - 28

	<u>CURRENT BUDGET</u>	<u>6/30/2020 YTD ACTUAL</u>	<u>% USED</u>	<u>% REMAINING</u>	<u>6/30/2019 YTD ACTUAL</u>	<u>\$ CHG 20 vs 19</u>	<u>% CHG 20 vs 19</u>
REVENUE:							
FINES & FORFEITURES	-	-	0.00%	100.00%	801,059	(801,059)	-100.00%
INTEREST	28,700	2,221	7.74%	92.26%	2,263	(42)	-
		-	-	-	-	-	-
TOTAL REVENUE	28,700	2,221	7.74%	192.26%	803,322	(801,100)	-99.72%
PERSONNEL SERVICES	374,930	204,375	54.51%	45.49%	114,666	89,710	78.24%
SUPPLIES	4,500	1,364	30.31%	69.69%	720	644	0.00%
CONTRACTUAL & SUNDRY	1,500	705	47.00%	53.00%	122,127	(121,422)	-99.42%
CAPITAL OUTLAY	-	-	0.00%	100.00%	-	-	0.00%
TOTAL EXPENDITURES	380,930	206,444	54.19%	45.81%	237,513	(31,068)	-13.08%
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(\$352,230)	(\$204,223)			\$565,809	(\$770,032)	

100.00%

Quarterly Reports

3RD QUARTER FY2019-20



QUARTERLY INVESTMENT REPORT

For the Quarter Ended

June 30, 2020

Prepared by

Valley View Consulting, L.L.C.

The investment portfolio of the City of Watauga is in compliance with the Public Funds Investment Act and the City of Watauga Investment Policy.

A handwritten signature in cursive script, appearing to read 'Andrea Gauder'.

City Manager

A handwritten signature in cursive script, appearing to read 'Sandra Gibson'.

Director of Finance

A handwritten signature in cursive script, appearing to read 'Debby Woodward'.

Assistant Director of Finance

Disclaimer: These reports were compiled using information provided by the City of Watauga. No procedures were performed to test the accuracy or completeness of this information. The market values included in these reports were obtained by Valley View Consulting, L.L.C. from sources believed to be accurate and represent proprietary valuation. Due to market fluctuations these levels are not necessarily reflective of current liquidation values. Yield calculations are not determined using standard performance formulas, are not representative of total return yields and do not account for investment adviser fees.

Summary

Quarter End Results by Investment Category:

<u>Asset Type</u>	<u>March 31, 2020</u>		<u>June 30, 2020</u>		
	<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Ave. Yield</u>
DDA/MMA/NOW	\$ 21,660,424	\$ 21,660,424	\$ 22,551,288	\$ 22,551,288	0.42%
Pools	7,090,157	7,090,157	6,617,683	6,617,683	0.29%
CD/Security	11,255,782	11,255,782	9,208,495	9,208,495	2.23%
Totals	\$ 40,006,363	\$ 40,006,363	\$ 38,377,466	\$ 38,377,466	0.83%

Current Quarter Portfolio Performance (1)

Average Quarterly Yield	0.83%
Rolling Three Month Treasury	0.14%
Rolling Six Month Treasury	0.66%
TexPool	0.22%

Fiscal Year-to-Date Portfolio Performance (2)

Average Quarter End Yield	1.44%
Rolling Three Month Treasury	0.97%
Rolling Six Month Treasury	1.28%
TexPool	0.95%

Interest Earnings (Unaudited)

Quarterly Interest Earnings	\$ 89,275
Fiscal YTD Interest Earnings	\$ 459,679

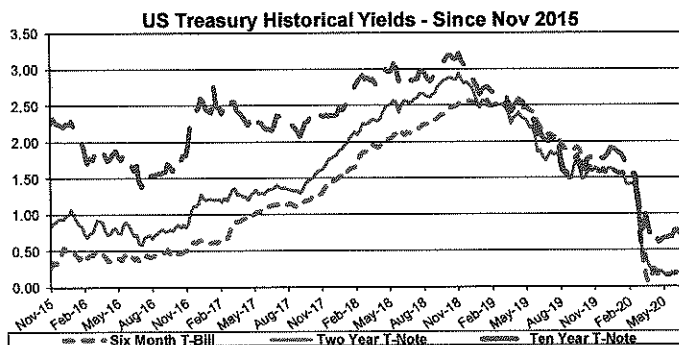
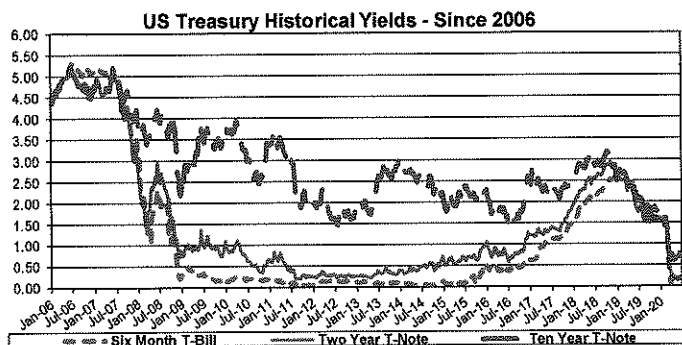
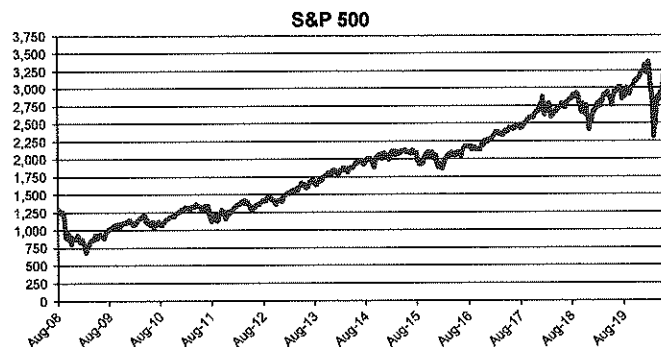
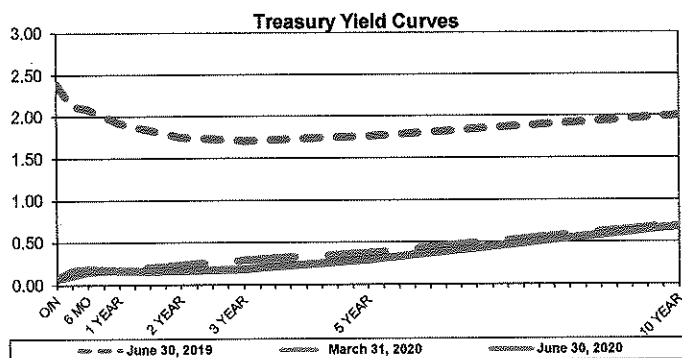
(1) **Current Quarter Average Yield** - based on adjusted book value, realized and unrealized gains/losses and investment advisory fees are not considered. The yield for the reporting month is used for bank, pool, and money market balances.

(2) **Fiscal Year-to-Date Average Yields** - calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees..

Economic Overview

6/30/2020

The Federal Open Market Committee (FOMC) maintained the Fed Funds target range at 0.00% to 0.25% (Effective Fed Funds are trading +/-0.08%). Worldwide and domestic economic activity popped-up as isolation protocols eased. However, continued positive COVID test growth may impact additional activity. The Yield Curve remains stabilized at current levels. The FOMC has signaled reduced rates for an extended period. Crude oil increased to \$40+ per barrel. Unemployment claims continued to rise, but June Non Farm Payroll surged to 4.8 million. The Stock Market wobbled but stabilized. Full recovery timeline still very uncertain.



Investment Holdings
June 30, 2020

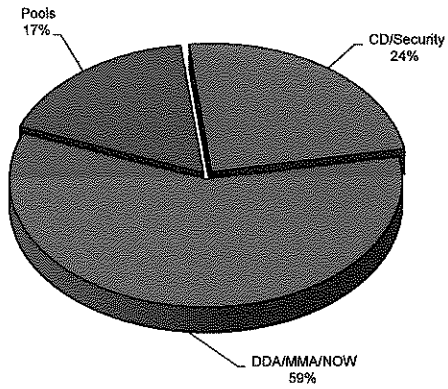
Description	Rating	Coupon/ Discount	Maturity Date	Settlement Date	Original Face/ Par Value	Book Value	Market Price	Market Value	Life (Days)	Yield
Southside Bank MMA		0.42%	07/01/20	06/30/20	\$ 22,551,288	\$ 22,551,288	1.00	\$ 22,551,288	1	0.42%
Texas Term Daily	AAAm	0.24%	07/01/20	06/30/20	471,285	471,285	1.00	471,285	1	0.24%
LOGIC	AAAm	0.63%	07/01/20	06/30/20	308,553	308,553	1.00	308,553	1	0.63%
TexPool	AAAm	0.22%	07/01/20	06/30/20	4,795,396	4,795,396	1.00	4,795,396	1	0.22%
TexPool Prime	AAAm	0.52%	07/01/20	06/30/20	1,042,449	1,042,449	1.00	1,042,449	1	0.52%
Prosperity Bank CD		3.00%	07/20/20	10/19/18	1,500,000	1,576,894	100.00	1,576,894	20	3.04%
Southside Bank CD		1.81%	10/17/20	10/17/19	1,500,000	3,027,286	100.00	3,027,286	109	1.82%
Prosperity Bank CD		3.04%	10/19/20	10/19/18	1,500,000	1,577,945	100.00	1,577,945	111	3.08%
BBVA CD		1.77%	01/24/21	10/24/19	1,500,000	1,008,884	100.00	1,008,884	208	1.79%
BBVA CD		1.75%	04/24/21	10/24/19	1,500,000	1,008,793	100.00	1,008,793	298	1.77%
BBVA CD		1.73%	10/24/21	10/24/19	1,500,000	1,008,693	100.00	1,008,693	481	1.75%
					\$ 38,168,971	\$ 38,377,466				
									41	0.83%

(1) (2)

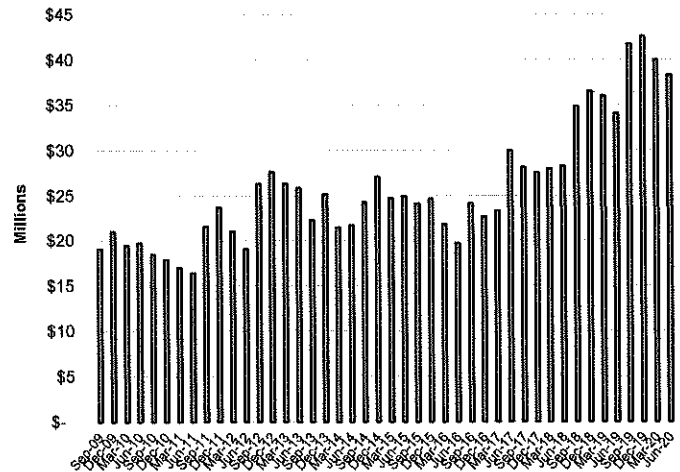
(1) **Weighted average life** - Pools, Money Market Funds, and Bank Deposits are assumed to have a one day maturity.

(2) **Weighted average yield to maturity** - The weighted average yield to maturity is based on Adjusted Book Value, adviser fees and realized and unrealized gains/losses are not considered. The pool and mutual fund yields are the average for the last month of the quarter. Bank deposit yields are estimated from the monthly allocated earnings.

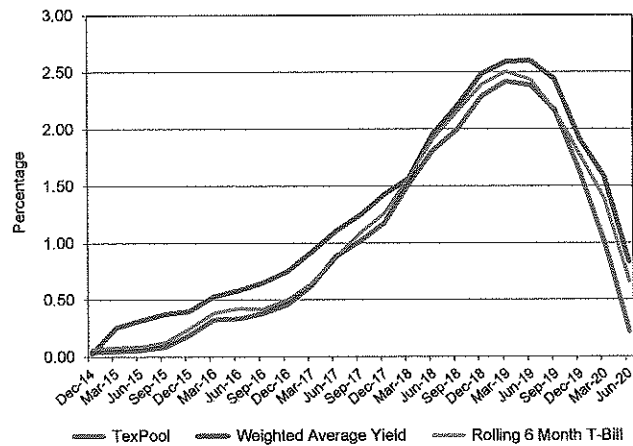
Portfolio Composition



Quarter End Book Value



Total Portfolio Performance



Book and Market Value Comparison

			March 31, 2020					June 30, 2020	
Description	Coupon/ Discount	Maturity Date	Original Face/ Par Value	Book Value	Purchases/ Adjustments	Sales/Adjust/ Maturities	Original Face/ Par Value	Book Value	
Southside Bank MMA	0.42%	07/01/20	\$ 21,660,424	\$ 21,660,424	\$ 890,864	\$ —	\$ 22,551,288	\$ 22,551,288	
Texas Term Daily	0.24%	07/01/20	470,714	470,714	571		471,285	471,285	
LOGIC	0.63%	07/01/20	307,915	307,915	638		308,553	308,553	
TexPool	0.22%	07/01/20	5,270,999	5,270,999		(475,603)	4,795,396	4,795,396	
TexPool Prime	0.52%	07/01/20	1,040,529	1,040,529	1,920		1,042,449	1,042,449	
Prosperity Bank CD	2.55%	04/17/20	1,000,000	1,050,062		(1,050,062)	—	—	
East West Bank CD	2.54%	04/17/20	1,022,652	1,047,865		(1,047,865)	—	—	
Prosperity Bank CD	3.00%	07/20/20	1,500,000	1,565,030	11,864		1,500,000	1,576,894	
Southside Bank CD	1.81%	10/17/20	1,500,000	3,013,687	13,600		1,500,000	3,027,286	
Prosperity Bank CD	3.04%	10/19/20	1,500,000	1,565,915	12,029		1,500,000	1,577,945	
BBVA CD	1.77%	01/24/21	1,500,000	1,004,451	4,433		1,500,000	1,008,884	
BBVA CD	1.75%	04/24/21	1,500,000	1,004,411	4,382		1,500,000	1,008,793	
BBVA CD	1.73%	10/24/21	1,500,000	1,004,361	4,332		1,500,000	1,008,693	
TOTAL			\$ 39,773,233	\$ 40,006,363	\$ 944,633	\$ (2,573,530)	\$ 38,168,971	\$ 38,377,466	

Valley View Consulting, L.L.C.

Allocation
June 30, 2020
Book & Market Value

	Total	Consolidated Cash	Construction	Crime Control District
Southside Bank MMA	\$ 22,551,288	\$ 4,581,090	\$ 17,970,199	\$ -
Texas Term Daily	471,285	471,285	-	-
LOGIC	308,553	308,553	-	-
TexPool	4,795,396	4,771,798	-	23,599
TexPool Prime	1,042,449	1,042,449	-	-
07/20/20-Prosperity Bank CD	1,576,894	1,576,894	-	-
10/17/20-Southside Bank CD	3,027,286	-	3,027,286	-
10/19/20-Prosperity Bank CD	1,577,945	1,577,945	-	-
01/24/21-BBVA CD	1,008,884	-	1,008,884	-
04/24/21-BBVA CD	1,008,793	-	1,008,793	-
10/24/21-BBVA CD	1,008,693	-	1,008,693	-
Totals	\$ 38,377,466	\$ 14,330,013	\$ 24,023,854	\$ 23,599

Allocation
March 31, 2020
Book & Market Value

	Total	Consolidated		Crime Control
		Cash	Construction	District
Southside Bank MMA	\$ 21,660,424	\$ 4,025,904	\$ 17,634,520	\$ -
Texas Term Daily	470,714	470,714	-	-
LOGIC	307,915	307,915	-	-
TexPool	5,270,999	5,247,419	-	23,580
TexPool Prime	1,040,529	1,040,529	-	-
04/17/20-Prosperity Bank CD	1,050,062	-	1,050,062	-
04/17/20-East West Bank CD	1,047,865	1,047,865	-	-
07/20/20-Prosperity Bank CD	1,565,030	1,565,030	-	-
10/17/20-Southside Bank CD	3,013,687	-	3,013,687	-
10/19/20-Prosperity Bank CD	1,565,915	1,565,915	-	-
01/24/21-BBVA CD	1,004,451	-	1,004,451	-
04/24/21-BBVA CD	1,004,411	-	1,004,411	-
10/24/21-BBVA CD	1,004,361	-	1,004,361	-
Totals	\$ 40,006,363	\$ 15,271,291	\$ 24,711,492	\$ 23,580

Dallas-Fort Worth Economic Indicators

Federal Reserve
Bank of Dallas

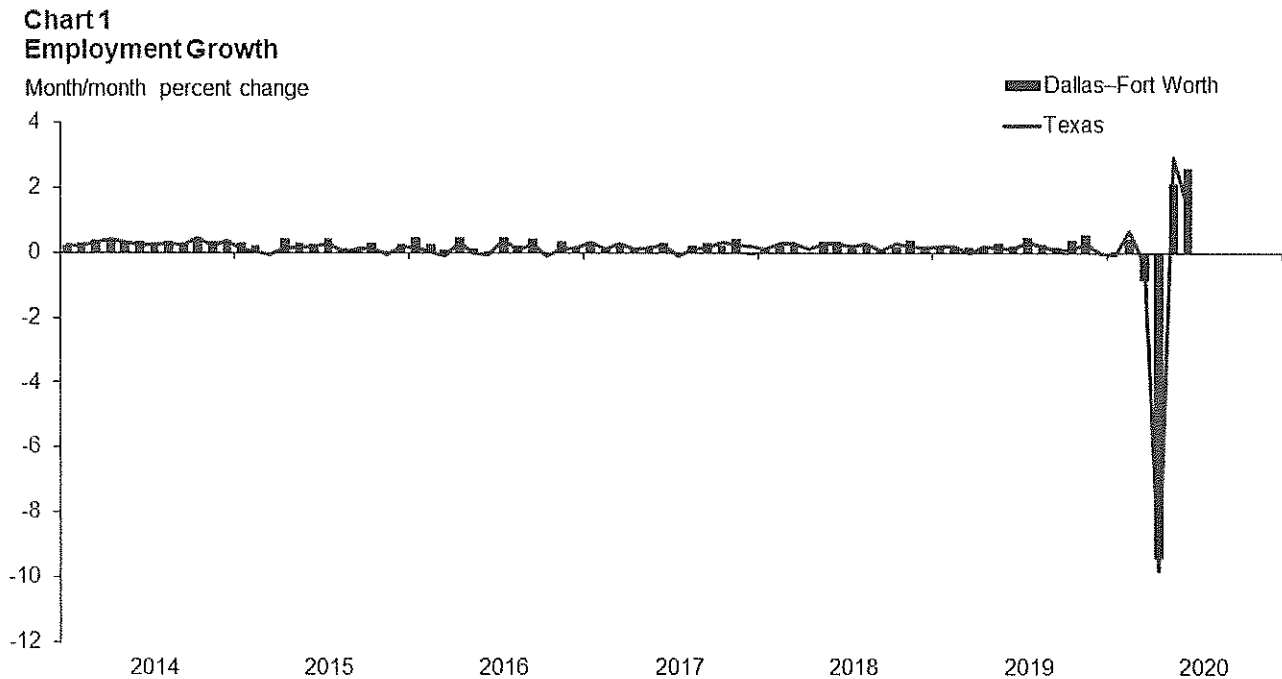
July 24, 2020

The Dallas-Fort Worth economy saw further signs of a fledgling recovery in June. Payrolls expanded strongly, and the unemployment rate fell. However, high-frequency data point to a slowing in DFW economic activity since late June that is synchronous with rising new COVID-19 cases and hospitalizations. Apartment and office leasing activity was sluggish in the second quarter due to weak demand, while industrial leasing remained solid.

Labor Market

Payrolls Expand, Unemployment Dips

DFW employment grew a nonannualized 2.6 percent (91,500 jobs) in June following a 2.1 percent increase in May (*Chart 1*). Payrolls rose a nonannualized 2.4 percent (60,200 jobs) in Dallas and 3.1 percent (31,300 jobs) in Fort Worth. Job growth in DFW surpassed the state's 1.5 percent nonannualized increase last month. Through June, payroll employment in DFW is down a nonannualized 5.5 percent because of job losses resulting from the COVID-19 pandemic and related stay-at-home orders.



SOURCE: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by the Dallas Fed.

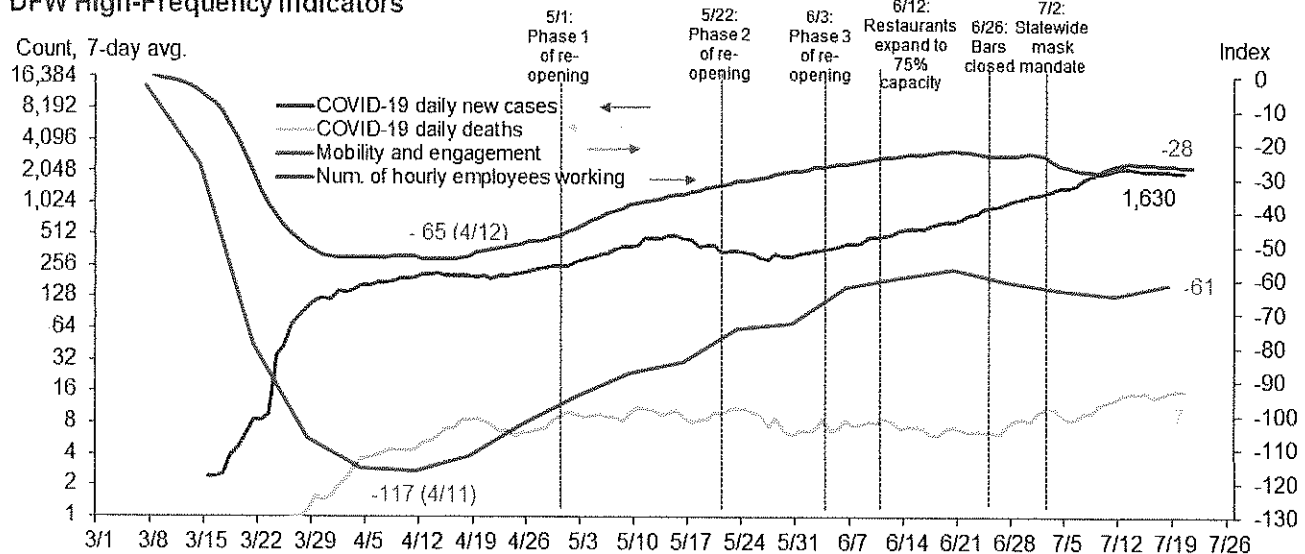
Job gains were widespread, with payrolls in most sectors expanding in June. Employment in the service sector grew strongly, up a nonannualized 3.0 percent (90,300 jobs). Growth in leisure and hospitality—hardest hit by the COVID-19 measures—led the service sector expansion as payrolls increased a nonannualized 15.3 percent (43,100 jobs). “Other” services (3.7 percent, or 4,300 jobs) and trade, transportation and utilities (2.9 percent, or 22,000 jobs)—the metro’s largest sector—also saw sizable gains. Information services and manufacturing were the only major sectors that lost jobs in June.

The unemployment rate fell to a still-elevated 7.1 percent in Dallas and 7.4 percent in Fort Worth in June, lower than the state and national rates of 8.6 and 11.1 percent, respectively.

DFW Mobility and Staffing Decline as COVID Cases Grow

Mobility and staffing have been declining in DFW since late June following a steady increase in COVID-19 cases in the metroplex that began in late May (Chart 2). The Dallas Fed’s Mobility and Engagement Index for DFW trended up from mid-April through late June as the economy reopened and individuals left home more often and for longer and traveled farther. The number of hourly employees working also steadily rose over the same period as businesses brought back furloughed workers. This trend reversed in late June amid a resurgence in COVID-19 cases and deaths, likely suggesting that the economic recovery in DFW is losing momentum.

Chart 2
DFW High-Frequency Indicators



NOTE: Data are up to July 18, 2020, for the Mobility and Engagement Index (MEI), July 21 for Homebase (hours worked) and July 20 for the remaining measures. Homebase data are adjusted for Memorial Day and Independence Day. Homebase data and daily COVID-19 cases and deaths are seven-day moving averages. MEI values are scaled such that the national index average over January–February is subtracted and divided by the national value in the week ending April 11, the lowest national weekly value. MEI values can be interpreted as mobility and engagement relative to the national trough in mobility and engagement.

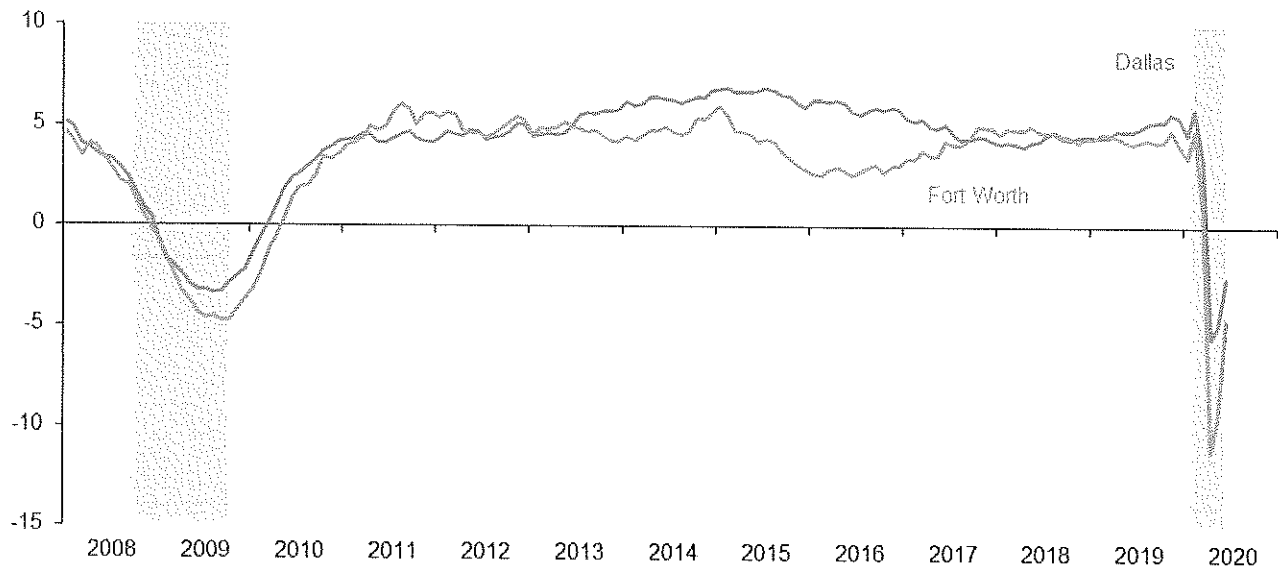
SOURCE: Homebase; Johns Hopkins University; SafeGraph; Federal Reserve Bank of Dallas.

Business-Cycle Indexes

The Dallas and Fort Worth business-cycle indexes showed further improvement in June following a slight rebound in May. The Fort Worth index rose strongly, climbing an annualized 89.9 percent, in part due to a larger employment increase than in Dallas. The Dallas index rose an annualized 41.2 percent, faster than May’s rate. Year over year in June, the index is down 2.5 percent in Dallas and 4.6 percent in Fort Worth (Chart 3).

Chart 3
Dallas and Fort Worth Business-Cycle Indexes

Percent change, year/year



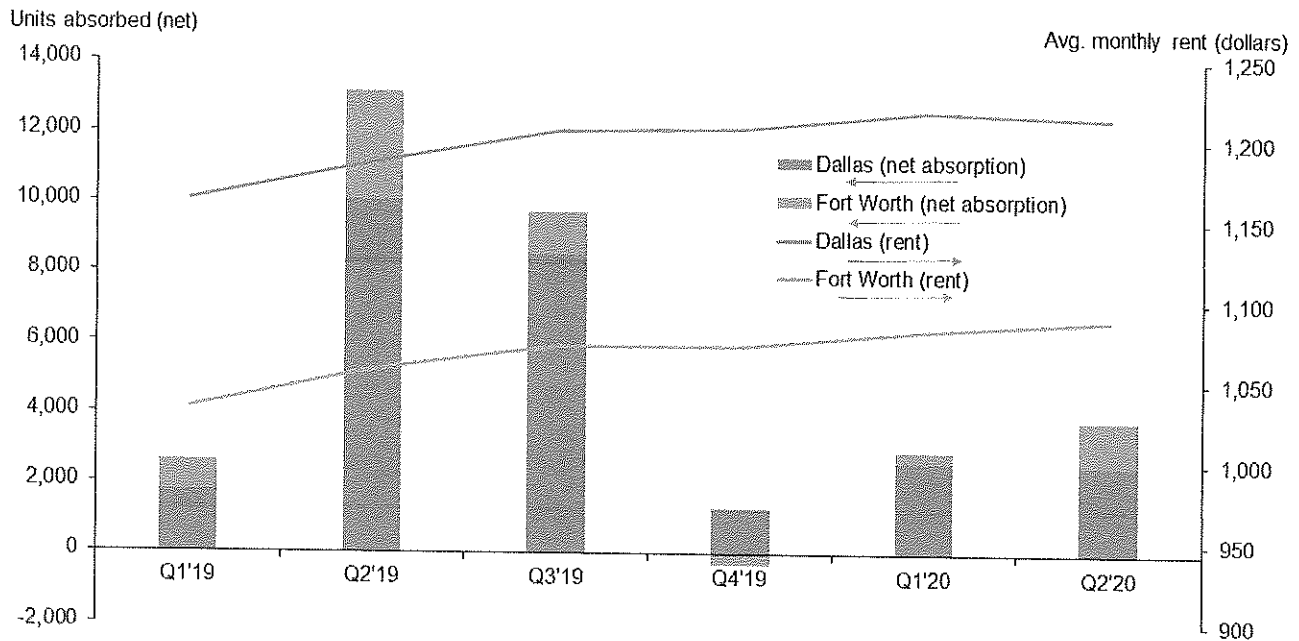
NOTE: The shaded bars indicate Texas recessions.
SOURCE: Dallas Fed.

Real Estate

Apartment Demand Falters amid the Pandemic

DFW apartment absorption in second quarter 2020 was nearly a third of year-ago levels, coming in at 3,800 units according to data from RealPage Inc. (*Chart 4*). Leasing activity virtually came to a halt in early spring due to stay-at-home orders and slowly regained some momentum in the latter part of the quarter. Demand is seasonally strong in spring and summer months and tapers off as the weather gets colder. Weak demand depressed occupancy and rent growth, with the overall apartment vacancy rate up by nearly a percentage point from second quarter 2019. Rents were little changed, though concessions have increased, and cuts are expected. Construction remained elevated, with roughly 44,000 units under construction.

Chart 4
DFW Apartment Absorption and Rent

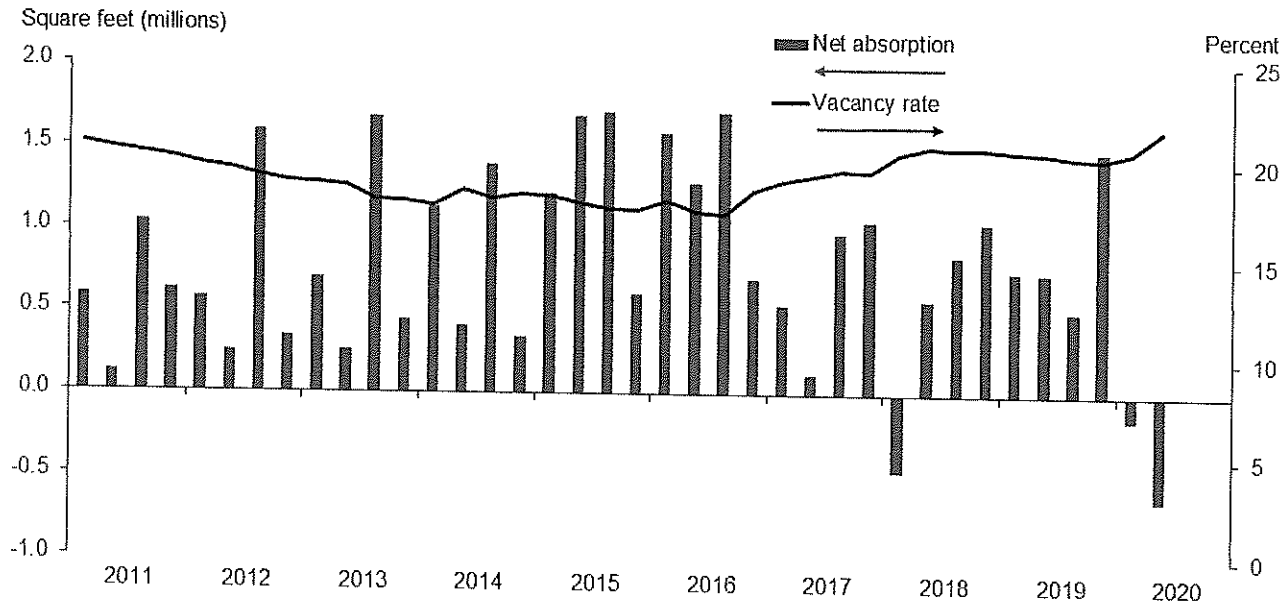


NOTE: Dallas refers to Dallas-Plano-Irving metropolitan division and Fort Worth to Fort Worth-Arlington metropolitan division.
SOURCE: RealPage Inc.

Office Absorption Negative; Vacancy Rates Rise

Demand for office space in DFW remained sluggish in second quarter 2020. Net absorption was negative for the second quarter in a row, partly due to an increase in sublease space. Roughly 640,000 square feet of space was added to the market in second quarter 2020, pushing up the vacancy rate to 21.8 percent, according to data from CBRE Research (*Chart 5*). Year to date, net absorption has totaled -790,000 square feet and the vacancy rate has risen 1.5 percentage points. The construction pipeline remained full at 4.7 million square feet.

Chart 5
DFW Office Net Absorption and Vacancy Rate

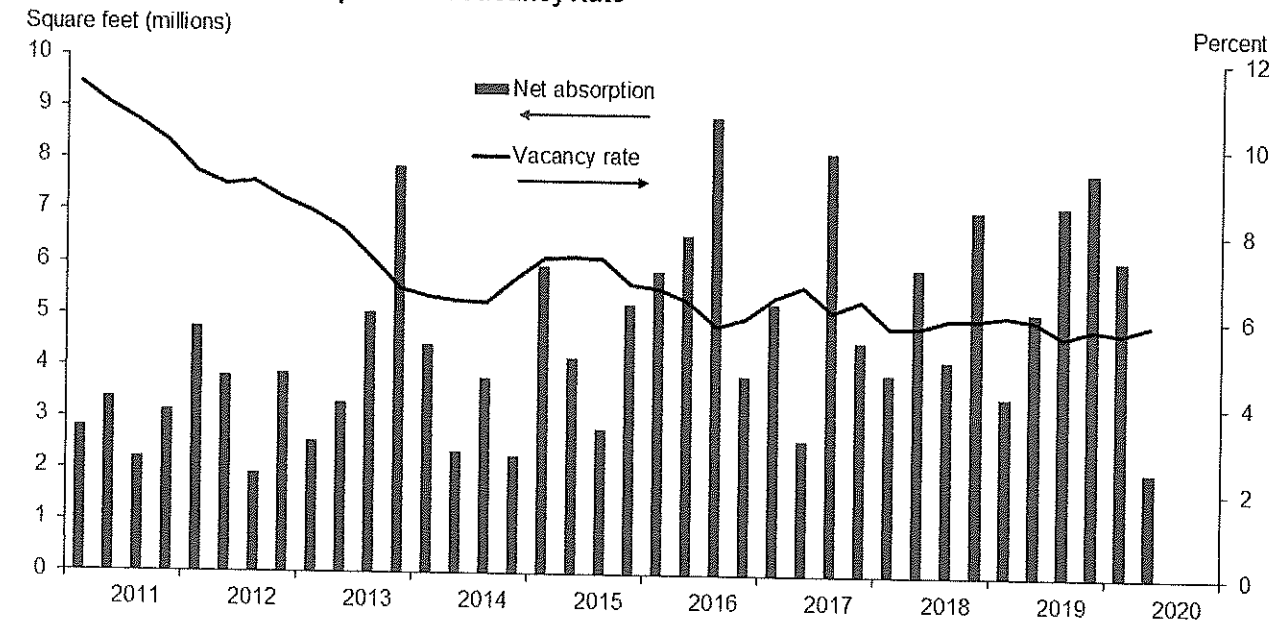


SOURCE: CBRE Research.

Industrial Demand Remains on Track

Leasing activity for industrial space continued to be solid in the second quarter, driven by demand from consumer goods, e-commerce and third-party logistics firms, according to CBRE. Net absorption was just over 2 million square feet, pushing the total for the first half of the year to 8.2 million square feet, roughly on par with midyear 2019 absorption of 8.7 million square feet (*Chart 6*). The vacancy rate edged up to 5.9 percent, remaining well below its historical average. Construction stayed elevated at 23.2 million square feet, of which only 19.2 percent was released.

Chart 6
DFW Industrial Net Absorption and Vacancy Rate



SOURCE: CBRE Research.

NOTE: Data may not match previously published numbers due to revisions.

About Dallas-Fort Worth Economic Indicators

CERTIFICATES OF OBLIGATION FUNDS 2016

\$6,000,000 PROCEEDS

AS OF JUNE 30, 2020

PROJECT	FINAL COST OR ESTIMATE	EXPENDED	REMAINING
COMPLETED:			
Bursey Road Two (Willis Lane - Rufe Snow)	\$2,117,400.00	\$2,117,400.00	\$0.00
Community Center Parking Lot Expansion	\$105,984.00	\$105,984.00	\$0.00
Whitley Road One (Starnes - Oakhill)	\$707,658.03	\$707,658.03	\$0.00
IN PROGRESS:			
Whitley Road Three (Chapman - Hightower)	\$2,337,361.00	\$195,088.89	\$2,142,272.11
Splashpad - Drainage/Parking Lot	\$311,000.00	\$33,372.96	\$277,627.04
Pavestone Wall - Capp Smith Park	\$127,000.00	\$121,822.01	\$5,177.99
Whitley Road Four (Concord - Oakhill)	\$293,500.00	\$0.00	\$293,500.00
PROJECTS TOTAL	\$5,999,903.03	\$3,281,325.89	\$2,718,577.14
TOTAL FUNDS REMAINING	\$96.97		

CERTIFICATES OF OBLIGATION FUNDS 2017

\$7,500,000 PROCEEDS

AS OF JUNE 30, 2020

PROJECT	FINAL COST OR ESTIMATE	EXPENDED	REMAINING
COMPLETED:			
Whitley Road One (Starnes - Oakhill)	\$101,954.21	\$101,954.21	\$0.00
IN PROGRESS:			
Whitley Road Two (Watauga Rd - Chapman)	\$2,486,579.74	\$1,945,504.42	\$541,075.32
Whitley Road Three (Chapman - Hightower)	\$601,536.00	\$69,670.98	\$531,865.02
Starnes Rd Water Main Engineering (Indian Springs - Rufe Snow)	\$995,000.00	\$971,059.98	\$23,940.02
Whitley Road Four - Water Portion (Concord to Oakhill)	\$1,260,000.00	\$3,060.00	\$1,256,940.00
Sanitary Sewer Evaluation	\$225,000.00	\$186,102.02	\$38,897.98
Meadowlark Lane East (Water/Sewer)	\$1,706,387.00	\$139,844.80	\$1,566,542.20
PROJECTS TOTAL	\$7,376,456.95	\$3,417,196.41	\$3,959,260.54
TOTAL FUNDS REMAINING	\$123,543.05		

CERTIFICATES OF OBLIGATION FUNDS 2018

\$7,000,000 PROCEEDS

AS OF JUNE 30, 2020

PROJECT	FINAL COST OR ESTIMATE	EXPENDED	REMAINING
COMPLETED			
Patrol Vehicles (5 units) & K-9 Vehicle	\$319,108.43	\$319,108.43	\$0.00
Fire Marshal Vehicle	\$55,128.90	\$55,128.90	\$0.00
Public Works Fleet Shop Bay Doors	\$32,250.00	\$32,250.00	\$0.00
Water Tower Fire Alarm Replacement	\$34,850.00	\$34,850.00	\$0.00
Fire Engine	\$589,000.00	\$750,000.00	\$0.00
Community Center Sign	\$80,812.30	\$80,812.30	\$0.00
Public Works - Streets Division Ford F150 Truck	\$30,454.90	\$30,454.90	\$0.00
Public Works - Building Maintenance Ford F150 Truck	\$31,841.00	\$31,841.00	\$0.00
Capp Smith Park Amenities	\$49,477.00	\$49,477.00	\$0.00
IN PROGRESS:			
Splashpad	\$1,140,000.00	\$27,900.00	\$1,112,100.00
Lighting Replacement (Capp Smith Park)	\$700,000.00	\$0.00	\$700,000.00
Needs Assessments - Library and Police	\$107,000.00	\$98,433.30	\$8,566.70
Whites Branch Creek Trail @ Park Vista	\$300,000.00	\$0.00	\$300,000.00
Other Park Projects/City Wide Trail Systems	\$175,000.00	\$0.00	\$175,000.00
Playground/Equipment/Sidewalks (Park Vista)	\$170,000.00	\$0.00	\$170,000.00
Branding Signs	\$250,000.00	\$0.00	\$250,000.00
Whitley Road Four (Concord to Oakhill)	\$2,100,000.00	\$8,740.00	\$2,091,260.00
Bowie Street	\$510,000.00	\$23,000.00	\$487,000.00
Sidewalks	\$100,000.00	\$0.00	\$100,000.00
Capp Smith Weir	\$50,000.00	\$0.00	\$25,000.00
Foster Village Bridge & Sidewalk Improvements	\$50,000.00	\$0.00	\$50,000.00
PROJECTS TOTAL	\$6,874,922.53	\$1,541,995.83	\$5,468,926.70
TOTAL FUNDS REMAINING	\$125,077.47		

CERTIFICATES OF OBLIGATION FUNDS 2019

\$8,850,000 PROCEEDS

AS OF JUNE 30, 2020

PROJECT	FINAL COST OR ESTIMATE	EXPENDED	REMAINING
COMPLETED			
Public Works - Manlift	\$22,111.98	\$22,111.98	\$0.00
Parks Shade Structures - Hillview	\$16,577.00	\$16,577.00	\$0.00
Public Works - Concrete Saw	\$30,797.50	\$30,797.50	\$0.00
Information Technology - Cargo Van	\$31,475.00	\$31,475.00	\$0.00
Backhoe Loader	\$166,797.83	\$166,797.83	\$0.00
Flatbed (Dump Bed) Truck	\$44,426.74	\$44,426.74	\$0.00
Parks Shade Structures - Virgil Anthony	\$26,977.00	\$26,977.00	\$0.00
IN PROGRESS:			
Police - ACO Unit	\$60,000.00	\$0.00	\$60,000.00
Police - Tahoes	\$140,000.00	\$121,989.71	\$18,010.29
Police - ATV	\$20,000.00	\$0.00	\$20,000.00
Recreation - Van	\$53,000.00	\$0.00	\$39,548.00
Library - RFID	\$56,000.00	\$49,497.79	\$6,502.21
Generator (Water Tower)	\$150,000.00	\$0.00	\$115,000.00
Water / Wastewater Projects	\$8,000,000.00	\$466,560.00	\$7,533,440.00
PROJECTS TOTAL	\$8,818,163.05	\$977,210.55	\$7,792,500.50
TOTAL FUNDS REMAINING	\$31,836.95		

TAX NOTES 2020

07-085-85130

\$450,000 PROCEEDS

Ambulance, Fire Station Restroom Design

PROJECT	FINAL COST OR ESTIMATE	EXPENDED	REMAINING
COMPLETED			
IN PROGRESS:			
Fire Station Design	\$100,000.00	\$0.00	\$100,000.00
Ambulance	\$350,000.00	\$20,968.80	\$329,031.20
PROJECTS TOTAL	\$450,000.00	\$20,968.80	\$429,031.20
TOTAL FUNDS REMAINING	\$0.00		



AGENDA MEMORANDUM

DATE: August 13, 2020

TO: Honorable City Council Members

FROM: Sandra Gibson, CGFO, CGFM, Director of Finance

THROUGH: Andrea Gardner, City Manager

SUBJECT: Consideration and approval of the Quarterly Investment Report for the period ending June 30, 2020

BACKGROUND/INFORMATION:

The Quarterly Investment Report for the period ending June 30, 2020 is attached for Council review and approval.

FINANCIAL IMPLICATIONS:

N/A

RECOMMENDATION/ACTION DESIRED:

Respectfully recommend the Council review and take action on the item presented.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. Quarterly Investment Report Qtr 3 2020

REVIEWED BY:

Sandra Gibson, CGFO, CGFM, Director of Finance

Andrea Gardner, City Manager

Approved as to form for inclusion on Agenda

Approved - 8/14/2020

Final Approval - 8/17/2020



QUARTERLY INVESTMENT REPORT

For the Quarter Ended

June 30, 2020

Prepared by

Valley View Consulting, L.L.C.

The investment portfolio of the City of Watauga is in compliance with the Public Funds Investment Act and the City of Watauga Investment Policy.

A handwritten signature in cursive script, appearing to read 'Andrea Gauder'.

City Manager

A handwritten signature in cursive script, appearing to read 'Sandra Gibson'.

Director of Finance

A handwritten signature in cursive script, appearing to read 'Debby Woodard'.

Assistant Director of Finance

Disclaimer: These reports were compiled using information provided by the City of Watauga. No procedures were performed to test the accuracy or completeness of this information. The market values included in these reports were obtained by Valley View Consulting, L.L.C. from sources believed to be accurate and represent proprietary valuation. Due to market fluctuations these levels are not necessarily reflective of current liquidation values. Yield calculations are not determined using standard performance formulas, are not representative of total return yields and do not account for investment adviser fees.

Summary

Quarter End Results by Investment Category:

<u>Asset Type</u>	<u>March 31, 2020</u>		<u>June 30, 2020</u>		
	<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Ave. Yield</u>
DDA/MMA/NOW	\$ 21,660,424	\$ 21,660,424	\$ 22,551,288	\$ 22,551,288	0.42%
Pools	7,090,157	7,090,157	6,617,683	6,617,683	0.29%
CD/Security	11,255,782	11,255,782	9,208,495	9,208,495	2.23%
Totals	\$ 40,006,363	\$ 40,006,363	\$ 38,377,466	\$ 38,377,466	0.83%

Current Quarter Portfolio Performance (1)

Average Quarterly Yield	0.83%
Rolling Three Month Treasury	0.14%
Rolling Six Month Treasury	0.66%
TexPool	0.22%

Fiscal Year-to-Date Portfolio Performance (2)

Average Quarter End Yield	1.44%
Rolling Three Month Treasury	0.97%
Rolling Six Month Treasury	1.28%
TexPool	0.95%

Interest Earnings (Unaudited)

Quarterly Interest Earnings	\$ 89,275
Fiscal YTD Interest Earnings	\$ 459,679

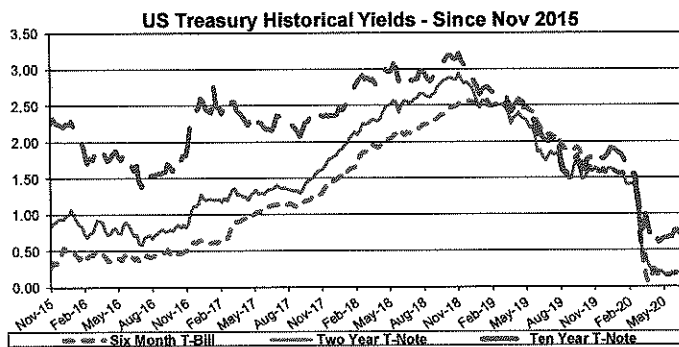
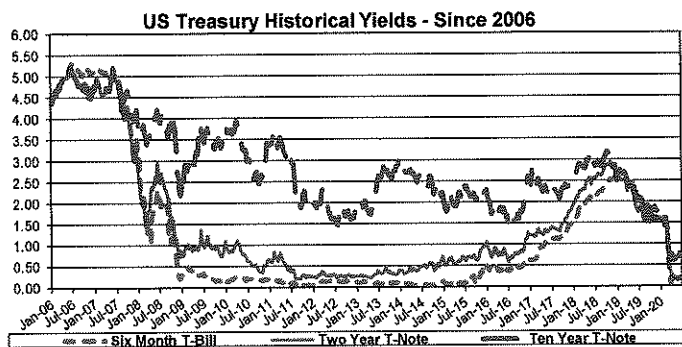
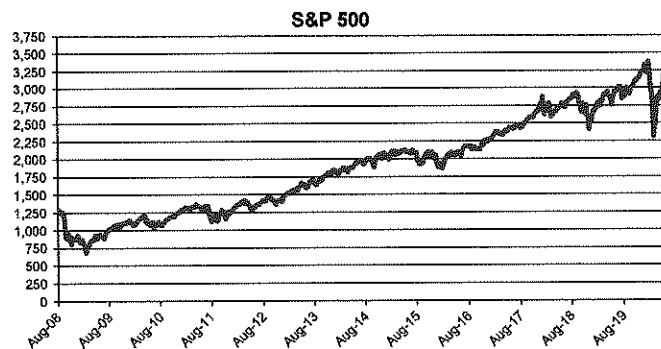
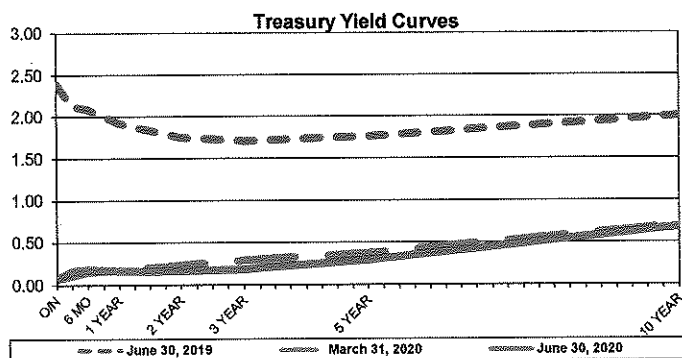
(1) **Current Quarter Average Yield** - based on adjusted book value, realized and unrealized gains/losses and investment advisory fees are not considered. The yield for the reporting month is used for bank, pool, and money market balances.

(2) **Fiscal Year-to-Date Average Yields** - calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees..

Economic Overview

6/30/2020

The Federal Open Market Committee (FOMC) maintained the Fed Funds target range at 0.00% to 0.25% (Effective Fed Funds are trading +/-0.08%). Worldwide and domestic economic activity popped-up as isolation protocols eased. However, continued positive COVID test growth may impact additional activity. The Yield Curve remains stabilized at current levels. The FOMC has signaled reduced rates for an extended period. Crude oil increased to \$40+ per barrel. Unemployment claims continued to rise, but June Non Farm Payroll surged to 4.8 million. The Stock Market wobbled but stabilized. Full recovery timeline still very uncertain.



Investment Holdings
June 30, 2020

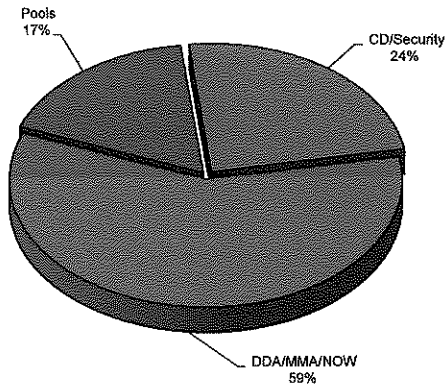
Description	Rating	Coupon/ Discount	Maturity Date	Settlement Date	Original Face/ Par Value	Book Value	Market Price	Market Value	Life (Days)	Yield
Southside Bank MMA		0.42%	07/01/20	06/30/20	\$ 22,551,288	\$ 22,551,288	1.00	\$ 22,551,288	1	0.42%
Texas Term Daily	AAAm	0.24%	07/01/20	06/30/20	471,285	471,285	1.00	471,285	1	0.24%
LOGIC	AAAm	0.63%	07/01/20	06/30/20	308,553	308,553	1.00	308,553	1	0.63%
TexPool	AAAm	0.22%	07/01/20	06/30/20	4,795,396	4,795,396	1.00	4,795,396	1	0.22%
TexPool Prime	AAAm	0.52%	07/01/20	06/30/20	1,042,449	1,042,449	1.00	1,042,449	1	0.52%
Prosperity Bank CD		3.00%	07/20/20	10/19/18	1,500,000	1,576,894	100.00	1,576,894	20	3.04%
Southside Bank CD		1.81%	10/17/20	10/17/19	1,500,000	3,027,286	100.00	3,027,286	109	1.82%
Prosperity Bank CD		3.04%	10/19/20	10/19/18	1,500,000	1,577,945	100.00	1,577,945	111	3.08%
BBVA CD		1.77%	01/24/21	10/24/19	1,500,000	1,008,884	100.00	1,008,884	208	1.79%
BBVA CD		1.75%	04/24/21	10/24/19	1,500,000	1,008,793	100.00	1,008,793	298	1.77%
BBVA CD		1.73%	10/24/21	10/24/19	1,500,000	1,008,693	100.00	1,008,693	481	1.75%
					\$ 38,168,971	\$ 38,377,466				
									41	0.83%

(1) (2)

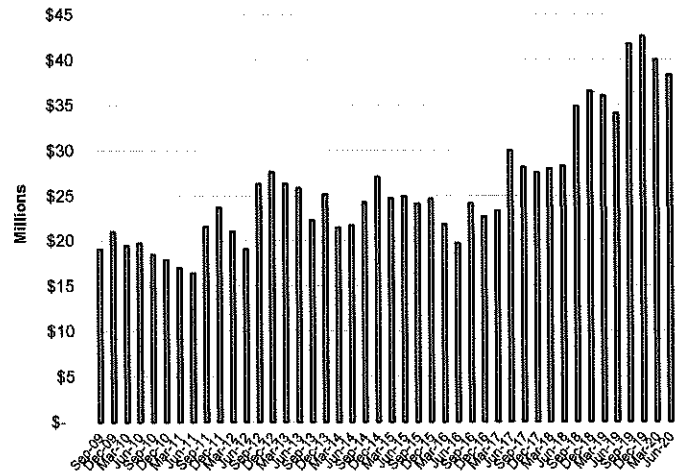
(1) **Weighted average life** - Pools, Money Market Funds, and Bank Deposits are assumed to have a one day maturity.

(2) **Weighted average yield to maturity** - The weighted average yield to maturity is based on Adjusted Book Value, adviser fees and realized and unrealized gains/losses are not considered. The pool and mutual fund yields are the average for the last month of the quarter. Bank deposit yields are estimated from the monthly allocated earnings.

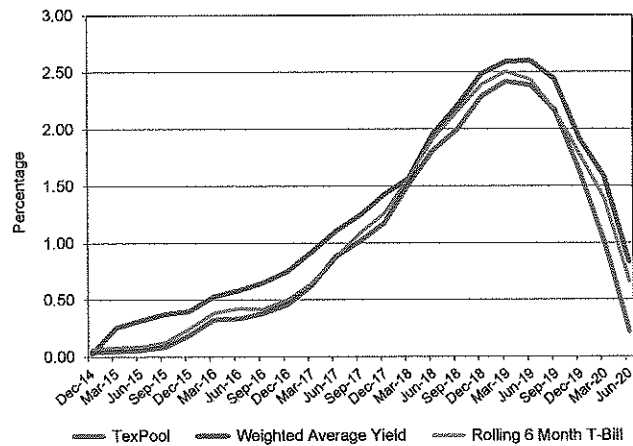
Portfolio Composition



Quarter End Book Value



Total Portfolio Performance



Book and Market Value Comparison

			March 31, 2020				June 30, 2020		
Description	Coupon/ Discount	Maturity Date	Original Face/ Par Value	Book Value	Purchases/ Adjustments	Sales/Adjust/ Maturities	Original Face/ Par Value	Book Value	
Southside Bank MMA	0.42%	07/01/20	\$ 21,660,424	\$ 21,660,424	\$ 890,864	\$ —	\$ 22,551,288	\$ 22,551,288	
Texas Term Daily	0.24%	07/01/20	470,714	470,714	571		471,285	471,285	
LOGIC	0.63%	07/01/20	307,915	307,915	638		308,553	308,553	
TexPool	0.22%	07/01/20	5,270,999	5,270,999		(475,603)	4,795,396	4,795,396	
TexPool Prime	0.52%	07/01/20	1,040,529	1,040,529	1,920		1,042,449	1,042,449	
Prosperity Bank CD	2.55%	04/17/20	1,000,000	1,050,062		(1,050,062)	—	—	
East West Bank CD	2.54%	04/17/20	1,022,652	1,047,865		(1,047,865)	—	—	
Prosperity Bank CD	3.00%	07/20/20	1,500,000	1,565,030	11,864		1,500,000	1,576,894	
Southside Bank CD	1.81%	10/17/20	1,500,000	3,013,687	13,600		1,500,000	3,027,286	
Prosperity Bank CD	3.04%	10/19/20	1,500,000	1,565,915	12,029		1,500,000	1,577,945	
BBVA CD	1.77%	01/24/21	1,500,000	1,004,451	4,433		1,500,000	1,008,884	
BBVA CD	1.75%	04/24/21	1,500,000	1,004,411	4,382		1,500,000	1,008,793	
BBVA CD	1.73%	10/24/21	1,500,000	1,004,361	4,332		1,500,000	1,008,693	
TOTAL			\$ 39,773,233	\$ 40,006,363	\$ 944,633	\$ (2,573,530)	\$ 38,168,971	\$ 38,377,466	

Valley View Consulting, L.L.C.

Allocation
June 30, 2020
Book & Market Value

	Total	Consolidated Cash	Construction	Crime Control District
Southside Bank MMA	\$ 22,551,288	\$ 4,581,090	\$ 17,970,199	\$ --
Texas Term Daily	471,285	471,285	--	--
LOGIC	308,553	308,553	--	--
TexPool	4,795,396	4,771,798	--	23,599
TexPool Prime	1,042,449	1,042,449	--	--
07/20/20-Prosperity Bank CD	1,576,894	1,576,894	--	--
10/17/20-Southside Bank CD	3,027,286	--	3,027,286	--
10/19/20-Prosperity Bank CD	1,577,945	1,577,945	--	--
01/24/21-BBVA CD	1,008,884	--	1,008,884	--
04/24/21-BBVA CD	1,008,793	--	1,008,793	--
10/24/21-BBVA CD	1,008,693	--	1,008,693	--
Totals	\$ 38,377,466	\$ 14,330,013	\$ 24,023,854	\$ 23,599

Allocation
March 31, 2020
Book & Market Value

	Total	Consolidated Cash	Construction	Crime Control District
Southside Bank MMA	\$ 21,660,424	\$ 4,025,904	\$ 17,634,520	\$ -
Texas Term Daily	470,714	470,714	-	-
LOGIC	307,915	307,915	-	-
TexPool	5,270,999	5,247,419	-	23,580
TexPool Prime	1,040,529	1,040,529	-	-
04/17/20-Prosperity Bank CD	1,050,062	-	1,050,062	-
04/17/20-East West Bank CD	1,047,865	1,047,865	-	-
07/20/20-Prosperity Bank CD	1,565,030	1,565,030	-	-
10/17/20-Southside Bank CD	3,013,687	-	3,013,687	-
10/19/20-Prosperity Bank CD	1,565,915	1,565,915	-	-
01/24/21-BBVA CD	1,004,451	-	1,004,451	-
04/24/21-BBVA CD	1,004,411	-	1,004,411	-
10/24/21-BBVA CD	1,004,361	-	1,004,361	-
Totals	\$ 40,006,363	\$ 15,271,291	\$ 24,711,492	\$ 23,580

Dallas-Fort Worth Economic Indicators

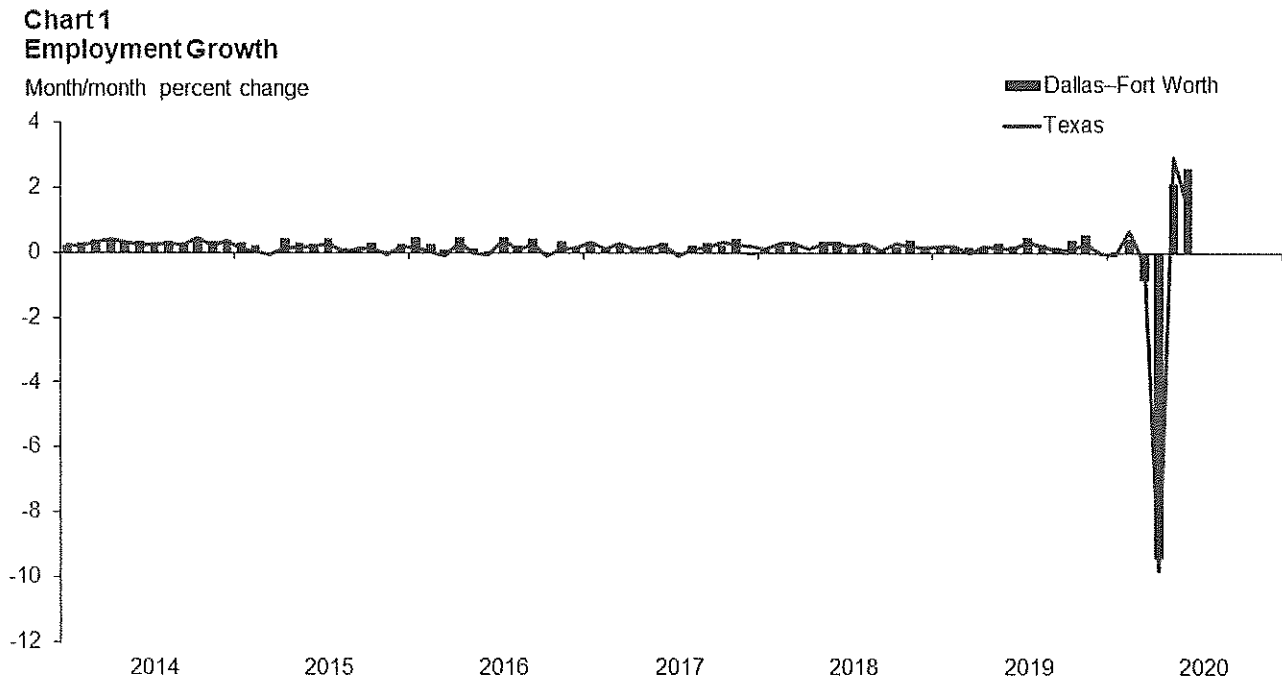
July 24, 2020

The Dallas-Fort Worth economy saw further signs of a fledgling recovery in June. Payrolls expanded strongly, and the unemployment rate fell. However, high-frequency data point to a slowing in DFW economic activity since late June that is synchronous with rising new COVID-19 cases and hospitalizations. Apartment and office leasing activity was sluggish in the second quarter due to weak demand, while industrial leasing remained solid.

Labor Market

Payrolls Expand, Unemployment Dips

DFW employment grew a nonannualized 2.6 percent (91,500 jobs) in June following a 2.1 percent increase in May (*Chart 1*). Payrolls rose a nonannualized 2.4 percent (60,200 jobs) in Dallas and 3.1 percent (31,300 jobs) in Fort Worth. Job growth in DFW surpassed the state's 1.5 percent nonannualized increase last month. Through June, payroll employment in DFW is down a nonannualized 5.5 percent because of job losses resulting from the COVID-19 pandemic and related stay-at-home orders.



SOURCE: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by the Dallas Fed.

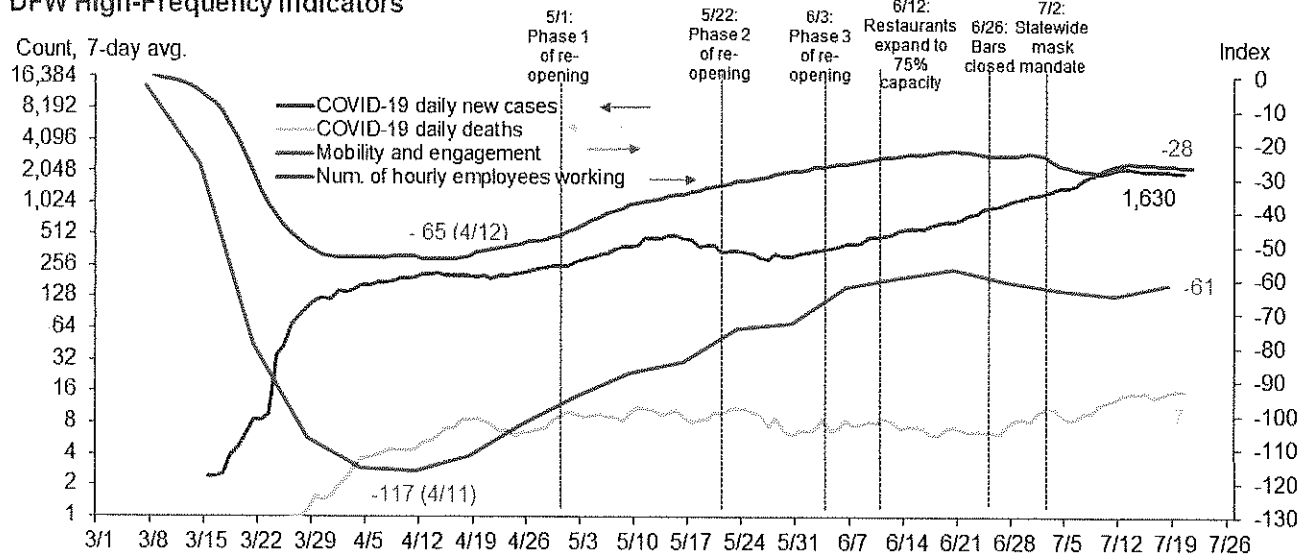
Job gains were widespread, with payrolls in most sectors expanding in June. Employment in the service sector grew strongly, up a nonannualized 3.0 percent (90,300 jobs). Growth in leisure and hospitality—hardest hit by the COVID-19 measures—led the service sector expansion as payrolls increased a nonannualized 15.3 percent (43,100 jobs). “Other” services (3.7 percent, or 4,300 jobs) and trade, transportation and utilities (2.9 percent, or 22,000 jobs)—the metro’s largest sector—also saw sizable gains. Information services and manufacturing were the only major sectors that lost jobs in June.

The unemployment rate fell to a still-elevated 7.1 percent in Dallas and 7.4 percent in Fort Worth in June, lower than the state and national rates of 8.6 and 11.1 percent, respectively.

DFW Mobility and Staffing Decline as COVID Cases Grow

Mobility and staffing have been declining in DFW since late June following a steady increase in COVID-19 cases in the metroplex that began in late May (Chart 2). The Dallas Fed’s Mobility and Engagement Index for DFW trended up from mid-April through late June as the economy reopened and individuals left home more often and for longer and traveled farther. The number of hourly employees working also steadily rose over the same period as businesses brought back furloughed workers. This trend reversed in late June amid a resurgence in COVID-19 cases and deaths, likely suggesting that the economic recovery in DFW is losing momentum.

Chart 2
DFW High-Frequency Indicators



NOTE: Data are up to July 18, 2020, for the Mobility and Engagement Index (MEI), July 21 for Homebase (hours worked) and July 20 for the remaining measures. Homebase data are adjusted for Memorial Day and Independence Day. Homebase data and daily COVID-19 cases and deaths are seven-day moving averages. MEI values are scaled such that the national index average over January–February is subtracted and divided by the national value in the week ending April 11, the lowest national weekly value. MEI values can be interpreted as mobility and engagement relative to the national trough in mobility and engagement.

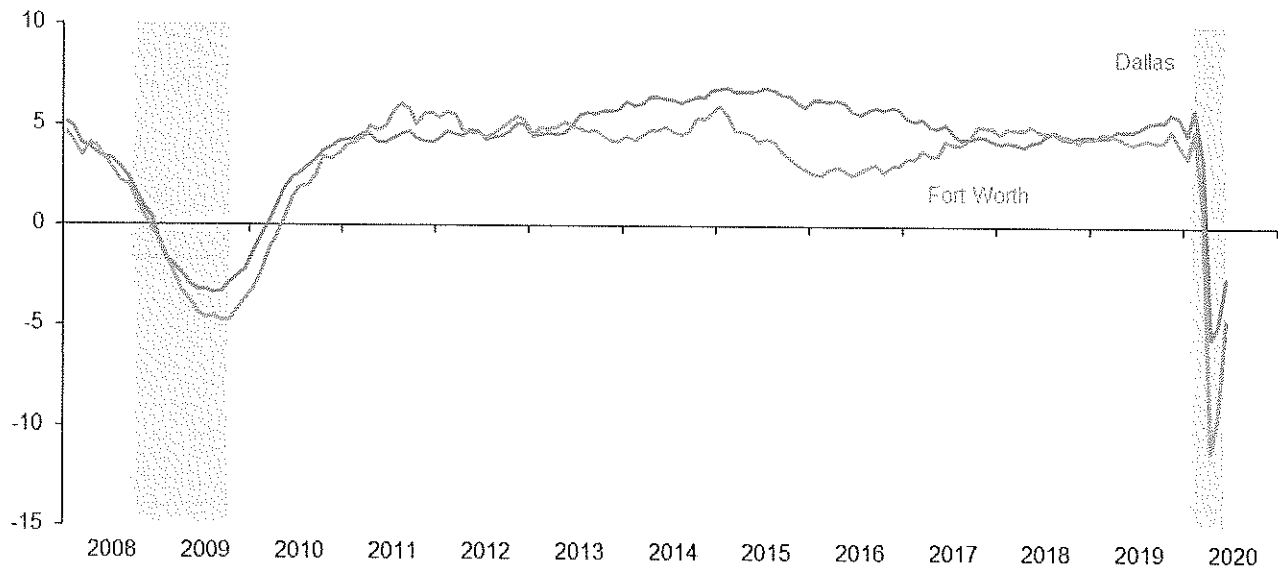
SOURCE: Homebase; Johns Hopkins University; SafeGraph; Federal Reserve Bank of Dallas.

Business-Cycle Indexes

The Dallas and Fort Worth business-cycle indexes showed further improvement in June following a slight rebound in May. The Fort Worth index rose strongly, climbing an annualized 89.9 percent, in part due to a larger employment increase than in Dallas. The Dallas index rose an annualized 41.2 percent, faster than May’s rate. Year over year in June, the index is down 2.5 percent in Dallas and 4.6 percent in Fort Worth (Chart 3).

Chart 3
Dallas and Fort Worth Business-Cycle Indexes

Percent change, year/year



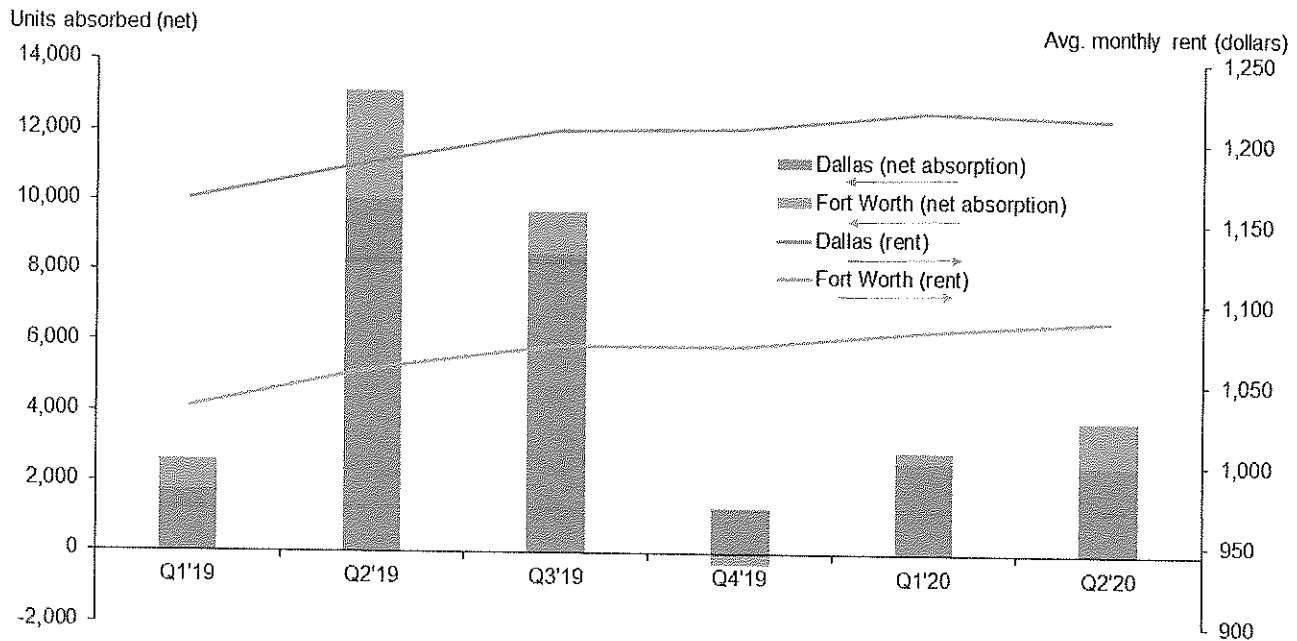
NOTE: The shaded bars indicate Texas recessions.
SOURCE: Dallas Fed.

Real Estate

Apartment Demand Falters amid the Pandemic

DFW apartment absorption in second quarter 2020 was nearly a third of year-ago levels, coming in at 3,800 units according to data from RealPage Inc. (*Chart 4*). Leasing activity virtually came to a halt in early spring due to stay-at-home orders and slowly regained some momentum in the latter part of the quarter. Demand is seasonally strong in spring and summer months and tapers off as the weather gets colder. Weak demand depressed occupancy and rent growth, with the overall apartment vacancy rate up by nearly a percentage point from second quarter 2019. Rents were little changed, though concessions have increased, and cuts are expected. Construction remained elevated, with roughly 44,000 units under construction.

Chart 4
DFW Apartment Absorption and Rent

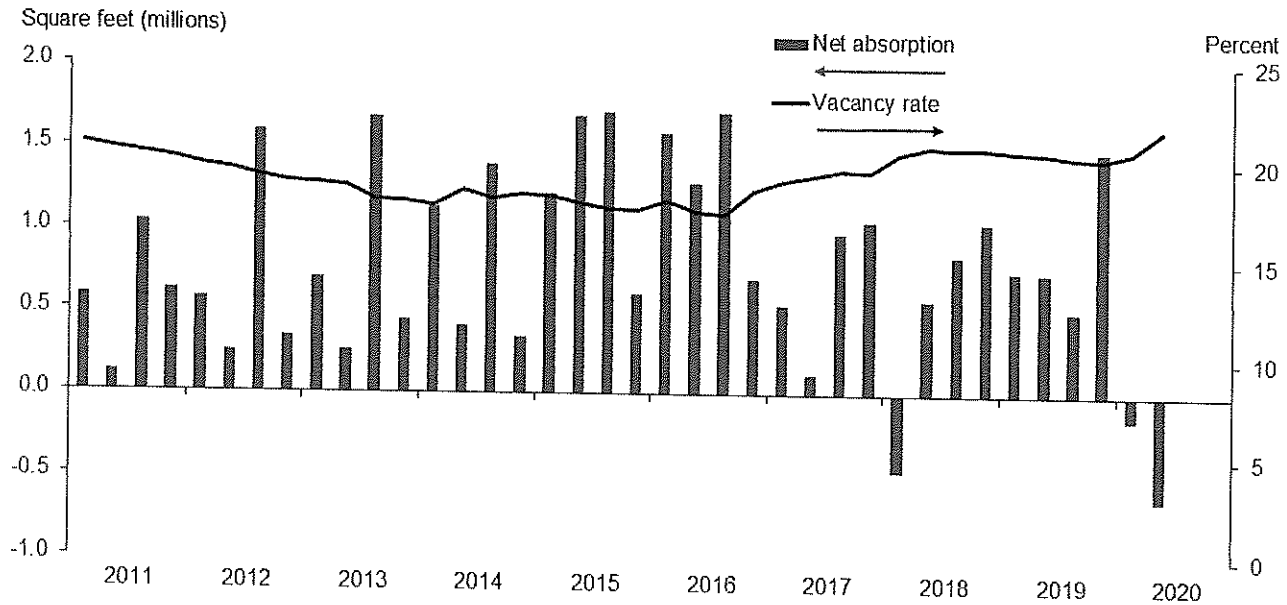


NOTE: Dallas refers to Dallas-Plano-Irving metropolitan division and Fort Worth to Fort Worth-Arlington metropolitan division.
SOURCE: RealPage Inc.

Office Absorption Negative; Vacancy Rates Rise

Demand for office space in DFW remained sluggish in second quarter 2020. Net absorption was negative for the second quarter in a row, partly due to an increase in sublease space. Roughly 640,000 square feet of space was added to the market in second quarter 2020, pushing up the vacancy rate to 21.8 percent, according to data from CBRE Research (*Chart 5*). Year to date, net absorption has totaled -790,000 square feet and the vacancy rate has risen 1.5 percentage points. The construction pipeline remained full at 4.7 million square feet.

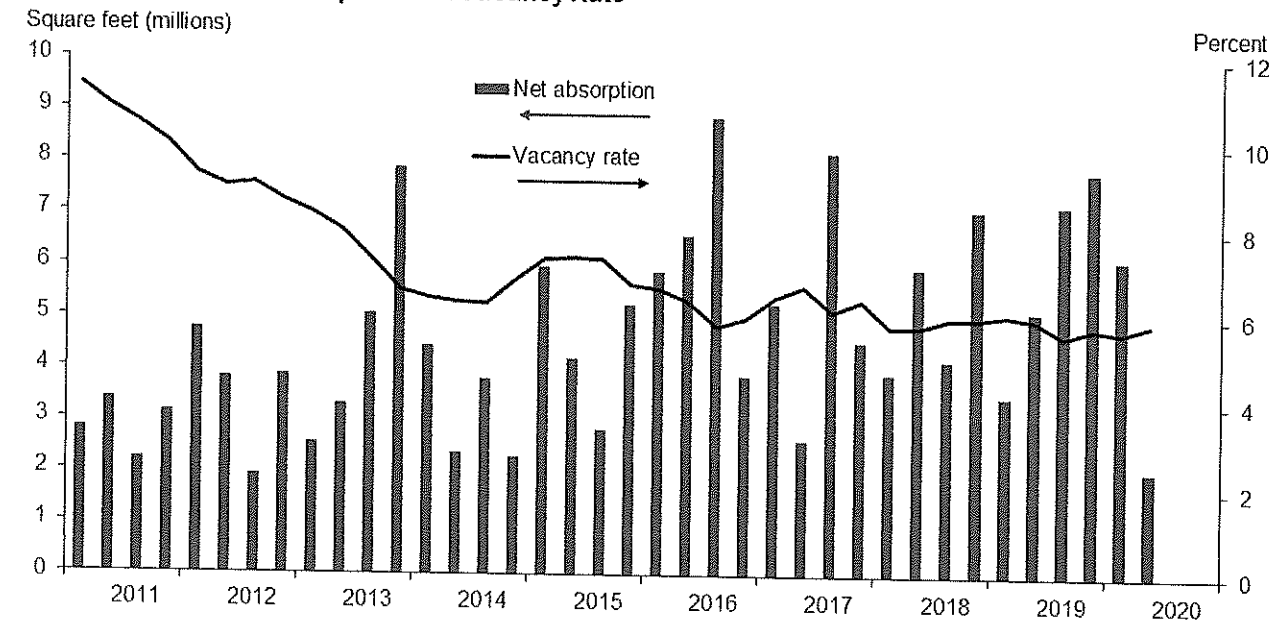
Chart 5
DFW Office Net Absorption and Vacancy Rate



Industrial Demand Remains on Track

Leasing activity for industrial space continued to be solid in the second quarter, driven by demand from consumer goods, e-commerce and third-party logistics firms, according to CBRE. Net absorption was just over 2 million square feet, pushing the total for the first half of the year to 8.2 million square feet, roughly on par with midyear 2019 absorption of 8.7 million square feet (*Chart 6*). The vacancy rate edged up to 5.9 percent, remaining well below its historical average. Construction stayed elevated at 23.2 million square feet, of which only 19.2 percent was released.

Chart 6
DFW Industrial Net Absorption and Vacancy Rate



NOTE: Data may not match previously published numbers due to revisions.

About Dallas-Fort Worth Economic Indicators



AGENDA MEMORANDUM

DATE: August 13, 2020

TO: Honorable City Council Members

FROM: Sandra Gibson, CGFO, CGFM, Director of Finance

THROUGH: Andrea Gardner, City Manager

SUBJECT: Consider action and approval of a resolution accepting the Certified Tax Roll for Tax Year 2020 from the Tarrant Appraisal District as certified by the Chief Appraiser Jeff Law

BACKGROUND/INFORMATION:

Section 26.04 of the Texas Tax Code requires the appraisal roll for a taxing unit be submitted to the governing body each year by August 1 or as soon thereafter as practicable. This information shall include the total appraised, assessed, and taxable values for all properties within the City of Watauga's jurisdiction. In addition, this information includes the total taxable value of new property that did not exist on the previous year's tax roll.

The attached information has been supplied by the Tarrant Appraisal District and certified by its chief appraiser, Jeff Law. It reflects the taxable values of all properties on the City of Watauga tax roll as of July 21, 2020. The information from this certified roll is used to calculate the property tax revenues in the Fiscal Year 2020-21 proposed budget.

FINANCIAL IMPLICATIONS:

N/A

RECOMMENDATION/ACTION DESIRED:

Respectfully recommend the Council review and take action on the item presented.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. TAD July Certified 2020 City of Watauga
2. Resolution Tax Assessment Roll 2020 legal review

REVIEWED BY:

Sandra Gibson, CGFO, CGFM, Director of Finance
Karrie Marling, Legal
George Hyde, Legal

Approved - 8/14/2020
Approved - 8/18/2020
Approved - 8/21/2020



AGENDA MEMORANDUM

Andrea Gardner, City Manager

Final Approval - 8/21/2020

Approved as to form for inclusion on Agenda



Jeff Law, Chief Appraiser

CITY OF WATAUGA 031

Appraisal Roll Information Valuation Summary as of 7/21/2020

2020 Certified Property Information

I, Jeff Law, Chief Appraiser for the Tarrant Appraisal District, to the best of my ability do solemnly swear that the attached is that portion of the appraisal roll for the Tarrant Appraisal District which lists property taxable by the above named entity and constitutes their Certified Appraisal Roll.

APPRAISED VALUE (Considers Value Caps) -----> \$ **1,786,747,311**

Number of Accounts: 20,546

Absolute Exemptions	\$ 66,331,955
Cases before ARB – Appraised Value	\$ 104,165,053
Incompletes	\$ 26,891,839
Partial Exemptions	\$ 80,663,762
In Process	\$ 20

NET TAXABLE VALUE -----> \$ **1,508,694,682**

Appraised Value minus Absolute Exemption amount, minus Cases before ARB amount, minus Incompletes, minus Partial Exemptions, minus the In Process accounts equals the Net Taxable Value.

ESTIMATED NET TAXABLE VALUE -----> \$ **1,597,254,264**

Including suggested values to be used for pending ARB accounts (see page two), Incompletes (see page three) and In Process accounts (see page four).

Jeff Law, Chief Appraiser

Tarrant Appraisal District
2500 Handley Ederville Road - Fort Worth, Texas 76118 - 817.284.0024



Jeff Law, Chief Appraiser

CITY OF WATAUGA 031

Appraisal Roll Information Valuation Summary as of 7/21/2020 2020 Appraisal Review Board Information

Section 25.01 (c) of the State Property Tax code directs the Chief Appraiser to prepare a list of all properties under protest with the Appraisal Review Board and pending disposition at the time of value roll certification.

The values below are from the ARB roll and are not included in the totals by the Chief Appraiser and represented on page 1 of this report.

\$ 104,165,053

Total appraised value of properties under protest.

\$ 102,343,336

Net taxable value of properties under protest.

\$ 71,640,335

Estimated minimum taxable value for the same properties.

This value should be added to the net taxable value on page one.

Tarrant Appraisal District
2500 Handley Ederville Road - Fort Worth, Texas 76118 - 817.284.0024



Jeff Law, Chief Appraiser

CITY OF WATAUGA 031

Appraisal Roll Information Valuation Summary as of 7/21/2020

2020 Incomplete Property Information

Section 26.01(d) of the State Property Tax Code directs the Chief Appraiser to prepare a list of all properties that are not on the appraisal roll and not included on the ARB roll.

The values below are from the incomplete property listing and are not included in the totals by the Chief Appraiser and represented on page 1 of this report.

The value of incomplete properties are subject to change and are also subject to appeal before the Appraisal Review Board.

\$ 26,891,839

Total appraised value of incomplete properties

\$ 24,170,353

Net taxable value of properties under of incomplete properties.

\$ 16,919,247

Estimated minimum taxable value for the same properties.

This value should be added to the net taxable value on page one

Tarrant Appraisal District
2500 Handley Ederville Road - Fort Worth, Texas 76118 - 817.284.0024



Jeff Law, Chief Appraiser

CITY OF WATAUGA 031

Appraisal Roll Information Valuation Summary as of 7/21/2020 2020 In Process Property Information

The values below are from In Process properties and are not included in the totals by the Chief Appraiser and represented on page 1 of this report.

\$ 20

Total appraised value of In Process properties

\$ 0

Estimated net taxable value of In Process properties.

This value should be added to the net taxable value on page one.

Tarrant Appraisal District
2500 Handley Ederville Road - Fort Worth, Texas 76118 - 817.284.0024



**Tarrant Appraisal District
CITY OF WATAUGA031
Totals for Roll Instance 000 - July Roll
2020**

Value Detail	Market	Appraised	Counts	Taxable
Real Estate Residential	1,461,348,213	1,375,128,134	8,136	1,297,722,771
Real Estate Commercial	336,070,206	336,070,206	316	272,522,751
Real Estate Industrial	0	0	0	0
Personal Property Commercial	75,103,775	75,103,775	709	64,661,723
Personal Property Industrial	2,211	2,211	1	2,211
Mineral Lease Properties	440,871	440,871	11,383	296,801
Agricultural Properties	2,230,929	2,114	1	2,114
Total Value	1,875,196,205	1,786,747,311	20,546	1,635,208,371
Pending Detail	Market	Appraised	Counts	Taxable
Cases Before ARB	107,478,396	104,165,053	490	102,343,336
Incomplete Accounts	26,891,839	26,891,839	238	24,170,353
In Process Accounts	20	20	2	0
Certified Value	1,740,825,950	1,655,690,399	19,816	1,508,694,682

Exemption Detail	Market	Exempt	Counts	Appraised
Absolute Public	27,475,875	27,475,875	78	27,475,875
Absolute Charitable	5,077,976	5,077,976	16	5,077,976
Absolute Miscellaneous	0	0	0	0
Absolute Religious & Private Schools	33,778,104	33,778,104	28	33,778,104
Indigent Housing	0	0	0	0
Nominal Value	135,796	135,796	7,376	135,796
Disabled Vet 10-29%	3,157,258	80,000	17	2,861,040
Disabled Vet 30-49%	2,508,429	105,000	14	2,255,529
Disabled Vet 50-69%	2,714,648	130,000	13	2,466,598
Disabled Vet 70-99%	21,993,395	1,404,000	117	19,635,554
Disabled Vet 100%	10,070,914	7,371,031	50	8,971,066
Surviving Spouse Disabled Vet 100%	2,131,894	1,254,601	12	1,842,601
Donated Disabled Vet	0	0	0	0
Surviving Spouse Donated Disabled Vet	0	0	0	0
Surviving Spouse KIA Armed Service Member	162,667	138,021	1	138,021
Transfer Base Value for SS Disable Vet	145,000	86,000	1	145,000
Inventory	0	0	0	0
Homestead State Mandated-General	0	0	0	0
Homestead State Mandated-Over 65	0	0	0	0
Homestead State Mandated-Disabled Person	0	0	0	0
Homestead State Mandated-Disabled Person Over 65	0	0	0	0
Homestead Local Option-General	0	0	0	0
Homestead Local Option-Over 65	278,906,683	60,962,835	1,546	246,296,746
Homestead Local Option-Disabled Person	0	0	0	0
Homestead Local Option-Disabled Person Over 65	6,269,434	1,380,000	35	5,548,156
Solar & Wind Powered Devices	0	0	0	0
Pollution control	0	0	0	0
Community Housing Development	0	0	0	0
Abatements	0	0	0	0
Historic Sites	0	0	0	0
Foreign Trade Zone	0	0	0	0
Misc Personal Property (Vehicles, etc.)	7,791,690	7,616,478	22	7,791,690
Surviving Spouse of First Responder KLD	0	0	0	0
Transfer Base Value SS KIA Armed Service Member	0	0	0	0
Transfer Base Value SS of First Responder KLD	0	0	0	0
Property Damaged by Disaster	0	0	0	0
Total Exemptions		146,995,717	9,326	

Deferrals	Market	Deferred	Counts	Appraised
Ag Deferrals	2,230,929	2,228,815	1	2,114
Scenic Deferrals	0	0	0	0
Public Access Airports	0	0	0	0
Other Deferrals	0	0	0	0
Total Deferrals	2,230,929	2,228,815	1	2,114

New Exemptions	Market	Exempt	Counts	Appraised
Absolute Public	0	0	0	0
Absolute Charitable	0	0	0	0
Absolute Miscellaneous	0	0	0	0
Absolute Religious & Private Schools	0	0	0	0
Indigent Housing	0	0	0	0
Nominal Value	0	0	0	0
Disabled Vet 10-29%	0	0	0	0
Disabled Vet 30-49%	197,018	7,500	1	189,957
Disabled Vet 50-69%	244,008	10,000	1	244,008
Disabled Vet 70-99%	1,203,599	60,000	5	1,157,815
Disabled Vet 100%	268,857	254,803	1	266,803
Surviving Spouse Disabled Vet 100%	0	0	0	0
Donated Disabled Vet	0	0	0	0
Surviving Spouse Donated Disabled Vet	0	0	0	0
Surviving Spouse KIA Armed Service Member	0	0	0	0
Transfer Base Value for SS Disable Vet	0	0	0	0
Inventory	0	0	0	0
Homestead State Mandated-General	0	0	0	0
Homestead State Mandated-Over 65	0	0	0	0
Homestead State Mandated-Disabled Person	0	0	0	0
Homestead State Mandated-Disabled Person Over 65	0	0	0	0
Homestead Local Option-General	0	0	0	0
Homestead Local Option-Over 65	7,955,732	1,660,000	42	7,306,393
Homestead Local Option-Disabled Person	0	0	0	0
Homestead Local Option-Disabled Person Over 65	6,269,434	1,380,000	35	5,548,156
Solar & Wind Powered Devices	0	0	0	0
Pollution control	0	0	0	0
Community Housing Development	0	0	0	0
Abatements	0	0	0	0
Historic Sites	0	0	0	0
Foreign Trade Zone	0	0	0	0
Misc Personal Property (Vehicles, etc.)	34,642	34,642	1	34,642
Surviving Spouse of First Responder KLD	0	0	0	0
Transfer Base Value SS KIA Armed Service Member	0	0	0	0
Transfer Base Value SS of First Responder KLD	0	0	0	0
Property Damaged by Disaster	0	0	0	0
Total New Exemptions		3,406,945	86	

New Construction	Market	New Value	Counts	Taxable
All Real Estate	2,904,138	768,937	16	2,733,088
New business in new improvement	0	0	0	0
Total New Construction	2,904,138	768,937	16	2,733,088
New Construction in Residential	2,904,138	768,937	16	2,733,088
New Construction in Commercial	0	0	0	0
	Market	Appraised	Counts	Taxable
Annexation	0	0	0	0
Deannexation	0	0	0	0
Tax Ceiling	Market	Taxable	Counts	Ceiling Amount
Over 65	278,906,683	179,544,332	1,546	628,910.00
Disable Person	18,447,477	16,432,610	104	67,080.00
Disabled Person Over 65	6,269,434	4,039,936	35	20,316.00
Total Ceilings	303,623,594	200,016,878	1,685	716,306.00
New Over 65 Ceilings	11,337,659	0	59	0.00
New Disabled Person Ceilings	782,411	0	5	0.00
New Disabled Person Over 65 Ceilings	0	0	0	0
Capped Accounts	Market	Cap Loss	Counts	Appraised
Cap Total	644,156,391	82,906,736	3,567	561,249,655
New Cap this Year	4,268,873	543,044	24	3,725,829
All Exemptions by Group	Market	Exempt	Counts	Appraised
Residential	303,619,498	75,583,646	1,684	269,380,390
Commercial	71,443,233	71,268,021	102	71,443,233
Industrial	0	0	0	0
Mineral Lease	144,050	144,050	7,385	144,050
Agricultural	0	0	0	0
Exemption Total		146,995,717	9,171	
	Market	Exempt	Counts	Appraised
Prorated Absolute	0	0	0	0
Multi-Prorated Absolute	0	0	0	0
		Current Taxable	Counts	Appraised
Value Loss - 25.25(d)		0	0	0
	Average Market	Average Appraised	Counts	Average Taxable
Averages for Value Single Family	181,054	170,205	7,639	160,330



Entity Exemptions Report 2020 000 - JULY ROLL

031 CITY OF WATAUGA

Exemption Type	Certified Loss	Count	ARB Loss	Count	Incomplete Loss	Count	Total Loss	Count
Abatements	\$0	0	\$0	0	\$0	0	\$0	0
Absolute Charitable	\$5,077,976	16	\$0	0	\$0	0	\$5,077,976	16
Absolute Miscellaneous	\$0	0	\$0	0	\$0	0	\$0	0
Absolute Public	\$27,475,875	78	\$0	0	\$3,864	1	\$27,479,739	79
Absolute Religious & Private Schools	\$33,778,104	28	\$0	0	\$0	0	\$33,778,104	28
Community Housing Development	\$0	0	\$0	0	\$0	0	\$0	0
Disabled Vet 100%	\$7,371,031	50	\$507,717	2	\$0	0	\$7,878,748	52
Disabled Vet 10-29%	\$80,000	17	\$20,000	4	\$0	0	\$100,000	21
Disabled Vet 30-49%	\$105,000	14	\$0	0	\$0	0	\$105,000	14
Disabled Vet 50-69%	\$130,000	13	\$10,000	1	\$0	0	\$140,000	14
Disabled Vet 70-99%	\$1,404,000	117	\$24,000	2	\$0	0	\$1,428,000	119
Donated Disabled Vet	\$0	0	\$0	0	\$0	0	\$0	0
Foreign Trade Zone	\$0	0	\$0	0	\$0	0	\$0	0
Historic Sites	\$0	0	\$0	0	\$0	0	\$0	0
Homestead Local Option-Disabled Person	\$0	0	\$0	0	\$0	0	\$0	0
Homestead Local Option-Disabled Person Over 65	\$1,380,000	35	\$0	0	\$0	0	\$1,380,000	35
Homestead Local Option-General	\$0	0	\$0	0	\$0	0	\$0	0
Homestead Local Option-Over 65	\$60,962,835	1,546	\$1,220,000	31	\$0	0	\$62,182,835	1,577
Homestead State Mandated-Disabled Person	\$0	0	\$0	0	\$0	0	\$0	0
Homestead State Mandated-Disabled Person Over 65	\$0	0	\$0	0	\$0	0	\$0	0
Homestead State Mandated-General	\$0	0	\$0	0	\$0	0	\$0	0
Homestead State Mandated-Over 65	\$0	0	\$0	0	\$0	0	\$0	0
Indigent Housing	\$0	0	\$0	0	\$0	0	\$0	0
Inventory	\$0	0	\$0	0	\$0	0	\$0	0
Misc Personal Property (Vehicles, etc.)	\$7,616,478	22	\$0	0	\$2,586,140	8	\$10,202,618	30
Nominal Value	\$135,796	7,376	\$0	0	\$40	1	\$135,836	7,377
Pollution control	\$0	0	\$0	0	\$105,702	2	\$105,702	2
Property Damaged by Disaster	\$0	0	\$0	0	\$0	0	\$0	0
Solar & Wind Powered Devices	\$0	0	\$0	0	\$25,740	2	\$25,740	2
Surviving Spouse Disabled Vet 100%	\$1,254,601	12	\$0	0	\$0	0	\$1,254,601	12
Surviving Spouse Donated Disabled Vet	\$0	0	\$0	0	\$0	0	\$0	0



Entity Exemptions Report 2020 000 - JULY ROLL

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031 CITY OF WATAUGA

Exemption Type	Certified Loss	Count	ARB Loss	Count	Incomplete Loss	Count	Total Loss	Count
Surviving Spouse KIA Armed Service Member	\$138,021	1	\$0	0	\$0	0	\$138,021	1
Surviving Spouse of First Responder KLD	\$0	0	\$0	0	\$0	0	\$0	0
Transfer Base Value for SS Disable Vet	\$86,000	1	\$0	0	\$0	0	\$86,000	1
Transfer Base Value SS KIA Armed Service Member	\$0	0	\$0	0	\$0	0	\$0	0
Transfer Base Value SS of First Responder KLD	\$0	0	\$0	0	\$0	0	\$0	0
Subtotals ==>	\$146,995,717	9,326	\$1,781,717	40	\$2,721,486	14	\$151,498,920	9,380



Entity Exemptions Report 2020 000 - JULY ROLL

031 CITY OF WATAUGA

Exemption Type	Certified Loss	Count	ARB Loss	Count	Incomplete Loss	Count	Total Loss	Count
Prorated Absolute (included in above Absolute categories)	\$0	0	\$0	0	\$0	0	\$0	0

Deferral Type	Certified Loss	Count	ARB Loss	Count	Incomplete Loss	Count	Total Loss	Count
Ag Deferrals	\$2,228,815	1	\$0	0	\$0	0	\$2,228,815	1
Scenic Deferrals	\$0	0	\$0	0	\$0	0	\$0	0
Subtotals ==>	\$2,228,815	1	\$0	0	\$0	0	\$2,228,815	1

Entity Totals	
Total Appraised *	\$1,786,747,311
Absolute Exempt	\$66,331,955
Cases Before ARB	\$104,165,053
Incompletes	\$26,891,839
Partial Exemptions	\$80,663,762
In Process	\$20
Calculated Net Taxable Value	\$1,508,694,682
Total # of Accounts *	20,546

* Only includes totals from Agricultural Properties, Mineral Lease Properties, Personal Property Commercial, Personal Property Industrial, Real Estate Commercial, Real Estate Industrial, and Real Estate Residential.



Current Use Code Report - Certified
Entity: 031 CITY OF WATAUGA

Page 1 of 3
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Category	Roll Status	# of Accts	Market Value	Appraised Value	Taxable Value	Ag Acreage	Ag Deferred	New Const. Value
A -- "Residential SingleFamily"	ARB	442	\$77,014,908	\$73,708,818	\$71,887,101	0.0000	\$0	\$0
A -- "Residential SingleFamily"	Certified	7,623	\$1,380,356,382	\$1,297,478,677	\$1,224,580,522	0.0000	\$0	\$746,868
A -- "Residential SingleFamily" Totals:		8,065	\$1,457,371,290	\$1,371,187,495	\$1,296,467,623	0.0000	\$0	\$746,868
AC -- "Single Family Interim Use"	Certified	1	\$187,747	\$187,747	\$187,747	0.0000	\$0	\$0
AC -- "Single Family Interim Use" Totals:		1	\$187,747	\$187,747	\$187,747	0.0000	\$0	\$0
BC -- "MultiFamily Commercial"	Certified	2	\$17,970,945	\$17,970,945	\$17,970,945	0.0000	\$0	\$0
BC -- "MultiFamily Commercial" Totals:		2	\$17,970,945	\$17,970,945	\$17,970,945	0.0000	\$0	\$0
C1 -- "Vacant Land Residential"	ARB	2	\$30,847	\$23,594	\$23,594	0.0000	\$0	\$0
C1 -- "Vacant Land Residential"	Certified	38	\$1,111,849	\$1,082,818	\$1,069,485	0.0000	\$0	\$0
C1 -- "Vacant Land Residential" Totals:		40	\$1,142,696	\$1,106,412	\$1,093,079	0.0000	\$0	\$0
C1C -- "Vacant Land Commercial"	ARB	3	\$676,432	\$676,432	\$676,432	0.0000	\$0	\$0
C1C -- "Vacant Land Commercial"	Certified	45	\$7,426,081	\$7,426,081	\$7,426,081	0.0000	\$0	\$0
C1C -- "Vacant Land Commercial" Totals:		48	\$8,102,513	\$8,102,513	\$8,102,513	0.0000	\$0	\$0
C2C -- "CommercialLandWithImprovementValue"	Certified	5	\$679,057	\$679,057	\$679,057	0.0000	\$0	\$0
C2C -- "CommercialLandWithImprovementValue" Totals:		5	\$679,057	\$679,057	\$679,057	0.0000	\$0	\$0
D1 -- "Qualified Open Space Land"	Certified	1	\$2,230,929	\$2,114	\$2,114	24.0240	\$2,228,815	\$0
D1 -- "Qualified Open Space Land" Totals:		1	\$2,230,929	\$2,114	\$2,114	24.0240	\$2,228,815	\$0
F1 -- "Commercial"	ARB	17	\$25,467,479	\$25,467,479	\$25,467,479	0.0000	\$0	\$0
F1 -- "Commercial"	Certified	169	\$218,126,382	\$218,126,382	\$218,126,382	0.0000	\$0	\$0
F1 -- "Commercial" Totals:		186	\$243,593,861	\$243,593,861	\$243,593,861	0.0000	\$0	\$0
F1C -- "VarX Billboards"	Certified	1	\$43,713	\$43,713	\$43,713	0.0000	\$0	\$0
F1C -- "VarX Billboards"	Incomplete	1	\$13,819	\$13,819	\$13,819	0.0000	\$0	\$0
F1C -- "VarX Billboards" Totals:		2	\$57,532	\$57,532	\$57,532	0.0000	\$0	\$0
G1 -- "Oil, Gas and Mineral Reserve"	Certified	11,358	\$430,260	\$430,260	\$296,460	0.0000	\$0	\$0
G1 -- "Oil, Gas and Mineral Reserve"	Incomplete	2	\$341	\$341	\$341	0.0000	\$0	\$0
G1 -- "Oil, Gas and Mineral Reserve"	InProcess	2	\$20	\$20	\$0	0.0000	\$0	\$0
G1 -- "Oil, Gas and Mineral Reserve" Totals:		11,362	\$430,621	\$430,621	\$296,801	0.0000	\$0	\$0

This report contains All Excluding Absolutes

Process Code: 220 Table Group Name: 000 - July Roll



Current Use Code Report - Certified
Entity: 031 CITY OF WATAUGA

Page 2 of 3
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Category	Roll Status	# of Accts	Market Value	Appraised Value	Taxable Value	Ag Acreage	Ag Deferred	New Const. Value
J2C -- "VarX Utility Gas Companies"	Incomplete	1	\$2,124,790	\$2,124,790	\$2,124,790	0.0000	\$0	\$0
J2C -- "VarX Utility Gas Companies" Totals:		1	\$2,124,790	\$2,124,790	\$2,124,790	0.0000	\$0	\$0
J3 -- "Commercial Utility Electric Companies"	Certified	1	\$654,234	\$654,234	\$654,234	0.0000	\$0	\$0
J3 -- "Commercial Utility Electric Companies" Totals:		1	\$654,234	\$654,234	\$654,234	0.0000	\$0	\$0
J3C -- "VarX Utility Electric Companies"	Certified	1	\$8,125,080	\$8,125,080	\$8,125,080	0.0000	\$0	\$0
J3C -- "VarX Utility Electric Companies"	Incomplete	1	\$11,920	\$11,920	\$11,920	0.0000	\$0	\$0
J3C -- "VarX Utility Electric Companies" Totals:		2	\$8,137,000	\$8,137,000	\$8,137,000	0.0000	\$0	\$0
J4 -- "Commercial Utility Telephone Companies"	Certified	1	\$1,334,394	\$1,334,394	\$1,334,394	0.0000	\$0	\$0
J4 -- "Commercial Utility Telephone Companies" Totals:		1	\$1,334,394	\$1,334,394	\$1,334,394	0.0000	\$0	\$0
J4C -- "VarX Utility Telephone Companies"	ARB	2	\$989,962	\$989,962	\$989,962	0.0000	\$0	\$0
J4C -- "VarX Utility Telephone Companies"	Certified	11	\$1,061,089	\$1,061,089	\$1,061,089	0.0000	\$0	\$0
J4C -- "VarX Utility Telephone Companies"	Incomplete	9	\$5,319,564	\$5,319,564	\$5,319,564	0.0000	\$0	\$0
J4C -- "VarX Utility Telephone Companies" Totals:		22	\$7,370,615	\$7,370,615	\$7,370,615	0.0000	\$0	\$0
J5C -- "VarX Utility Railroads"	Certified	1	\$251,384	\$251,384	\$251,384	0.0000	\$0	\$0
J5C -- "VarX Utility Railroads" Totals:		1	\$251,384	\$251,384	\$251,384	0.0000	\$0	\$0
J6C -- "VarX Utility Pipelines"	Incomplete	2	\$182,850	\$182,850	\$182,850	0.0000	\$0	\$0
J6C -- "VarX Utility Pipelines" Totals:		2	\$182,850	\$182,850	\$182,850	0.0000	\$0	\$0
J7C -- "VarX Utility Cable Companies"	Certified	2	\$1,632,078	\$1,632,078	\$1,632,078	0.0000	\$0	\$0
J7C -- "VarX Utility Cable Companies" Totals:		2	\$1,632,078	\$1,632,078	\$1,632,078	0.0000	\$0	\$0
L1 -- "Personal Property Tangible Commercial"	ARB	20	\$3,251,373	\$3,251,373	\$3,251,373	0.0000	\$0	\$0
L1 -- "Personal Property Tangible Commercial"	Certified	250	\$20,890,144	\$20,890,144	\$20,889,645	0.0000	\$0	\$0
L1 -- "Personal Property Tangible Commercial"	Incomplete	62	\$15,671,724	\$15,671,724	\$15,566,022	0.0000	\$0	\$0
L1 -- "Personal Property Tangible Commercial" Totals:		332	\$39,813,241	\$39,813,241	\$39,707,040	0.0000	\$0	\$0
L1C -- "VarX Commercial"	ARB	4	\$47,395	\$47,395	\$47,395	0.0000	\$0	\$0
L1C -- "VarX Commercial"	Certified	159	\$10,190,105	\$10,190,105	\$2,573,627	0.0000	\$0	\$0

This report contains All Excluding Absolutes

Process Code: 220 Table Group Name: 000 - July Roll



Current Use Code Report - Certified
Entity: 031 CITY OF WATAUGA

Category	Roll Status	# of Accts	Market Value	Appraised Value	Taxable Value	Ag Acreage	Ag Deferred	New Const. Value
L1C -- "VarX Commercial"	Incomplete	159	\$3,562,967	\$3,562,967	\$951,047	0.0000	\$0	\$0
L1C -- "VarX Commercial" Totals:		322	\$13,800,467	\$13,800,467	\$3,572,069	0.0000	\$0	\$0
L2 -- "Personal Property Tangible Industrial"	Certified	1	\$2,211	\$2,211	\$2,211	0.0000	\$0	\$0
L2 -- "Personal Property Tangible Industrial" Totals:		1	\$2,211	\$2,211	\$2,211	0.0000	\$0	\$0
M1 -- "Mobile Home"	Certified	1	\$22,069	\$22,069	\$22,069	0.0000	\$0	\$22,069
M1 -- "Mobile Home" Totals:		1	\$22,069	\$22,069	\$22,069	0.0000	\$0	\$22,069
O -- "Residential Inventory"	Certified	5	\$140,000	\$140,000	\$140,000	0.0000	\$0	\$0
O -- "Residential Inventory" Totals:		5	\$140,000	\$140,000	\$140,000	0.0000	\$0	\$0
S -- "Personal Property Special Inventory"	Certified	7	\$1,627,862	\$1,627,862	\$1,626,365	0.0000	\$0	\$0
S -- "Personal Property Special Inventory" Totals:		7	\$1,627,862	\$1,627,862	\$1,626,365	0.0000	\$0	\$0
ARB Totals:		490	\$107,478,396	\$104,165,053	\$102,343,336	0.0000	\$0	\$0
Certified Totals:		19,683	\$1,674,493,995	\$1,589,358,444	\$1,508,694,682	24.0240	\$2,228,815	\$768,937
Incomplete Totals:		237	\$26,887,975	\$26,887,975	\$24,170,353	0.0000	\$0	\$0
In Process Totals:		2	\$20	\$20	\$0	0.0000	\$0	\$0
Report Totals:		20,412	\$1,808,860,386	\$1,720,411,492	\$1,635,208,371	24.0240	\$2,228,815	\$768,937

This report contains All Excluding Absolutes

Process Code: 220 Table Group Name: 000 - July Roll



Entities Residential Graph Report

7/19/2020
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2020 CITY OF WATAUGA

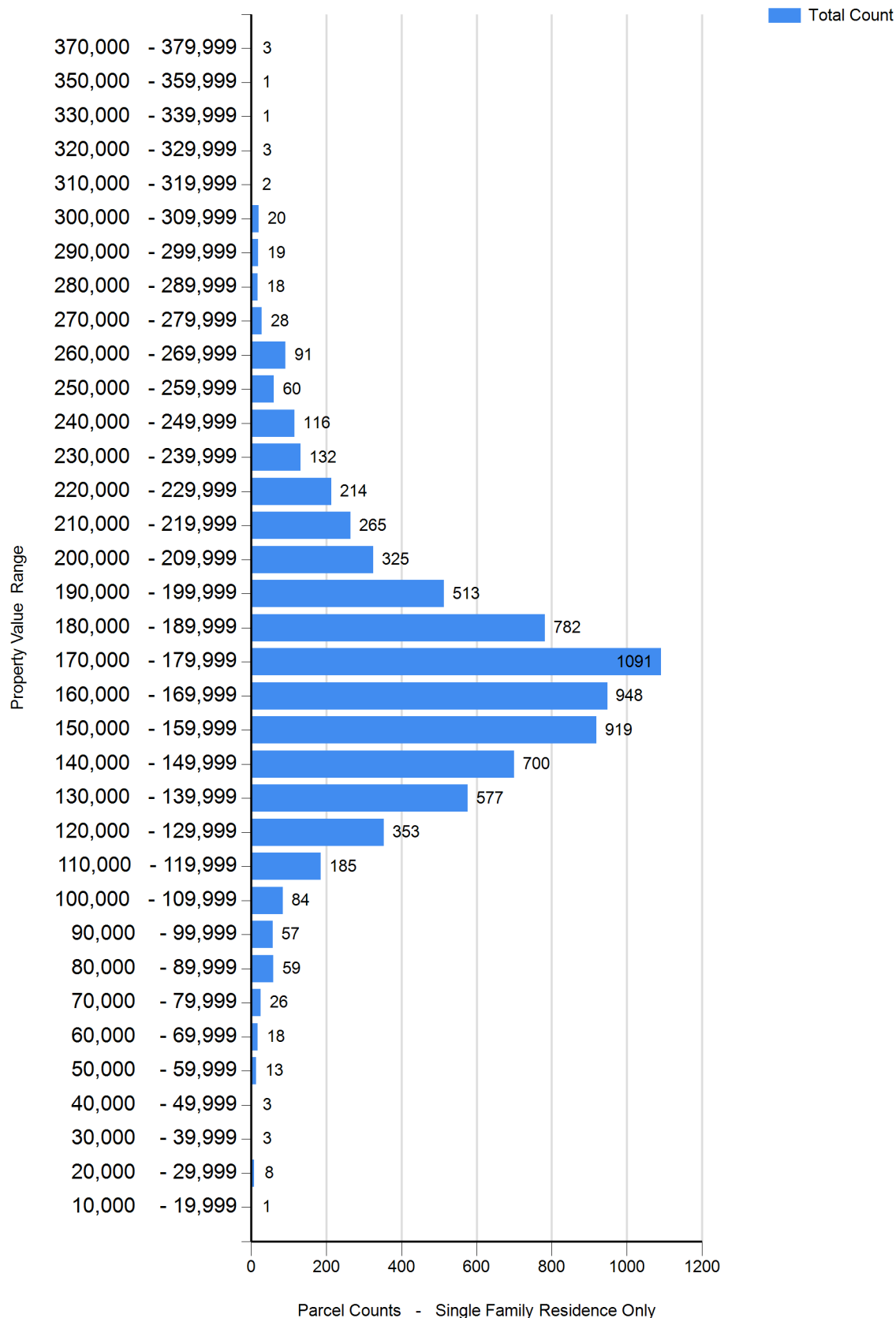
Total Parcel Counts: 7,638

Average
Market

170,202

Average
NTV

160,327



CITY OF WATAUGA, TEXAS
RESOLUTION NO. 2020-043

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATAUGA, TEXAS TO ACCEPT THE 2020 TARRANT APPRAISAL DISTRICT CERTIFIED APPRAISAL ROLL PROVIDING FOR REPEAL; PROVIDING FOR SEVERABILITY; PROVIDING AN EFFECTIVE DATE.

WHEREAS, Section 26.04(b) of the Texas Property Tax Code, provides that the tax assessor for each taxing unit shall submit the unit's tax appraisal roll to the government body; and

WHEREAS, the Tarrant Appraisal District has provided the City of Watauga with a Certified Appraisal Roll for the tax year 2020; and

WHEREAS, the City Council of the City of Watauga desires to accept the 2020 Tarrant Appraisal District Certified Appraisal Roll pursuant to Section 26.04(b) of the Texas Property Tax Code;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WATAUGA, TEXAS that:

I.

The facts and recitations set forth in the preamble of this Resolution are hereby found to be true and correct and adopted herein for all purposes.

II.

The 2020 Certified Appraisal Roll for the City of Watauga as provided and certified by the Tarrant Appraisal District, is hereby accepted by the City Council of the City of Watauga.

III.

This Resolution shall be and is hereby cumulative of all other resolutions of the City of Watauga, Texas and this resolution shall not operate to repeal or affect any such other resolutions except insofar as the provisions thereof might be inconsistent or in conflict with the provisions of this resolution, in which event such conflicting provisions, if any, in such other resolution or resolutions are hereby repealed.

IV.

If any section, subsection, sentence, clause or phrase of this resolution shall for any reason be held to be invalid, such decision shall not affect the validity of the remaining portions of this resolution.

V.

This Resolution shall become effective and shall be in full force and effect from and after the date of passage and adoption by the City Council of the City of Watauga, Texas, and upon application of law and in accordance with Section 3.13 of the Charter of the City of Watauga, Texas.

PASSED AND ADOPTED by the City Council of the City of Watauga, Texas this the 24th day of August, 2020.

APPROVED:

ARTHUR L. MINER, MAYOR

ATTEST:

ANDREA GARDNER, CITY SECRETARY

APPROVED AS TO FORM AND LEGALITY:

GEORGE E. HYDE, CITY ATTORNEY



AGENDA MEMORANDUM

DATE: August 13, 2020
TO: Honorable City Council Members
FROM: Sandra Gibson, CGFO, CGFM, Director of Finance
THROUGH: Andrea Gardner, City Manager
SUBJECT: Public Hearing on the Watauga Economic Development Corporation
FY2020-2021 Proposed Budget

BACKGROUND/INFORMATION:

The Watauga Economic Development Corporation (WEDC) held its required Public Hearing on June 23, 2020 to allow for citizen input on the FY2020-2021 Proposed Budget. The Board adopted the Proposed Budget on July 21, 2020 and provided approval to submit to City Council.

City Council accepted the WEDC Proposed Budget on August 10, 2020 and set the public hearing date. The adoption date will be August 24, 2020, after the public hearing. Council may make changes to the proposed budget up until the time of adoption.

The Public Hearing Notice was posted on the official bulletin board at City Hall and on the City's Website on August 12, 2020.

FINANCIAL IMPLICATIONS:

N/A

RECOMMENDATION/ACTION DESIRED:

Respectfully recommend the Council allow for public input as posted and advertised.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. NOTICE OF PUBLIC HEARING WEDC 8-24-2020

REVIEWED BY:

Sandra Gibson, CGFO, CGFM, Director of Finance
Andrea Gardner, City Manager

Approved as to form for inclusion on Agenda

Approved - 8/18/2020
Final Approval - 8/21/2020



NOTICE OF PUBLIC HEARING

**WATAUGA CITY COUNCIL
CITY HALL COUNCIL CHAMBER
7105 WHITLEY ROAD, WATAGUA, TEXAS 76148
MONDAY, AUGUST 24, 2020
6:30 P.M.**

Notice is hereby given that the Watauga City Council will hold a Public Hearing on the Watauga Economic Development Corporation Proposed FY2020-2021 Budget on Monday, August 24, 2020, during the Special Council Meeting which begins at 6:30 p.m. in the Council Chamber at City Hall, 7105 Whitley Road, Watauga, Texas, 76148.

I, Andrea Gardner, City Secretary for the City of Watauga, Texas, hereby certify that this notice was posted on the official bulletin board at City Hall, 7105 Whitley Road, Watauga, Texas 76148, and on the City's website on August 12, 2020.

/s/ Andrea Gardner
Andrea Gardner, City Secretary



AGENDA MEMORANDUM

DATE: August 13, 2020
TO: Honorable City Council Members
FROM: Sandra Gibson, CGFO, CGFM, Director of Finance
THROUGH: Andrea Gardner, City Manager
SUBJECT: Public Hearing on the Fiscal Year 2020-2021 Proposed Budget

BACKGROUND/INFORMATION:

Texas Local Government Code Section 102.006 requires the governing body of a municipality to hold a public hearing on the proposed budget and allow any person to attend and participate in the hearing. The hearing shall be set for a date occurring after the 15th day after the date the proposed budget is filed with the municipal clerk but before the governing body makes its tax levy.

The budget was filed with the Municipal Clerk on August 1, 2020 and the date set to adopt a tax rate (make a tax levy) is September 14, 2020.

The governing body shall provide for public notice of the date, time, and location of the hearing.

City Charter Section 9.02 (C) requires public notice and hearing in accordance with applicable law, and requires that the City Council shall provide notice stating (1) the times and places where copies of the message and budget are available for inspection by the public, and (2) the time and place for a public hearing on the budget.

The Public Hearing for citizen input on the Proposed Budget for Fiscal Year 2020-2021 was duly posted at City Hall and published in the Fort Worth Star Telegram on August 9, 2020. Additionally, the notice was published on the City's website.

FINANCIAL IMPLICATIONS:

N/A

RECOMMENDATION/ACTION DESIRED:

Respectfully recommend the Council allow for public input as posted and advertised.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. NOTICE OF PUBLIC HEARING ON BUDGET



AGENDA MEMORANDUM

REVIEWED BY:

Sandra Gibson, CGFO, CGFM, Director of Finance

Andrea Gardner, City Manager

Approved as to form for inclusion on Agenda

Approved - 8/13/2020

Final Approval - 8/14/2020



"A GREAT PLACE TO LIVE"

**NOTICE OF
PUBLIC HEARING
FISCAL YEAR 2020-2021
CITY BUDGET**

Notice is hereby given that the City Council of the City of Watauga, Texas will hold a Public Hearing on the proposed budget for Fiscal Year October 1, 2020 through September 30, 2021, on Monday, August 24, 2020 during a Special City Council Meeting, at 6:30 p.m.

THIS BUDGET WILL RAISE MORE TOTAL PROPERTY TAXES THAN LAST YEAR'S BUDGET BY \$113,231 OR 1.41%, AND OF THAT AMOUNT, \$4,364 IS TAX REVENUE TO BE RAISED FROM NEW PROPERTY ADDED TO THE TAX ROLL THIS YEAR.

Published on Sunday, August 9, 2020 in the Fort Worth Star Telegram.

I, Andrea Gardner, City Secretary for the City of Watauga, Texas, hereby certify that this notice was posted on the official bulletin board at City Hall, 7105 Whitley Road, Watauga, Texas, on August 9, before 6:00 p.m.

/s/ Andrea Gardner

Watauga, Texas

Bond Refunding Opportunity

August 24, 2020

Mark M. McLiney
SENIOR MANAGING DIRECTOR



MEMBER: FINRA/SIPC
www.samcocapital.com

(210) 832-9760 (San Antonio)
(214) 765-1439 (Dallas)
mmcliney@samcocapital.com

Andrew T. Friedman
MANAGING DIRECTOR



MEMBER: FINRA/SIPC
www.samcocapital.com

(210) 832-9760 (San Antonio)
(214) 765-1439 (Dallas)
afriedman@samcocapital.com

Potential Refunding Results

Summary of Bonds to be Refunded				
Series Name	Par Refunded	Refunded Coupon Range	Maturities Refunded	Call Date
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011	\$ 1,685,000	3.00% - 4.00%	2022 - 2026	2/1/2021

Annual Savings				
Date	Prior Debt	Refunding	Savings	Present Value
09/30/2021	\$ 60,950	\$ 49,500	\$ 11,450	\$ 11,304
09/30/2022	371,225	357,998	13,228	12,943
09/30/2023	370,813	359,059	11,754	11,380
09/30/2024	369,263	355,091	14,171	13,601
09/30/2025	371,400	361,066	10,334	9,817
09/30/2026	367,200	352,013	15,188	14,305
Total	\$ 1,910,850	\$ 1,834,726	\$ 76,124	\$ 73,350

Summary of Refunding Results	
	Preliminary
Par Amount of Refunded Bonds	\$ 1,685,000
Refunding Par Amount	\$ 1,770,000
Average Coupon of Refunded Bonds	3.77%
True Interest Cost of Refunding Bonds	1.15%
Gross Savings*	\$ 76,124
Present Value Savings as a Percentage of Bonds Refunded	4.62%

* Gross Savings is shown net of all costs of issuance

ORDINANCE

AN ORDINANCE AUTHORIZING THE ISSUANCE OF “CITY OF WATAUGA, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020”; PROVIDING FOR THE PAYMENT OF SAID CERTIFICATES BY THE LEVY OF AN AD VALOREM TAX UPON ALL TAXABLE PROPERTY WITHIN THE CITY AND FURTHER SECURING SAID CERTIFICATES BY A LIEN ON AND PLEDGE OF THE PLEDGED REVENUES OF THE SYSTEM; PROVIDING THE TERMS AND CONDITIONS OF SAID CERTIFICATES AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SAID CERTIFICATES, INCLUDING THE APPROVAL AND DISTRIBUTION OF AN OFFICIAL STATEMENT PERTAINING THERETO; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT AND AN OFFICIAL BID FORM; COMPLYING WITH THE REQUIREMENTS OF THE LETTER OF REPRESENTATIONS PREVIOUSLY EXECUTED WITH THE DEPOSITORY TRUST COMPANY; AUTHORIZING THE EXECUTION OF ANY NECESSARY ENGAGEMENT AGREEMENT WITH THE CITY’S FINANCIAL ADVISORS; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the City Council of the City of Watauga, Texas (the *City*) has caused notice to be given of its intention to issue certificates of obligation in the maximum principal amount of \$3,000,000 for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage incidental thereto; (2) constructing storm water, culvert, ditch, and related drainage improvements; (3) constructing, acquiring, purchasing, renovating, enlarging, and improving the City’s utility system; (4) designing, constructing, renovating, improving, and equipping the City’s parks and recreational facilities, including site construction, a stage, and a pole barn; (5) constructing, acquiring, purchasing, renovating, enlarging, and improving the City’s public works facilities, including fire station improvements and library roof improvements; (6) the purchase of materials, supplies, equipment, digital signage, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; (7) purchase of fleet vehicles, technology improvements, and a motorcycle; and (8) payment for professional services relating to the design, construction, project management, inspection, consultant services, and financing of the aforementioned projects. This notice has been duly published in a newspaper hereby found and determined to be of general circulation in the City, once a week for two (2) consecutive weeks, the date of the first publication of such notice being not less than thirty (30) days prior to the tentative date stated therein for the passage of the ordinance authorizing the issuance of such certificates of obligation; and

WHEREAS, in accordance with the provisions of Section 271.049, as amended, Texas Government Code, the City confirms that notice of the City's intention to issue certificates of obligation was approved by resolution at a public meeting and stated (1) the then-current principal of all outstanding debt of the City; (2) the then-current combined principal and interest required to pay all outstanding debt obligations of the City on time and in full, based on the City's expectations relative to the interest due on any variable rate debt obligations, as applicable (3) the maximum principal amount of the certificates of obligation to be authorized; (4) the estimated combined principal and interest required to pay the certificates of obligation in full; (5) the estimated interest rate for the certificates of obligation or that the maximum interest rate for the certificates of obligation may not exceed the maximum legal interest rate; and (6) the maximum maturity date of the certificates of obligation; and

WHEREAS, no petition protesting the issuance of the certificates of obligation described in this notice, signed by at least 5% of the qualified electors of the City, has been presented to or filed with the City Secretary prior to the date tentatively set in such notice for the passage of this ordinance; and

WHEREAS, the City Council hereby finds and determines that the issuance of the certificates of obligation, under the terms herein specified, is in the best interests of the City and its residents; and

WHEREAS, the City Council hereby finds and determines that certificates of obligation in the principal amount of \$_____ described in such notice should be issued and sold at this time; now, therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF WATAUGA, TEXAS THAT:

SECTION 1. Authorization - Designation - Principal Amount - Purpose. The certificates of obligation of the City shall be and are hereby authorized to be issued in the aggregate principal amount of _____ THOUSAND AND NO/100 DOLLARS (\$_____), to be designated and bear the title of "CITY OF WATAUGA, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020" (the *Certificates*), for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage incidental thereto; (2) constructing storm water, culvert, ditch, and related drainage improvements; (3) constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system; (4) designing, constructing, renovating, improving, and equipping the City's parks and recreational facilities, including site construction, a stage, and a pole barn; (5) constructing, acquiring, purchasing, renovating, enlarging, and improving the City's public works facilities, including fire station improvements and library roof improvements; (6) the purchase of materials, supplies, equipment, digital signage, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; (7) purchase of fleet vehicles, technology improvements, and a motorcycle; and (8) payment for professional services relating to the design, construction, project management, inspection, consultant services,

and financing of the aforementioned projects, pursuant to the authority conferred by and in conformity with the laws of the State of Texas, particularly the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code Section 271.041 through Section 271.064, Chapter 1502, as amended, Texas Government Code, and the City's Home Rule Charter.

SECTION 2. Fully Registered Obligations - Authorized Denominations - Stated Maturities - Interest Rates – Certificate Date. The Certificates are issuable in fully registered form only; shall be dated August 1, 2020 (the *Certificate Date*) and shall be issued in denominations of \$5,000 or any integral multiple (within a Stated Maturity) thereof, and the Certificates shall become due and payable on February 1 in each of the years and in principal amounts (the *Stated Maturities*) and bear interest on the unpaid principal amounts from the Certificate Date, or from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, at the per annum rates, while Outstanding, in accordance with the following schedule:

<u>Years of Stated Maturity</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		
2039		
2040		

The Certificates shall bear interest on the unpaid principal amounts from the Certificate Date, or from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, to Stated Maturity or prior redemption, while Outstanding, at the rates per annum shown in the above schedule (calculated on the basis of a 360-day year of twelve 30-day months). Interest on the Certificates shall be payable on February 1 and August 1 in each

year (each, an *Interest Payment Date*), commencing February 1, 2021, while the Certificates are Outstanding.

SECTION 3. Payment of Certificates - Paying Agent/Registrar. The principal of, premium, if any, and interest on the Certificates, due and payable by reason of Stated Maturity, redemption, or otherwise, shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and such payment of principal of, premium if any, and interest on the Certificates shall be without exchange or collection charges to the Holder (hereinafter defined) of the Certificates.

The selection and appointment of BOKF, NA, Dallas, Texas (the *Paying Agent/Registrar*) to serve as the initial Paying Agent/Registrar, for the Certificates is hereby approved and confirmed, and the City agrees and covenants to cause to be kept and maintained at the corporate trust office of the Paying Agent/Registrar books and records (the *Security Register*) for the registration, payment and transfer of the Certificates, all as provided herein, in accordance with the terms and provisions of a Paying Agent/Registrar Agreement, attached, in substantially final form, as Exhibit A hereto, and such reasonable rules and regulations as the Paying Agent/Registrar and City may prescribe. The City covenants to maintain and provide a Paying Agent/Registrar at all times while the Certificates are Outstanding, and any successor Paying Agent/Registrar shall be (i) a national or state banking institution or (ii) an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers. Such Paying Agent/Registrar shall be subject to supervision or examination by federal or state authority and authorized by law to serve as a Paying Agent/Registrar.

The City reserves the right to appoint a successor Paying Agent/Registrar upon providing the previous Paying Agent/Registrar with a certified copy of a resolution or ordinance terminating such agency. Additionally, the City agrees to promptly cause a written notice of this substitution to be sent to each Holder of the Certificates by United States mail, first-class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of, premium, if any, and interest on the Certificates, due and payable by reason of Stated Maturity, redemption, or otherwise, shall be payable only to the registered owner of the Certificates appearing on the Security Register (the *Holder* or *Holder*s) maintained on behalf of the City by the Paying Agent/Registrar as hereinafter provided (i) on the Record Date (hereinafter defined) for purposes of payment of interest thereon, (ii) on the date of surrender of the Certificates for purposes of receiving payment of principal thereof upon redemption of the Certificates or at the Certificates' Stated Maturity, and (iii) on any other date for any other purpose. The City and the Paying Agent/Registrar, and any agent of either, shall treat the Holder as the owner of a Certificate for purposes of receiving payment and all other purposes whatsoever, and neither the City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary.

Principal of and premium, if any, on the Certificates shall be payable only upon presentation and surrender of the Certificates to the Paying Agent/Registrar at its corporate trust office. Interest on the Certificates shall be paid to the Holder whose name appears in the Security Register at the close of business on the fifteenth day of the month next preceding an Interest

Payment Date for the Certificates (the *Record Date*) and shall be paid (i) by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, by the Paying Agent/Registrar, to the address of the Holder appearing in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by the Holder at the Holder's risk and expense.

If the date for the payment of the principal of, premium, if any, or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a day. The payment on such date shall have the same force and effect as if made on the original date any such payment on the Certificates was due.

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 (the *Special Payment Date* - which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Holder of a Certificate appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

SECTION 4. Redemption.

A. Mandatory Redemption. The Certificates stated to mature on February 1, 20__ and February 1, 20__ are referred to herein as the "Term Certificates". The Term Certificates are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Certificate Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on February 1 in each of the years as set forth below:

Term Certificates Stated to Mature on February 1, 20__		Term Certificates Stated to Mature on February 1, 20__	
<u>Year</u>	<u>Principal Amount (\$)</u>	<u>Year</u>	<u>Principal Amount (\$)</u>

*Payable at Stated Maturity

The principal amount of a Term Certificate required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by

the principal amount of any Term Certificates of such Stated Maturity which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the City, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption requirement.

B. Optional Redemption. The Certificates having Stated Maturities on and after February 1, 2030 shall be subject to redemption prior to Stated Maturity, at the option of the City, on February 1, 2029, or on any date thereafter, as a whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date of redemption.

C. Exercise of Redemption Option. At least forty-five (45) days prior to a date set for the redemption of Certificates (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the City shall notify the Paying Agent/Registrar of its decision to exercise the right to redeem Certificates, the principal amount of each Stated Maturity to be redeemed, and the date set for the redemption thereof. The decision of the City to exercise the right to redeem Certificates shall be entered in the minutes of the governing body of the City.

D. Selection of Certificates for Redemption. If less than all Outstanding Certificates of the same Stated Maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall select at random and by lot the Certificates to be redeemed, provided that if less than the entire principal amount of a Certificate is to be redeemed, the Paying Agent/Registrar shall treat such Certificate then subject to redemption as representing the number of Certificates Outstanding which is obtained by dividing the principal amount of such Certificate by \$5,000.

E. Notice of Redemption. Not less than thirty (30) days prior to a redemption date for the Certificates, the Paying Agent/Registrar shall cause a notice of redemption to be sent by United States mail, first-class postage prepaid, in the name of the City and at the City's expense, by the Paying Agent/Registrar to each Holder of a Certificate to be redeemed, in whole or in part, at the address of the Holder appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Holder. This notice may also be published once in a financial publication, journal, or reporter of general circulation among securities dealers in the City of New York, New York (including, but not limited to, *The Bond Buyer* and *The Wall Street Journal*), or in the State of Texas (including, but not limited to, *The Texas Bond Reporter*).

All notices of redemption shall (i) specify the date of redemption for the Certificates, (ii) identify the Certificates to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Certificates, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Certificates, or the

principal amount thereof to be redeemed, shall be made at the corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Holder.

If a Certificate is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as herein provided, such Certificate (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and if money sufficient for the payment of such Certificates (or of the principal amount thereof to be redeemed) at the then applicable redemption price is held for the purpose of such payment by the Paying Agent/Registrar, then on the redemption date designated in such notice, interest on the Certificates (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue and such Certificates shall not be deemed to be Outstanding in accordance with the provisions of this Ordinance.

F. Transfer/Exchange of Certificates. Neither the City nor the Paying Agent/Registrar shall be required (1) to transfer or exchange any Certificate during a period beginning forty-five (45) days prior to the date fixed for redemption of the Certificates or (2) to transfer or exchange any Certificate selected for redemption, provided, however, such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance of a Certificate which is subject to redemption in part.

SECTION 5. Execution - Registration. The Certificates shall be executed on behalf of the City by its Mayor or Mayor Pro Tem under the seal of the City reproduced or impressed thereon and attested by its City Secretary. The signature of either of said officers on the Certificates may be manual or facsimile. Certificates bearing the manual or facsimile signatures of individuals who were, at the time of the Certificate Date, the proper officers of the City shall bind the City, notwithstanding that such individuals or either of them shall cease to hold such offices prior to the delivery of the Certificates to the Purchasers (hereinafter defined), all as authorized and provided in Chapter 1201, as amended, Texas Government Code.

No Certificate shall be entitled to any right or benefit under this Ordinance, or be valid or obligatory for any purpose, unless there appears on such Certificate either a certificate of registration substantially in the form provided in Section 8C, executed by the Comptroller of Public Accounts of the State of Texas or his duly authorized agent by manual signature, or a certificate of registration substantially in the form provided in Section 8D, executed by the Paying Agent/Registrar by manual signature, and either such certificate upon any Certificate shall be conclusive evidence, and the only evidence, that such Certificate has been duly certified or registered and delivered.

SECTION 6. Registration - Transfer - Exchange of Certificates - Predecessor Certificates. The Paying Agent/Registrar shall obtain, record, and maintain in the Security Register the name and address of every owner of the Certificates, or if appropriate, the nominee thereof. Any Certificate may, in accordance with its terms and the terms hereof, be transferred or exchanged for Certificates of other authorized denominations upon the Security Register by the Holder, in person or by his duly authorized agent, upon surrender of such Certificate to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender for transfer of any Certificate at the corporate trust office of the Paying Agent/Registrar, the City shall execute and the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Certificates of authorized denomination and having the same Stated Maturity and of a like interest rate and aggregate principal amount as the Certificate or Certificates surrendered for transfer.

At the option of the Holder, Certificates may be exchanged for other Certificates of authorized denominations and having the same Stated Maturity, bearing the same rate of interest and of like aggregate principal amount as the Certificates surrendered for exchange upon surrender of the Certificates to be exchanged at the corporate trust office of the Paying Agent/Registrar. Whenever any Certificates are so surrendered for exchange, the City shall execute, and the Paying Agent/Registrar shall register and deliver, the Certificates to the Holder requesting the exchange.

All Certificates issued upon any transfer or exchange of Certificates shall be delivered at the corporate trust office of the Paying Agent/Registrar, or be sent by registered mail to the Holder at his request, risk, and expense, and upon the delivery thereof, the same shall be the valid and binding obligations of the City, evidencing the same obligation to pay, and entitled to the same benefits under this Ordinance, as the Certificates surrendered upon such transfer or exchange.

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

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

SECTION 7. Initial Certificate. The Certificates herein authorized shall be issued initially either (i) as a single fully registered Certificate in the total principal amount of \$_____ with principal installments to become due and payable as provided in Section 2 and numbered T-1, or (ii) as one (1) fully registered Certificate for each year of Stated Maturity in the applicable principal amount and denomination and to be numbered consecutively from T-1 and upward (the *Initial Certificate*) and, in either case, the Initial Certificate shall be registered in the name of the Purchasers or the designee thereof. The Initial Certificate shall be the Certificate submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the Purchasers. Any time after the delivery of the Initial Certificate to the Purchasers, the Paying Agent/Registrar, pursuant to written instructions from the Purchasers or their designee, shall cancel the Initial Certificate delivered hereunder and exchange therefor definitive Certificates of authorized denominations, Stated Maturities, principal amounts and bearing applicable interest rates on the unpaid principal amounts from the Certificate Date, or from the most recent Interest

Payment Date to which interest has been paid or duly provided for, to Stated Maturity, and shall be lettered "R" and numbered consecutively from one (1) upward for transfer and delivery to the Holders named at the addresses identified therefor; all pursuant to and in accordance with such written instructions from the Purchasers, or the designee thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

SECTION 8. Forms.

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

The definitive Certificates shall be printed, lithographed, or engraved, produced by any combination of these methods, or produced in any other similar manner, all as determined by the officers executing the Certificates as evidenced by their execution thereof, but the Initial Certificate submitted to the Attorney General of the State of Texas may be typewritten or photocopied or otherwise reproduced.

[The remainder of this page intentionally left blank.]

B. Form of Definitive Certificate.

REGISTERED
NO. _____

REGISTERED
PRINCIPAL AMOUNT
\$ _____

United States of America
State of Texas
County of Tarrant
CITY OF WATAUGA, TEXAS
COMBINATION TAX AND LIMITED PLEDGE REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2020

Certificate Date: August 1, 2020
Interest Rate:
Stated Maturity:
CUSIP No.

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____

The City of Watauga, Texas (the *City*), a body corporate and municipal corporation in the County of Tarrant, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the order of the Registered Owner specified above, or the registered assigns thereof, on the Stated Maturity date specified above, the Principal Amount specified above (or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid Principal Amount hereof from the Certificate Date specified above, or from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for until such Principal Amount has become due and payment thereof has been made or duly provided for, to the earlier of redemption or Stated Maturity, while Outstanding, at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 1 and August 1 of each year (each, an *Interest Payment Date*), commencing February 1, 2021.

Principal and premium, if any, of this Certificate shall be payable to the Registered Owner hereof (the *Holder*), upon presentation and surrender, at the corporate trust office of the Paying Agent/Registrar executing the registration certificate appearing hereon or a successor thereof. Interest shall be payable to the Holder of this Certificate (or one or more Predecessor Certificates, as defined in the Ordinance hereinafter referenced) whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the fifteenth day of the month next preceding each Interest Payment Date. All payments of principal of and interest on this Certificate shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, to the Holder hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by the Holder hereof at the Holder's risk and expense.

This Certificate is one of the series specified in its title issued in the aggregate principal amount of \$_____ (the *Certificates*) pursuant to an Ordinance adopted by the governing body of the City (the *Ordinance*), for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage incidental thereto; (2) constructing storm water, culvert, ditch, and related drainage improvements; (3) constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system; (4) designing, constructing, renovating, improving, and equipping the City's parks and recreational facilities, including site construction, a stage, and a pole barn; (5) constructing, acquiring, purchasing, renovating, enlarging, and improving the City's public works facilities, including fire station improvements and library roof improvements; (6) the purchase of materials, supplies, equipment, digital signage, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; (7) purchase of fleet vehicles, technology improvements, and a motorcycle; and (8) payment for professional services relating to the design, construction, project management, inspection, consultant services, and financing of the aforementioned projects, under and in strict conformity with the laws of the State of Texas, particularly Chapter 1502, as amended, Texas Government Code, the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through 271.064, and the City's Home Rule Charter.

As provided in the Ordinance, the Certificates stated to mature on February 1, 20__ and February 1, 20__ are referred to herein as the "Term Certificates". The Term Certificates are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Certificate Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on February 1 in each of the years as set forth below:

Term Certificates Stated to Mature on February 1, 20__		Term Certificates Stated to Mature on February 1, 20__	
<u>Year</u>	<u>Principal Amount (\$)</u>	<u>Year</u>	<u>Principal Amount (\$)</u>

*Payable at Stated Maturity

The principal amount of a Term Certificate required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Certificates of such Stated Maturity which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and

cancelled by the Paying Agent/Registrar at the request of the City, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption requirement.

As provided in the Ordinance, the Certificates having Stated Maturities on and after February 1, 2030 shall be subject to redemption prior to Stated Maturity, at the option of the City, on February 1, 2029, or on any date thereafter, as a whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date of redemption; provided, however, that at least thirty (30) days prior written notice shall be sent to the Holders of the Certificates to be redeemed by United States mail, first-class postage prepaid, and subject to the terms and provisions relating thereto contained in the Ordinance. If this Certificate is subject to redemption prior to Stated Maturity and is in a denomination in excess of \$5,000, portions of the principal sum hereof in installments of \$5,000 or any integral multiple thereof may be redeemed, and, if less than all of the principal sum hereof is to be redeemed, there shall be issued, without charge therefor, to the Holder hereof, upon the surrender of this Certificate to the Paying Agent/Registrar at its corporate trust office, a new Certificate or Certificates of like Stated Maturity and interest rate in any authorized denominations provided in the Ordinance for the then unredeemed balance of the principal sum hereof.

If this Certificate (or any portion of the principal sum hereof) shall have been duly called for redemption and notice of such redemption has been duly given, then upon such redemption date this Certificate (or the portion of the principal sum hereof to be redeemed) shall become due and payable, and, if the money for the payment of the redemption price, and the interest accrued on the principal amount to be redeemed to the date of redemption is held for the purpose of such payment by the Paying Agent/Registrar, interest shall cease to accrue and be payable hereon from and after the redemption date on the principal amount hereof to be redeemed. If this Certificate is called for redemption, in whole or in part, the City or the Paying Agent/Registrar shall not be required to issue, transfer, or exchange this Certificate within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance hereof in the event of its redemption in part.

The Certificates of this series are payable from the proceeds of an ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the *System*), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City has previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) that are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner and as described in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the

Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise.

Reference is hereby made to the Ordinance, a copy of which is on file in the corporate trust office of the Paying Agent/Registrar, and to all of the provisions of which the Holder by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the tax levied and the revenues pledged for the payment of the Certificates; the terms and conditions under which the City may issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations; the terms and conditions relating to the transfer or exchange of the Certificates; the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Holder; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which this Certificate may be redeemed or discharged at or prior to the Stated Maturity thereof, and deemed to be no longer Outstanding thereunder; and for the other terms and provisions specified in the Ordinance. Capitalized terms used herein without definition have the same meanings assigned in the Ordinance.

This Certificate, subject to certain limitations contained in the Ordinance, may be transferred on the Security Register upon presentation and surrender at the corporate trust office of the Paying Agent/Registrar, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by the Holder hereof, or his duly authorized agent, and thereupon one or more new fully registered Certificates of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued to the designated transferee or transferees.

The City and the Paying Agent/Registrar, and any agent of either, shall treat the Holder hereof whose name appears on the Security Register (i) on the Record Date as the owner hereof for purposes of receiving payment of interest hereon, (ii) on the date of surrender of this Certificate as the owner hereof for purposes of receiving payment of principal hereof at its Stated Maturity or its redemption, in whole or in part, and (iii) on any other date as the owner hereof for all other purposes, and neither the City nor the Paying Agent/Registrar, or any such agent of either, shall be affected by notice to the contrary. In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a Special Record Date) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the *Special Payment Date* - which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

It is hereby certified, covenanted, and represented that all acts, conditions, and things required to be performed, exist, and be done precedent to the issuance of this Certificate in order to render the same a legal, valid, and binding obligation of the City have been performed, exist, and have been done, in regular and due time, form, and manner, as required by the laws of the State of Texas and the Ordinance, and that issuance of the Certificates does not exceed any constitutional or statutory limitation; and that due provision has been made for the payment of the

principal of, premium if any, and interest on the Certificates by the levy of a tax and collection of Pledged Revenues as aforesated. In case any provision in this Certificate or any application thereof shall be deemed invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. The terms and provisions of this Certificate and the Ordinance shall be construed in accordance with and shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the City has caused this Certificate to be duly executed under its official seal.

CITY OF WATAUGA, TEXAS

By _____
Mayor

ATTEST:

City Secretary

(CITY SEAL)

C. *Form of Registration Certificate of Comptroller of Public Accounts to Appear on Initial Certificate Only.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

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

I HEREBY CERTIFY that this Certificate has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this _____

Comptroller of Public Accounts
of the State of Texas

(SEAL)

*NOTE TO PRINTER: Do not Print on Definitive Certificates.

D. *Form of Certificate of Paying Agent/Registrar to Appear on Definitive Certificates Only.

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Certificate has been duly issued under the provisions of the within-mentioned Ordinance; the Certificate or Certificates of the above-entitled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent/Registrar.

Registered this date:	BOKF, NA, Dallas, Texas, as Paying Agent/Registrar
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_____	By: _____
	Authorized Signature

*NOTE TO PRINTER: Print on Definitive Certificates.

E. Form of Assignment.

ASSIGNMENT

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

(Social Security or other identifying number): _____
the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Certificate on the books kept for registration thereof, with full power of substitution in the premises.

DATED: _____

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

Signature guaranteed:

F. Form of Initial Certificate. The Initial Certificate shall be in the form set forth in paragraph B of this Section, except that the form of a single fully registered Initial Certificate shall be modified as follows:

- (i) immediately under the name of the Certificate the headings "Interest Rate and "Stated Maturity shall both be completed "as shown below";
- (ii) the first two paragraphs shall read as follows:

The City of Watauga, Texas (the *City*), a body corporate and municipal corporation in the County of Tarrant, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the order of the Registered Owner named above, or the registered assigns thereof, the Principal Amount specified above stated to mature on the first day of February in each of the years and in principal amounts and bearing interest at per annum rates in accordance with the following schedule:

<u>Years of</u> <u>Stated Maturity</u>	<u>Principal</u> <u>Amounts (\$)</u>	<u>Interest</u> <u>Rates (%)</u>
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(Information to be inserted
from schedule in Section 2 hereof)

(or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid Principal Amounts hereof from the Certificate Date specified above, or from the most

recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for until the Principal Amount has become due and payment thereof has been made or duly provided for, to the earlier of redemption or Stated Maturity, at the per annum rates of interest specified above, computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 1 and August 1 of each year (each, an *Interest Payment Date*), commencing February 1, 2021.

Principal of this Certificate shall be payable to the Registered Owner hereof (the *Holder*), upon its presentation and surrender, to Stated Maturity or prior redemption, while Outstanding, at the corporate trust office of BOKF, NA, Dallas, Texas (the *Paying Agent/Registrar*). Interest shall be payable to the Holder of this Certificate whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the fifteenth day of the month next preceding each Interest Payment Date. All payments of principal of and interest on this Certificate shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, to the Holder hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder hereof.

[END OF FORM]

A. Insurance Legend. If bond insurance is obtained by the City or the Purchasers for the Certificates, the Definitive Certificates and the Initial Certificate shall bear an appropriate legend as provided by the bond insurer to appear under the following header:

[BOND INSURANCE]

SECTION 9. Definitions. For all purposes of this Ordinance (as defined below), except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Sections 27 and 44 of this Ordinance have the meanings assigned to them in Sections 27 and 44 of this Ordinance, and all such terms, include the plural as well as the singular; (ii) all references in this Ordinance to designated “Sections” and other subdivisions are to the designated Sections and other subdivisions of this Ordinance as originally adopted; and (iii) the words “herein”, “hereof”, and “hereunder” and other words of similar import refer to this Ordinance as a whole and not to any particular Section or other subdivision.

A. The term *Additional Limited Pledge Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation or other evidences of indebtedness hereafter issued by the City payable in whole or in part from a limited pledge of and lien on Net Revenues of the System such pledge being subordinate and inferior to the lien thereon and pledge thereof securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City, which pledge of revenues is limited pursuant to Section 1502.052, as amended, Texas Government Code, all as further provided in Section 20 of this Ordinance, and (ii) any obligations issued to refund the foregoing as determined by the City Council in accordance with applicable law.

B. The term *Authorized Officials* shall mean the Mayor, the Mayor Pro Tem, and/or the City Manager.

C. The term *Certificates* shall mean the \$_____ “CITY OF WATAUGA, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020” authorized by this Ordinance.

D. The term *Certificate Fund* shall mean the special Fund created and established by the provisions of Section 10 of this Ordinance.

E. The term *City* shall mean the City of Watauga, located in Tarrant County, Texas and, where appropriate, the City Council of the City.

F. The term *Closing Date* shall mean the date of physical delivery of the Initial Certificates in exchange for the payment of the agreed purchase price for the Certificates.

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

H. The term *Debt Service Requirements* shall mean, as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest at the maximum rate permitted by the terms thereof and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto.

I. The term *Depository* shall mean an official depository bank of the City.

J. The term *Fiscal Year* shall mean the annual financial accounting period for the System now ending on September 30th of each year; provided, however, the City Council may change such annual financial accounting period to end on another date if such change is found and determined to be necessary for accounting purposes or is required by applicable law.

K. The term *Government Securities*, as used herein, shall mean (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its

equivalent, or (iv) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Certificates.

L. The term *Gross Revenues* for any period shall mean all revenue during such period in respect or on account of the operation or ownership of the System, excluding refundable meter deposits, restricted gifts, and grants in aid of construction, but including earnings and income derived from the investment or deposit of money in any special fund or account (except the Certificate Fund) created and established for the payment or security of the Certificates.

M. The term *Holder* or *Holder*s shall mean the registered owner, whose name appears in the Security Register, for any Certificate.

N. The term *Interest Payment Date* shall mean the date interest is payable on the Certificates, being February 1 and August 1 of each year, commencing February 1, 2021, while any of the Certificates remain Outstanding.

O. The term *Junior Lien Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation or any similar obligations hereafter issued by the City that are payable in whole or in part from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues of the System, such pledge being junior and inferior to the lien on and pledge of the Net Revenues of the System that may be pledged to the payment of any Prior Lien Obligations hereafter issued by the City, but prior and superior to the lien on and pledge of the Net Revenues of the System that are or will be pledged to the payment of the currently outstanding Limited Pledge Obligations, and the Certificates, or any Subordinate Lien Obligations or Additional Limited Pledge Obligations hereafter issued by the City all as further provided in Section 20 of this Ordinance and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues of the System as determined by the City Council in accordance with any applicable law.

P. The term *Limited Pledge Obligations* shall mean (i) the Certificates and the outstanding and unpaid obligations of the City that are payable, in part, from and secured by a subordinate and inferior lien on and pledge of a limited amount of the Net Revenues of the System and designated as follows:

(1) “City of Watauga, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007”, dated August 1, 2007, originally issued in the aggregate principal amount of \$3,400,000;

(2) “City of Watauga, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011”, dated June 1, 2011, originally issued in the aggregate principal amount of \$7,365,000;

(3) “City of Watauga, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012”, dated June 15, 2012, originally issued in the aggregate principal amount of \$7,730,000;

(4) “City of Watauga, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014”, dated August 1, 2014, originally issued in the aggregate principal amount of \$3,500,000;

(5) “City of Watauga, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016”, dated September 1, 2016, originally issued in the aggregate principal amount of \$5,885,000;

(6) “City of Watauga, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017”, dated June 1, 2017, originally issued in the aggregate principal amount of \$7,325,000;

(7) “City of Watauga, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018”, dated September 1, 2018, originally issued in the aggregate principal amount of \$6,780,000; and

(8) “City of Watauga, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019”, dated August 1, 2019, originally issued in the aggregate principal amount of \$8,490,000; and

(ii) any obligations hereafter issued to refund any of the foregoing as determined by the City Council in accordance with any applicable law.

Q. The term *Maintenance and Operating Expenses* shall mean all current expenses of operating and maintaining the System not paid from the proceeds of the Certificates, including (1) the cost of all salaries, labor, materials, repairs, and extensions necessary to render efficient service, but only if, in the case of repairs and extensions, they are, in the judgment of the City Council (reasonably and fairly exercised), necessary to maintain operation of the System and render adequate service to the City and the inhabitants thereof, or are necessary to meet some physical accident or condition which would otherwise impair obligations payable from Net Revenues, (2) payments to pension, retirement, health, hospitalization, and other employee benefit funds for employees of the City engaged in the operation or maintenance of the System, (3) payments under contracts for the purchase of water supply, treatment of sewage, or other materials, goods, or services for the System to the extent authorized by law and the provisions of such contract, (4) payments to auditors, attorneys, and other consultants incurred in complying with the obligations of the City hereunder, and (5) any legal liability of the City arising out of the operation, maintenance, or condition of the System, but excluding any allowance for depreciation, property retirement, depletion, obsolescence, and other items not requiring an outlay of cash and any interest on the Certificates or other bonds, notes, warrants, or similar obligations of the City payable from Net Revenues.

R. The term *Net Revenues* for any period shall mean the Gross Revenues of the System less the Maintenance and Operating Expenses of the System.

S. The term *Ordinance* shall mean this ordinance as finally passed and adopted by the City Council of the City.

T. The term *Outstanding* when used in this Ordinance with respect to the Certificates shall mean, as of the date of determination, all Certificates issued and delivered under this Ordinance, except:

(1) those Certificates cancelled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) those Certificates for which payment has been duly provided by the City in accordance with the provisions of Section 29 of this Ordinance; and

(3) those Certificates that have been mutilated, destroyed, lost, or stolen and replacement Certificates have been registered and delivered in lieu thereof as provided in Section 25 of this Ordinance.

U. The term *Pledged Revenues* shall mean, while the Certificates remain Outstanding, an amount of Net Revenues not in excess of \$1,000. The Pledged Revenues shall be deposited, allocated, and expended in accordance with Section 10 of this Ordinance.

V. The term *Pledged Revenue Amount* shall mean the total amount, not to exceed \$1,000 while the Certificates are Outstanding, of Net Revenues that may be transferred in whole or in part by the City in any given Fiscal Year (however, any amounts transferred prior to the final maturity date of the Certificates may not exceed the total amount of \$1,000) to the Certificate Fund.

W. The term *Prior Lien Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation or any similar obligations hereafter issued by the City that are payable in whole or in part from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the System, all as further provided in Section 20 of this Ordinance, and (ii) any obligations hereafter issued to refund the foregoing if issued in a manner so as to be payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the System as determined by the City Council in accordance with any applicable law.

X. The term *Purchasers* shall mean the initial purchaser or purchasers of the Certificates named in Section 26 of this Ordinance.

Y. The term *Stated Maturity* shall mean the annual principal payments of the Certificates payable on February 1 of each year the Certificates are Outstanding as set forth in Section 2 of this Ordinance.

Z. The term *Subordinate Lien Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation, or any similar obligations hereafter issued by the City that are payable in whole or in part from and equally and ratably secured by a lien on and pledge of the Net Revenues of the System, such pledge being subordinate and inferior to the lien on and pledge of the Net Revenues of the System that may be pledged to the payment of any Prior Lien Obligations or Junior Lien Obligations hereafter issued by the City, but prior and superior to the lien on and pledge of the limited amount of the Net Revenues securing, in part, the payment of the currently outstanding Limited Pledge Obligations and the Certificates or any Additional Limited Pledge Obligations hereafter issued by the City, all as further provided in Section 20 of this Ordinance

and (ii) any obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues as determined by the City Council in accordance with any applicable law.

AA. The term *System* shall mean all properties, facilities and plants currently owned, operated, and maintained by the City for the supply, treatment, and transmission of treated potable water, for the collection and treatment of wastewater, together with all future extensions, improvements, replacements and additions thereto, whether situated within or without the limits of the City and the City expressly reserves the right at its sole discretion to include additional utility, telecommunications, technology, or similar enterprise services as components of the System; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall not mean to include facilities of any kind which are declared not to be a part of the System and which are acquired or constructed by or on behalf of the City with the proceeds from the issuance of *Special Facilities Bonds*, which are hereby defined as being special revenue obligations of the City which are not payable from Net Revenues but which are payable from and equally and ratably secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the Bonds Similarly Secured including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

SECTION 10. Certificate Fund – Investments. For the purpose of paying the interest on and to provide a sinking fund for the payment, redemption, and retirement of the Certificates, there shall be and is hereby created a special fund to be designated “COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020, INTEREST AND SINKING FUND” (the *Certificate Fund*), which fund shall be kept and maintained at the Depository, and money deposited in the Certificate Fund shall be used for no other purpose and shall be maintained as provided in Section 27. Authorized Officials of the City are hereby authorized and directed to make withdrawals from the Certificate Fund sufficient to pay the purchase price or the amount of principal of, premium, if any, and interest on the Certificates as the same become due and payable and shall cause to be transferred to the Paying Agent/Registrar from money on deposit in the Certificate Fund an amount sufficient to pay the amount of principal and/or interest stated to mature on the Certificates, such transfer of funds to the Paying Agent/Registrar to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar on or before the business day next preceding each interest and principal payment date for the Certificates.

The City, at its sole discretion, may deposit the Pledged Revenue Amount to the Certificate Fund. The Pledged Revenue Amount, if deposited, shall be expended annually to pay principal of and interest on the Certificates as the same become due and payable. This Pledged Revenue Amount shall be accounted for and transferred to the Paying Agent/Registrar in accordance with the provisions of the previous paragraph of this Section.

Pending the transfer of funds to the Paying Agent/Registrar, money deposited in any fund created and established by this Ordinance may, at the option of the City, be placed in time deposits, certificates of deposit, guaranteed investment contracts, or similar contractual agreements, as permitted by the provisions of the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, secured (to the extent not insured by the Federal Deposit Insurance

Corporation) by obligations of the type hereinafter described, or be invested, as authorized by any law, including investments held in book-entry form, in securities, including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Small Business Administration, Farmers Home Administration, Federal Home Loan Mortgage Association, or Federal Housing Association; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from such fund will be available at the proper time or times. All interest and income derived from deposits and investments in any fund established pursuant to the provisions of this Ordinance shall be credited to, and any losses debited to, such fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Certificates.

SECTION 11. Tax Levy. To provide for the payment of the Debt Service Requirements on the Certificates being (i) the interest on the Certificates and (ii) a sinking fund for their redemption at Stated Maturity or a sinking fund of 2% (whichever amount shall be the greater), there shall be and there is hereby levied for the current year and each succeeding year thereafter while the Certificates or any interest thereon shall remain Outstanding, a sufficient tax, within the limitations prescribed by law, on each one hundred dollars valuation of taxable property in the City, adequate to pay such Debt Service Requirements, full allowance being made for delinquencies and costs of collection; said tax shall be assessed and collected each year and applied to the payment of the Debt Service Requirements, and the same shall not be diverted to any other purpose. The taxes so levied and collected shall be paid into the Certificate Fund and are thereafter pledged to the payment of the Certificates. The City Council hereby declares its purpose and intent to provide and levy a tax legally and fully sufficient to pay the Debt Service Requirements, it having been determined that the existing and available taxing authority of the City for such purpose is adequate to permit a legally sufficient tax in consideration of all other outstanding indebtedness and other obligations of the City.

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

A. Prior to the date the City Council establishes the annual tax rate and passes an ordinance levying ad valorem taxes each year, the City Council shall determine:

(1) the amount of Debt Service Requirements to become due and payable on the Certificates between the Collection Date for the taxes then to be levied and the Collection Date for the taxes to be levied during the next succeeding calendar year;

(2) the amount on deposit in the Certificate Fund after (a) deducting therefrom the total amount of Debt Service Requirements to become due on Certificates prior to the Collection Date for the ad valorem taxes to be levied and (b) adding thereto the amount of the Pledged Revenues, if any, to be appropriated and allocated during such year to pay such

Debt Service Requirements, if any, prior to the Collection Date for the ad valorem taxes to be levied; and

(3) the amount of Pledged Revenues, if any, to be appropriated and to be set aside for the payment of the Debt Service Requirements on the Certificates between the Collection Date for the taxes then to be levied and the Collection Date for the taxes to be levied during the next succeeding Fiscal Year.

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

SECTION 12. Pledge of Revenues. The City hereby covenants and agrees that, subject to (i) any prior lien on and pledge of the Net Revenues of the System to the payment and security of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City and (ii) the lien on and pledge of a limited amount of the Net Revenues to the payment and security of the currently outstanding Limited Pledge Obligations, the Pledged Revenues are hereby irrevocably pledged to the payment of the principal of and interest on the Certificates and the pledge of Pledged Revenues herein made for the payment of the Certificates shall constitute a lien on the Pledged Revenues in accordance with the terms and provisions hereof and be valid and binding without any physical delivery thereof or further act by the City.

SECTION 13. System Fund. The City hereby covenants and agrees that all Gross Revenues derived from the operation of the System shall be kept separate and apart from all other funds, accounts and money of the City and shall be deposited as collected into the "CITY OF WATAUGA, TEXAS UTILITY SYSTEM FUND" (the *System Fund*). All money deposited in the System Fund shall be pledged and appropriated to the extent required for the following purposes and in the order of priority shown:

- First: to the payment of the reasonable and proper Maintenance and Operating Expenses of the System required by statute or ordinances authorizing the issuance of any indebtedness of the City to be a first charge on and claim against the Gross Revenues of the System;
- Second: To the payment of the amounts that must be deposited in the special funds and accounts created and established for the payment, security, and benefit of any Prior Lien Obligations hereafter issued by the City in accordance with the terms and provisions of any ordinance authorizing their issuance;
- Third: To the payment of the amounts that must be deposited in the special funds and accounts created and established for the payment, security, and benefit of any Junior Lien Obligations hereafter issued by the City in accordance with the terms and provisions of any ordinance authorizing their issuance;
- Fourth: To the payment of the amounts that must be deposited in the special funds and accounts created and established for the payment, security, and benefit of any

Subordinate Lien Obligations hereafter issued by the City in accordance with the terms and provisions of any ordinance authorizing their issuance; and

- Fifth: To the payment of the amounts that may be deposited in the special funds and accounts established for the payment of the currently outstanding Limited Pledge Obligations, including the Certificates, and any Additional Limited Pledge Obligations hereafter issued by the City in accordance with the terms and provisions of any ordinances authorizing their issuance.

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

SECTION 14. Deposits to Certificate Fund – Surplus Certificate Proceeds. The City hereby covenants and agrees to cause to be deposited in the Certificate Fund prior to a principal and interest payment date for the Certificates, from the Pledged Revenues in the System Fund, after the deduction of all payments required to be made to the special funds or accounts created for the payment, security, and benefit of (i) any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City and (ii) the currently outstanding Limited Pledge Obligations, including the Certificates, and any amounts budgeted to be paid therefrom in such Fiscal Year.

Accrued interest received from the Purchasers of the Certificates shall be deposited to the Certificate Fund and ad valorem taxes levied and collected for the benefit of the Certificates shall be deposited to the Certificate Fund. In addition, any surplus proceeds, including investment income therefrom, from the sale of the Certificates not expended for authorized purposes shall be deposited in the Certificate Fund, and such amounts so deposited shall reduce the sums otherwise required to be deposited in said fund from ad valorem taxes.

SECTION 15. Security of Funds. All money on deposit in the funds for which this Ordinance makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and money on deposit in such funds shall be used only for the purposes permitted by this Ordinance.

SECTION 16. Maintenance of System - Insurance. The City covenants and agrees that while the Certificates remain Outstanding it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance (including a system of self-insurance) on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, are held for the benefit of the holders of the Certificates until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the

provisions hereof shall be considered Maintenance and Operating Expenses. Nothing in this Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the City from doing so.

SECTION 17. Rates and Charges. The City hereby covenants and agrees with the Holders of the Certificates that rates and charges for utility services afforded by the System will be established and maintained to provide Gross Revenues sufficient at all times:

A. to pay, together with any other lawfully available funds, all operating, maintenance, depreciation, replacement, betterment, and other costs incurred in the maintenance and operation of the System, including, but not limited to, Maintenance and Operating Expenses; provided, however, that the City expressly reserves the right to utilize other lawfully available funds to pay the Maintenance and Operating Expenses;

B. to produce Net Revenues sufficient, together with any other lawfully available funds, to pay (i) the interest on and principal of any Prior Lien Obligations hereafter issued by the City as the same becomes due and payable and the amounts required to be deposited in any special fund created and established for the payment, security, and benefit thereof, (ii) the interest on and principal of any Junior Lien Obligations hereafter issued by the City as the same becomes due and payable and the amounts required to be deposited in any special fund created and established for the payment, security, and benefit thereof, (iii) the interest on and principal of any Subordinate Lien Obligations hereafter issued by the City as the same becomes due and payable and the amounts required to be deposited in any special fund created and established for the payment, security, and benefit thereof, and (iv) the amounts that may be deposited in the special funds established for the payment of the currently outstanding Limited Pledge Obligations, the Certificates, or any Additional Limited Pledge Obligations hereafter issued by the City; and

C. to pay other legally incurred indebtedness payable from the Net Revenues of the System and/or secured by a lien on the System or the Net Revenues thereof.

SECTION 18. Records and Accounts - Annual Audit. The City further covenants and agrees that so long as any of the Certificates remain Outstanding it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto, as provided by Chapter 1502, as amended, Texas Government Code, or other applicable law. The Holders of the Certificates or any duly authorized agent or agents of the Holders shall have the right to inspect the System and all properties comprising the same. The City further agrees that, following the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Maintenance and Operating Expenses.

SECTION 19. Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in the payments to be made to the Certificate Fund, or (b) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Ordinance, the Holders of any of the Certificates shall be entitled to seek a writ of mandamus

issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition, or obligation prescribed in this Ordinance.

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

SECTION 20. Issuance of Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations. The City hereby expressly reserves the right to hereafter issue bonds, notes, warrants, certificates of obligation, or similar obligations, payable, in whole or in part, as appropriate, from and secured by a pledge of and lien on the Net Revenues of the System with the following priorities, without limitation as to principal amount, but subject to any terms, conditions, or restrictions applicable thereto under existing ordinances, laws, or otherwise:

A. Prior Lien Obligations payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the System;

B. Junior Lien Obligations payable from and equally and ratably secured by a lien on and pledge of the Net Revenues that is junior and inferior to the lien on and pledge thereof securing the payment of any Prior Lien Obligations hereafter issued by the City, but prior and superior to the lien on and pledge of the Net Revenues securing in whole or in part the payment of the currently outstanding Limited Pledge Obligations, the Certificates, and any Subordinate Lien Obligations or Additional Limited Pledge Obligations hereafter issued by the City;

C. Subordinate Lien Obligations payable from and equally and ratably secured by a lien on and pledge of the Net Revenues that is subordinate and inferior to the lien on and pledge thereof securing the payment of any Prior Lien Obligations or Junior Lien Obligations hereafter issued by the City, but prior and superior to the lien on and pledge of the Net Revenues securing, in part, the payment of the currently outstanding Limited Pledge Obligations, the Certificates, and any Additional Limited Pledge Obligations hereafter issued by the City; and

D. Additional Limited Pledge Obligations secured by a lien on and pledge of a limited amount of the Net Revenues in accordance with the provisions of the following paragraph.

Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations, if issued, may be payable, in whole or in part, from Net Revenues (without impairment of the obligation of contract with the holders of the currently outstanding Limited Pledge Obligations and the Certificates) upon such terms and conditions as the City Council may determine. Additional Limited Pledge Obligations, if issued and payable, in whole or in part, from Pledged Revenues (defined in the same or similar terms as provided in Section 9 of this Ordinance or in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations), shall not in any event be construed to be payable from the Pledged Revenues authorized by this Ordinance or in the respective ordinances authorizing the issuance of the currently outstanding Limited Pledge

Obligations to be budgeted and appropriated for the payment of the Certificates or the respective ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. However, the lien on and pledge of the limited amount of Net Revenues securing, in part, the payment of the Certificates, the Limited Pledge Obligations, and any Additional Limited Pledge Obligations shall be subordinate and inferior to the pledge of and lien on the Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City.

SECTION 21. Special Covenants. The City hereby further covenants that:

A. it has the lawful power to pledge the Pledged Revenues supporting the Certificates and has lawfully exercised said powers under the laws of the State of Texas, including power existing under Chapter 1502, as amended, Texas Government Code, the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through Section 271.064, and the City's Home Rule Charter;

B. other than for the payment of the currently outstanding Limited Pledge Obligations, and the Certificates, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the City or of the System;

C. as long as any Certificates or any interest thereon remain Outstanding, the City will not sell, lease or encumber (except in the manner provided in Section 20 of this Ordinance) the System or any substantial part thereof, provided that this covenant shall not be construed to prohibit the sale of such machinery, or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the System;

D. to the extent that it legally may, the City further covenants and agrees that, so long as any of the Certificates, or any interest thereon, are Outstanding, no franchise shall be granted for the installation or operation of any competing utility systems other than those owned by the City, and the operation of any such systems by anyone other than the City is hereby prohibited; and

E. no free service of the System shall be allowed, and should the City or any of its agents or instrumentalities make use of the services and facilities of the System, payment of the reasonable value thereof shall be made by the City out of funds from sources other than the revenues and income of the System.

SECTION 22. Application of the Covenants and Agreements of any Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, or Additional Limited Pledge Obligations. It is the intention of the City Council and accordingly hereby recognized and stipulated that the provisions, agreements, and covenants contained herein bearing upon the management and operations of the System, and the administration and application of Gross Revenues derived from the operation thereof, shall to the extent possible be harmonized with like provisions, agreements, and covenants contained in the ordinances authorizing the issuance of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City, and to the extent of any irreconcilable conflict between the provisions contained herein and in the ordinances authorizing the issuance of any Prior Lien Obligations, Junior Lien

Obligations, or Subordinate Lien Obligations, the provisions, agreements and covenants contained therein shall prevail to the extent of such conflict and be applicable to this Ordinance, especially the priority of rights and benefits conferred thereby to the holders of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. It is expressly recognized that prior to the issuance of any Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, or Additional Limited Pledge Obligations, the City must comply with each of the conditions precedent contained in the respective ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations and the Certificates, as appropriate.

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

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

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

SECTION 25. Mutilated, Destroyed, Lost, and Stolen Certificates. If (1) any mutilated Certificate is surrendered to the Paying Agent/Registrar, or the City and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Certificate, and (2) there is delivered to the City and the Paying Agent/Registrar such security or indemnity as may be required to save each of them harmless, then, in the absence of notice to the City or the Paying Agent/Registrar that such Certificate has been acquired by a bona fide purchaser, the City shall execute and, upon its request, the Paying Agent/Registrar shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Certificate, a new Certificate of the same Stated Maturity and interest rate and of like tenor and principal amount, bearing a number not contemporaneously Outstanding.

In case any such mutilated, destroyed, lost, or stolen Certificate has become or is about to become due and payable, the City in its discretion may, instead of issuing a new Certificate, pay such Certificate.

Upon the issuance of any new Certificate or payment in lieu thereof, under this Section, the City may require payment by the Holder of a sum sufficient to cover any tax or other governmental charge imposed in relation thereto and any other expenses and charges (including attorney's fees and the fees and expenses of the Paying Agent/Registrar) connected therewith.

Every new Certificate issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Certificate shall constitute a replacement of the prior obligation of the City, whether or not the mutilated, destroyed, lost, or stolen Certificate shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and ratably with all other Outstanding Certificates.

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

SECTION 26. Sale of Certificates at Competitive Sale; Approval of Official Statement; Proceeds of Sale. The Certificates authorized by this Ordinance are hereby sold by the City to _____, _____, _____, as the authorized representative of a group of purchasers at a competitive sale (the *Purchasers*, and having all of the rights, duties, and obligations of a Holder) in accordance with the provisions of an Official Bid Form dated August 20, 2020 (the *Official Bid Form*), attached hereto as Exhibit B and incorporated herein by reference as a part of this Ordinance for all purposes, at the price of par, plus a [net] reoffering premium of \$_____ (including the Purchasers' compensation of \$_____), plus accrued interest to the date of initial delivery of the Certificates to the Purchasers, and is hereby approved and confirmed. The Initial Certificate shall be registered in the name of _____. It is hereby officially found, determined, and declared that the Purchasers are the highest bidder for the Certificates whose bid, received as a result of invitations for competitive bids in compliance with applicable law, produced the lowest true interest cost to the City. The pricing and terms of the sale of the Certificates are hereby found and determined to be the most advantageous reasonably obtainable by the City. Any Authorized Official is hereby authorized and directed to execute the Official Bid Form for and on behalf of the City and as the act and deed of this Governing Body, and in regard to the approval and execution of the Official Bid Form, the Governing Body hereby finds, determines and declares that the representations, warranties, and agreements of the City contained in the Official Bid Form are true and correct in all material respects and shall be honored and performed by the City. Delivery of the Certificates to the Purchasers shall occur as soon as practicable after the adoption of this Ordinance, upon payment therefor in accordance with the terms of the Official Bid Form.

Proceeds from the sale of the Certificates shall be applied as follows:

- (1) Accrued interest on the Certificates (in the amount of \$_____) received from the Purchasers shall be deposited into the Certificate Fund.

(2) The City received a [net] reoffering premium from the sale of the Certificates of \$_____ which is hereby allocated by the City in the following manner: (A) \$_____ to pay the Purchasers' compensation, (B) \$_____ to pay the costs of issuance, and (C) the remaining \$_____ is allocated toward the City's voted authority and deposited as described in Paragraph (3) below.

(3) The balance of the proceeds (including a portion of the [net] reoffering premium in the amount of \$_____ as described above and principal in the amount of \$_____, totaling \$_____) derived from the sale of the Certificates (after paying costs of issuance) shall be deposited into the special construction account or accounts created for the projects to be constructed with the proceeds of the Certificates. This special construction account shall be established and maintained at the Depository and shall be invested in accordance with the provisions of Section 10 of this Ordinance. Interest earned on the proceeds of the Certificates pending completion of construction of the projects financed with such proceeds shall be accounted for, maintained, deposited, and expended as permitted by the provisions of Chapter 1201, as amended, Texas Government Code, or as required by any other applicable law. Thereafter, such amounts shall be expended in accordance with Section 11 of this Ordinance.

Furthermore, the City hereby ratifies, confirms, and approves in all respects (i) the City's prior determination that the Preliminary Official Statement was, as of its date, "deemed final" in accordance with SEC Rule 15c2-12, as amended (the *Rule*) and (ii) the use and distribution of the Preliminary Official Statement by the Purchaser in connection with the public offering and sale of the Certificates. The final Official Statement, being a modification and amendment of the Preliminary Official Statement to reflect the terms of sale (together with such changes approved by an Authorized Official), shall be and is hereby in all respects approved and the Purchaser is hereby authorized to use and distribute the final Official Statement, dated August 20, 2020, in the reoffering, sale and delivery of the Certificates to the public. The Mayor, Mayor Pro tem, and/or City Secretary are further authorized and directed to manually execute and deliver for and on behalf of the City copies of the Official Statement in final form as may be required by the Purchaser, and such final Official Statement in the form and content manually executed by said officials shall be deemed to be approved by the Governing Body and constitute the Official Statement authorized for distribution and use by the Purchaser. The proper officials of the City are hereby authorized to execute and deliver a certificate pertaining to such Official Statement as prescribed therein, dated as of the date of payment for and delivery of the Certificates.

SECTION 27. Covenants to Maintain Tax-Exempt Status.

A. Definitions. When used in this Section, the following terms have the following meanings:

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

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

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

“*Gross Proceeds*” means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Certificates.

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

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

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

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

“*Yield*” of

(1) any Investment has the meaning set forth in Section 1.148-5 of the Regulations; and

(2) the Certificates means the yield as calculated pursuant to Section 1.148-4 of the Regulations.

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

C. No Private Use or Private Payments. Except to the extent it will not cause the Certificates to become “private activity bonds” within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the City shall at all times prior to the last Stated Maturity of Certificates:

(1) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Certificates, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Certificates or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

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

E. Not to Invest at Higher Yield. Except to the extent it will not cause the Certificates to become “arbitrage bonds” within the meaning of section 148 of the Code and the Regulations and rulings thereunder, the City shall not at any time prior to the final Stated Maturity of the Certificates directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, materially exceeds the Yield of the Certificates.

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

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

H. Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Regulations and rulings thereunder or except to the extent the City complies with Subsection J of this Section:

(1) The City shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last Outstanding Certificate is discharged. However, to the extent permitted by law, the City may commingle Gross Proceeds of the Certificates with other money of the City, provided that the City separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the City shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder. The City shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Certificates until six years after the final Computation Date.

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

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

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

J. No Rebate Required. The City need not comply with the covenants and duties imposed by the provisions of Subsection H. of this Section if:

- (1) the Issuer is a governmental unit with general taxing powers;
- (2) 95% of the Net Proceeds of the Certificates and all income from the investment thereof will be used for the governmental activities of the Issuer;
- (3) the aggregate face amount, within the meaning of Section 1.148-8(c)(1) of the Regulations, of all debt obligations (other than private activity bonds) issued or expected to be issued by the City or any subordinate entity in the calendar year in which the Certificates are issued is not reasonably expected to exceed \$5,000,000; and
- (4) the City otherwise satisfies the requirements of paragraph (4)(c) of section 148(f) of the Code and Section 1.148-8 of the Regulations and rulings thereunder.

K. Certificates Not Hedge Bonds.

- (1) The City reasonably expects to spend at least 85% of the spendable proceeds of the Certificates within three years after such Certificates are issued.
- (2) Not more than 50% of the proceeds of the Certificates will be invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

L. Elections. The City hereby directs and authorizes any Authorized Official, either individually or any combination of them, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Certificates, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document. Such elections shall be deemed to be made on the Closing Date.

M. Qualified Tax-Exempt Obligations. The City hereby designates the Certificates as qualified tax-exempt obligations for purposes of section 265(b) of the Code. In furtherance of such designation, the City represents, covenants and warrants the following: (a) during the calendar year in which the Certificates are issued, the City (including any subordinate entities) has not designated nor will designate obligations, which when aggregated with the Certificates, will result in more than \$10,000,000 of “qualified tax-exempt obligations” being issued; (b) the City reasonably anticipates that the amount of tax-exempt obligations issued during the calendar year 2020 by the City (including any subordinate entities) will not exceed \$10,000,000; and the City will take such action or refrain from such action as is necessary in order that the Certificates will not be considered “private activity bonds” within the meaning of section 141 of the Code.

SECTION 28. Control and Custody of Certificates. The Mayor of the City shall be and is hereby authorized to take and have charge of all necessary orders and records pending investigation by the Attorney General of the State of Texas and shall take and have charge and control of the Certificates pending their approval by the Attorney General of the State of Texas, the registration thereof by the Comptroller of Public Accounts of the State of Texas and the delivery of the Certificates to the Purchasers.

Furthermore, any Authorized Official, either individually or any combination of them, is hereby authorized and directed to furnish and execute such documents relating to the City and its financial affairs as may be necessary for the issuance of the Certificates, the approval of the Attorney General of the State of Texas and their registration by the Comptroller of Public Accounts of the State of Texas and, together with the City's financial advisors, Bond Counsel, and the Paying Agent/Registrar, make the necessary arrangements for the delivery of the Initial Certificate to the Purchasers and, when requested in writing by the Purchasers, the initial exchange thereof for definitive Certificates.

SECTION 29. Satisfaction of Obligation of City. If the City shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Certificates, at the times and in the manner stipulated in this Ordinance, then the pledge of taxes levied and the lien on and pledge of the Pledged Revenues under this Ordinance and all covenants, agreements, and other obligations of the City to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Certificates, or any principal amount(s) thereof, shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Certificates or the principal amount(s) thereof at Stated Maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, and/or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities will mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due the principal of and interest on such Certificates, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof for the Certificates. In the event of a defeasance of the Certificates, the City shall deliver a certificate from its financial advisor, the Paying Agent/Registrar, an independent accounting firm, or another qualified third party concerning the deposit of cash and/or Government Securities to pay, when due, the principal of, redemption premium (if any), and interest due on any defeased Certificate. To the extent applicable, if at all, the City covenants that no deposit of money or Government Securities will be made under this Section and no use made of any such deposit which would cause the Certificates to be treated as arbitrage bonds within the meaning of section 148 of the Code (as defined in Section 27 hereof).

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

Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem defeased Certificates that is made in conjunction with the payment arrangements specified in subsection (i) or (ii) above shall not be irrevocable, provided that: (1) in the proceedings providing for such defeasance, the City expressly reserves the right to call the defeased Certificates for redemption; (2) gives notice of the reservation of that right to the owners of the defeased Certificates immediately following the defeasance; (3) directs that notice of the reservation be included in any redemption notices that it authorizes; and (4) at the time of the redemption, satisfies the conditions of (i) or (ii) above with respect to such defeased debt as though it was being defeased at the time of the exercise of the option to redeem the defeased Certificates, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the defeased Certificates.

SECTION 30. Printed Opinion. The Purchasers' obligation to accept delivery of the Certificates is subject to their being furnished a final opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, as Bond Counsel, approving certain legal matters as to the Certificates, this opinion to be dated and delivered as of the date of initial delivery and payment for such Certificates. Printing of a true and correct copy of this opinion on the reverse side of each of the Certificates, with appropriate certificate pertaining thereto executed by facsimile signature of the City Secretary of the City is hereby approved and authorized.

SECTION 31. CUSIP Numbers. CUSIP numbers may be printed or typed on the definitive Certificates. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Certificates shall be of no significance or effect as regards the legality thereof, and neither the City nor Bond Counsel are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Certificates.

SECTION 32. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 33. Ordinance a Contract, Amendments - Outstanding Certificates. The City acknowledges that the covenants and obligations of the City herein contained are a material inducement to the purchase of the Certificates. This Ordinance shall constitute a contract with the Holders from time to time, binding on the City and its successors and assigns, and it shall not be amended or repealed by the City so long as any Certificate remains Outstanding except as permitted in this Section. The City may, without the consent of or notice to any Holders, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of Holders holding a majority in aggregate principal amount of the Certificates then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Ordinance; provided, however, that, without the consent of all Holders of Outstanding Certificates, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required for consent to any such amendment, addition, or rescission.

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

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

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

SECTION 37. Severability. If any provision of this Ordinance or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Ordinance and the application of such provision to other persons and circumstances shall nevertheless be valid, and the City Council hereby declares that this Ordinance would have been enacted without such invalid provision.

SECTION 38. Construction of Terms. If appropriate in the context of this Ordinance, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

SECTION 39. Incorporation of Preamble Recitals. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Ordinance for all purposes and are adopted as a part of the judgment and findings of the City Council of the City.

SECTION 40. Authorization of Paying Agent/Registrar Agreement. The City Council of the City hereby finds and determines that it is in the best interest of the City to authorize the execution of a Paying Agent/Registrar Agreement concerning the payment, exchange, registration, and transferability of the Certificates. A copy of the Paying Agent/Registrar Agreement is attached hereto, in substantially final form, as Exhibit A and is incorporated by reference to the provisions of this Ordinance.

SECTION 41. Public Meeting. It is officially found, determined, and declared that the meeting at which this Ordinance is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Ordinance, was given, all as required by Chapter 551, as amended, Texas Government Code.

SECTION 42. Unavailability of Authorized Publication. If, because of the temporary or permanent suspension of any newspaper, journal, or other publication, or, for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Ordinance shall be given in such other manner and at such time or times as in the judgment of the City or of the Paying Agent/Registrar shall most effectively approximate such required publication and the giving of such notice in such

manner shall for all purposes of this Ordinance be deemed to be in compliance with the requirements for publication thereof.

SECTION 43. No Recourse Against City Officials. No recourse shall be had for the payment of principal of, premium, if any, or interest on any Certificate or for any claim based thereon or on this Ordinance against any official of the City or any person executing any Certificate.

SECTION 44. Continuing Disclosure Undertaking.

A. Definitions.

As used in this Section, the following terms have the meanings ascribed to such terms below:

EMMA means the MSRB's Electronic Municipal Market Access system, accessible by the general public, without charge, on the internet through the uniform resource locator (URL) <http://www.emma.msrb.org>.

Financial Obligation means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

MSRB means the Municipal Securities Rulemaking Board.

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

SEC means the United States Securities and Exchange Commission.

Undertaking means the City's continuing disclosure undertaking, described in Paragraphs B through F below, hereunder accepted and entered into by the City for the purpose of compliance with the Rule.

B. Annual Reports.

The City shall file annually with the MSRB, (1) within six months after the end of each fiscal year of the City ending in or after 2020, financial information and operating data with respect to the City of the general type included in the final Official Statement authorized by Section 26 of this Ordinance, being the information described in Exhibit C hereto, and (2) if not provided as part of such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit C hereto, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the City commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial

statements is not complete within such period, then the City shall file unaudited financial statements within such period and audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such financial statements becomes available. Under current Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the City must have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit. The annual financial statement, including the auditor's opinion on the statement, shall be filed in the office of the City Secretary within 180 days after the last day of the City's fiscal year. Additionally, upon the filing of this financial statement and the annual audit, these documents are subject to the Texas Open Records Act, as amended, Texas Government Code, Chapter 552.

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

C. Notice of Certain Events.

The City shall file notice of any of the following events with respect to the Certificates to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;
- (7) Modifications to rights of Holders of the Certificates, if material;
- (8) Certificate calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Certificates, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below;

(13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) Appointment of a successor or additional paying agent/registrar or the change of name of a 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 a 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 a Financial Obligation of the City, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

The City shall file notice with the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with this Section by the time required by this Section.

D. Limitations, Disclaimers, and Amendments.

The City shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the City remains an “obligated person” with respect to the Certificates within the meaning of the Rule, except that the City in any event will give notice of any deposit that causes the Certificates to be no longer Outstanding.

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

not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Certificates at any future date.

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

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

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

The provisions of this Section 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 of this Section, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also repeal or amend the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the City also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the City so amends the provisions of this Section, the City shall include with any amended financial information or operating data next provided in accordance with this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

E. Information Format – Incorporation by Reference.

The City information required under this Section shall be filed with the MSRB through EMMA in such format and accompanied by such identifying information as may be specified from time to time thereby. Under the current rules of the MSRB, continuing disclosure documents submitted to EMMA must be in word-searchable portable document format (PDF) files that permit the document to be saved, viewed, printed, and retransmitted by electronic means and the series of obligations to which such continuing disclosure documents relate must be identified by CUSIP number or numbers.

Financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public through EMMA or filed with the SEC.

F. General Policies and Procedures Concerning Compliance with the Rule.

Because the issuance of the Certificates is subject to the provisions of the Rule and because the potential “underwriters” in a negotiated sale of the Certificates or the initial purchasers in a competitive sale of the Certificates may be subject to MSRB rules and regulations with respect to such sale (including certain due diligence and suitability requirements, among others), the City hereby adopts the General Policies and Procedures Concerning Compliance with the Rule (the “Policies and Procedures”), attached hereto as Exhibit E, with which the City shall follow to assure compliance with the Undertaking. The City has developed these Policies and Procedures for the purpose of meeting its requirements of the Undertaking and, in connection therewith, has sought the guidance from its internal staff charged with administering the City’s financial affairs, its municipal or financial advisors, its legal counsel (including its Bond Counsel), and its independent accountants (to the extent determined to be necessary or advisable). The Policies and Procedures can be amended at the sole discretion of the City and any such amendment will not be deemed to be an amendment to the Undertaking. Each Authorized Official is hereby authorized to amend the Policies and Procedures as a result of a change in law, a future issuance of indebtedness subject to the Rule, or another purpose determined by the Authorized Official to be necessary or desirable for or with respect to future compliance with the Undertaking.

SECTION 45. Book-Entry Only System.

The Certificates shall initially be registered so as to participate in a securities depository system (the *DTC System*) with the Depository Trust Company, New York, New York, or any successor entity thereto (*DTC*), as set forth herein. Each Stated Maturity of the Certificates shall be issued (following cancellation of the Initial Certificates described in Section 7) in the form of a single definitive Certificate. Upon issuance, the ownership of each such Certificate shall be registered in the name of Cede & Co., as the nominee of DTC, and all of the Outstanding Certificates shall be registered in the name of Cede & Co., as the nominee of DTC. The City and the Paying Agent/Registrar are authorized to execute, deliver, and take the actions set forth in such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including the Letter of Representations attached hereto as Exhibit D (the *Representation Letter*).

With respect to the Certificates registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds the Certificates from time to time as securities depository (a *Depository Participant*) or to any person on behalf of whom such a Depository Participant holds an interest in the Certificates (an *Indirect Participant*). Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any Depository Participant with respect to any ownership interest in the Certificates, (ii) the delivery to any Depository Participant or any other person, other than a registered owner of the Certificates, as shown on the Security Register, of any notice with respect to the Certificates, including any notice of redemption, or (iii) the delivery to any Depository Participant or any Indirect Participant or any other Person, other than a Holder of a Certificate, of any amount with respect to principal of, premium, if any, or interest on the Certificates. While in the DTC System, no person other than Cede & Co., or any successor thereto, as nominee for DTC, shall receive a bond certificate evidencing the obligation of the City to make payments of principal, premium, if any, and interest pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks or drafts being mailed to the Holder, the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

In the event that (a) the City determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (b) the Representation Letter shall be terminated for any reason, or (c) DTC or the City determines that it is in the best interest of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, the City shall notify the Paying Agent/Registrar, DTC, and the Depository Participants of the availability within a reasonable period of time through DTC of bond certificates, and the Certificates shall no longer be restricted to being registered in the name of Cede & Co., as nominee of DTC. At that time, the City may determine that the Certificates shall be registered in the name of and deposited with a successor depository operating a securities depository system, as may be acceptable to the City, or such depository's agent or designee, and if the City and the Paying Agent/Registrar do not select such alternate securities depository system then the Certificates may be registered in whatever name or names the Holders of Certificates transferring or exchanging the Certificates shall designate, in accordance with the provisions hereof.

Notwithstanding any other provision of this Ordinance to the contrary, so long as any Certificate is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Certificate and all notices with respect to such Certificate shall be made and given, respectively, in the manner provided in the Representation Letter.

SECTION 46. Further Procedures. The officers and employees of the City are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the initial sale and delivery of the Certificates, the Official Bid Form, the Paying Agent/Registrar Agreement,

and the Official Statement. In addition, prior to the initial delivery of the Certificates, any Authorized Official and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Ordinance or to any of the instruments authorized and approved by this Ordinance and as described in the Official Statement necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance, (ii) obtain a rating from any of the national bond rating agencies, or (iii) obtain the approval of the Certificates by the Texas Attorney General's office. In case any officer of the City whose signature shall appear on any certificate shall cease to be such officer before the delivery of such certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 47. Contract with Financial Advisor. The City Council authorizes any Authorized Official, or their designees, to take all actions necessary to execute any necessary financial advisory contracts with SAMCO Capital Markets, Inc., as the financial advisor to the City (the *Financial Advisor*). The City understands that under applicable federal securities laws and regulations that the City must have a contractual arrangement with its Financial Advisor relating to the sale, issuance, and delivery of the Certificates.

SECTION 48. City's Consent to Provide Information and Documentation to the Texas MAC. The Municipal Advisory Council of Texas (the *Texas MAC*), a non-profit membership corporation organized exclusively for non-profit purposes described in section 501(c)(6) of the Internal Revenue Code and which serves as a comprehensive financial information repository regarding municipal debt issuers in Texas, requires provision of written documentation regarding the issuance of municipal debt by the issuers thereof. In support of the purpose of the Texas MAC and in compliance with applicable law, the City hereby consents to and authorizes any Authorized Official, Bond Counsel to the City, and/or Financial Advisor to the City to provide to the Texas MAC information and documentation requested by the Texas MAC relating to the Certificates; provided, however, that no such information and documentation shall be provided prior to the Closing Date. This consent and authorization relates only to information and documentation that is a part of the public record concerning the issuance of the Certificates.

SECTION 49. Effective Date. Pursuant to the provisions of Section 1201.028, as amended, Texas Government Code, this Ordinance shall be effective immediately upon adoption, notwithstanding any provision in the City's Home Rule Charter to the contrary concerning a multiple reading requirement for the adoption of ordinances.

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PASSED, APPROVED, AND ADOPTED on the 24th day of August, 2020.

CITY OF WATAUGA, TEXAS

Mayor

ATTEST:

City Secretary

(CITY SEAL)

I, the undersigned, City Attorney of the City of Watauga, Texas, hereby certify that I read, passed upon, and approved as to form and legality the foregoing Ordinance prior to its adoption and passage as aforesaid.

City Attorney, City of Watauga, Texas

INDEX TO EXHIBITS

Exhibit A	Paying Agent/Registrar Agreement
Exhibit B	Official Bid Form
Exhibit C	Description of Annual Financial Information
Exhibit D	DTC Letter of Representations
Exhibit E	General Policies and Procedures Concerning Compliance with the Rule

EXHIBIT A

PAYING AGENT/REGISTRAR AGREEMENT

See Tab No. __

EXHIBIT B

OFFICIAL BID FORM

See Tab No. __

EXHIBIT C

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 44 of this Ordinance.

Annual Financial Statements and Operating Data

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

(1) The City's audited financial statements for the most recently concluded fiscal year or to the extent these audited financial statements are not available, the portions of the unaudited financial statements of the City appended to the Official Statement as Appendix D, but for the most recently concluded fiscal year.

(2) The information in the Official Statement under Table 1 of the Official Statement and Tables 1 through 14 of Appendix A to the Official Statement.

Accounting Principles

The accounting principles referred to in such Section are generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board from time to time.

EXHIBIT D

DTC LETTER OF REPRESENTATIONS

See Tab No. __

EXHIBIT E

GENERAL POLICIES AND PROCEDURES CONCERNING COMPLIANCE WITH THE RULE

I. Capitalized terms used in this Exhibit have the meanings ascribed thereto in Section 44 of the Ordinance. “Certificates” refer to the Certificates that are the subject of the Ordinance to which this Exhibit is attached.

II. As a capital markets participant, the City is aware of its continuing disclosure requirements and obligations existing under the Rule prior to February 27, 2019, the effective date of the most recent amendment to the Rule (the “Effective Date”), and has implemented and maintained internal policies, processes, and procedures to ensure compliance therewith. Adherence to these internal policies, processes, and procedures has enabled underwriters in non-exempt negotiated sales and initial purchasers in non-exempt competitive sales to comply with their obligations arising under various MSRB rules and regulations concerning due diligence and findings of suitability, among other matters, regarding the City’s compliance with the Rule.

III. The City is aware that the Rule was amended as of the Effective Date (the *Rule Amendment*) and has accommodated this amendment by adding subparagraphs (15) and (16) to Section 44C of the Ordinance, which provisions are a part of the Undertaking.

IV. The City is aware that “participating underwriters” (as such term is defined in the Rule) of the Certificates must make inquiry and reasonably believe that the City is likely to comply with the Undertaking and that the standards for determining compliance have increased over time as a result of, among others, the United States Securities and Exchange Commission’s Municipalities Continuing Disclosure Cooperation Initiative and regulatory commentary relating to the effectiveness of the Rule Amendment.

V. The City now establishes the following general policies and procedures (the “Policies and Procedures”) for satisfying its obligations pursuant to the Undertaking, which policies and procedures have been developed based on the City’s informal policies, procedures, and processes utilized prior to the Effective Date for compliance with the City’s obligations under the Rule, the advice from and discussions with the City’s internal senior staff (including staff charged with administering the City’s financial affairs), its municipal or financial advisors, its legal counsel (including Bond Counsel), and its independent accountants, to the extent determined to be necessary or advisable (collectively, the “Compliance Team”):

1. the City Manager of the City (the “Compliance Officer”) shall be responsible for satisfying the City’s obligations pursuant to the Undertaking through adherence to these Policies and Procedures;
2. the Compliance Officer shall establish reminder or “tickler” systems to identify and timely report to the MSRB, in the format thereby prescribed from time to time, the City’s information of the type described in Section 44B of the Ordinance;
3. the Compliance Officer shall promptly determine the occurrence of any of the events described in Section 44C of the Ordinance;

4. the Compliance Officer shall work with external consultants of the City, as and to the extent necessary, to timely prepare and file with the MSRB the annual information of the City and notice of the occurrence of any of the events referenced in Clauses 2 and 3 above, respectively, the foregoing being required to satisfy the terms of the Undertaking;
5. the Compliance Officer shall establish a system for identifying and monitoring any Financial Obligations, whether now existing or hereafter entered into by the City, and (upon identification) determining if such Financial Obligation has the potential to materially impact the security or source of repayment of the Certificates;
6. upon identification of any Financial Obligation meeting the materiality standard identified in Clause 5 above, the Compliance Officer shall establish a process for identifying and monitoring any City agreement to covenants, events of default, remedies, priority rights, or other similar terms under such Financial Obligation;
7. the Compliance Officer shall establish a process for identifying the occurrence of any default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any Financial Obligation, the occurrence of any of which reflect financial difficulties of the City; and
8. the Compliance Officer shall annually review these Policies and Procedures with the remainder of the Compliance Team, make any modifications on an internal document retained by the Compliance Officer and available to any “participating underwriter” (as defined in the Rule), if requested, and on the basis of this annual review (to the extent determined to be necessary or desirable), seek additional training for herself or himself, as well as other members of the City’s internal staff identified by the Compliance Officer to assist with the City’s satisfaction of the terms and provisions of the Undertaking.



AGENDA MEMORANDUM

DATE: August 13, 2020

TO: Honorable City Council Members

FROM: Sandra Gibson, CGFO, CGFM, Director of Finance

THROUGH: Andrea Gardner, City Manager

SUBJECT: Discuss and consider action on the Fiscal Year 2020-2021 Proposed Budget

BACKGROUND/INFORMATION:

The Fiscal Year 2020-2021 Proposed Budget was filed with the Municipal Clerk on August 1, 2020 and the date of September 14, 2020 has been set to adopt a tax rate (make a tax levy) and adopt the budget.

The Public Hearing for citizen input on the Proposed Budget for Fiscal Year 2020-2021 was held on August 24, 2020. The Public Hearing on the Proposed Tax Rate is set for September 14, 2020.

This item is to allow for discussion and any proposed changes to the Fiscal Year 2020-2021 Proposed Budget. Per Local Government Code Sec. 102.007, at the conclusion of the public hearing, the governing body of the municipality shall take action on the proposed budget. The governing body may make any changes in the budget that it considers warranted by the law or by the best interest of the municipal taxpayers.

FINANCIAL IMPLICATIONS:

N/A

RECOMMENDATION/ACTION DESIRED:

Respectfully recommend the Council review and take action on the item presented.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

None

REVIEWED BY:

Sandra Gibson, CGFO, CGFM, Director of Finance
Andrea Gardner, City Manager

Approved - 8/13/2020
Final Approval - 8/14/2020



AGENDA MEMORANDUM

Approved as to form for inclusion on Agenda



AGENDA MEMORANDUM

DATE: August 13, 2020

TO: Honorable City Council Members

FROM: Sandra Gibson, CGFO, CGFM, Director of Finance

THROUGH: Andrea Gardner, City Manager

SUBJECT: Discuss and consider action to approve an Ordinance amending the FY2019-2020 Budget for anticipated CARES Act grant revenues and expenditures relating to Covid-19 Response

BACKGROUND/INFORMATION:

Tarrant County received CARES Act funds to reduce the impact of necessary expenditures incurred due to the public health emergency with respect to COVID-19. On May 12, 2020, the Tarrant County Commissioners Court designated a portion of its CARES Act funds to provide fifty-five dollars per capita for direct COVID-19 related expenditures to municipalities located in Tarrant County. The distribution of funds by the County is for cities that did not receive a direct CRF funds distribution.

The City is permitted to reimburse itself for COVID-19 expenditures already paid and incurred, and for expenditures to assist with its ongoing response to COVID-19 as detailed in the CARES Act.

The City executed the Inter Local Agreement with Tarrant County and the award was received by the City on July 13, 2020. The attached budget amendment ordinance Attachment A shows the estimated grant revenues and expenditures through September, 2020. The City has provided the County with a proposed budget for the use of the funds and shall provide expenditure reports beginning 60 days after award and continuing every 30-days until December 31, 2020. The City has set up a separate grant fund to facilitate the accounting of these funds.

FINANCIAL IMPLICATIONS:

Grant revenues and reimbursement of COVID-19 Response expenditures as included in Attachment A.

RECOMMENDATION/ACTION DESIRED:



AGENDA MEMORANDUM

Respectfully recommend the Council review and take action on the item presented.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. Budget Amendment Ordinance 9.04A August 24 2020
2. ATTACHMENT A SUPPLEMENTAL REVENUES AND APPROPRIATIONS
CARES GRANT FUND 10

REVIEWED BY:

Sandra Gibson, CGFO, CGFM, Director of Finance

Karrie Marling, Legal

George Hyde, Legal

Andrea Gardner, City Manager

Approved as to form for inclusion on Agenda

Approved - 8/13/2020

Approved - 8/18/2020

Approved - 8/21/2020

Final Approval - 8/21/2020

ORDINANCE NO. 2020-029

**AN ORDINANCE OF THE CITY OF WATAUGA, TEXAS,
AMENDING THE GENERAL BUDGET FOR THE FISCAL YEAR
BEGINNING OCTOBER 1, 2019 AND ENDING SEPTEMBER 30,
2020; APPROVING SUPPLEMENTAL APPROPRIATIONS;
PROVIDING FOR REPEAL; PROVIDING FOR SEVERABILITY
AND PROVIDING AN EFFECTIVE DATE.**

WHEREAS, on September 9, 2019, the City Council of the City of Watauga, Texas, passed, adopted and approved the City of Watauga, Texas, General Budget for the fiscal year beginning October 1, 2019 and ending September 30, 2020 (“Fiscal Year 2019-2020”); and

WHEREAS, Section 102.010 of the Local Government Code allows the City Council of the City of Watauga to make changes in the Fiscal Year 2019-2020 budget for municipal purposes; and

WHEREAS, Article IX, Subsection 9.04A of the City Charter authorizes, upon the city manager’s certification of the availability of revenues in excess of those estimated in the budget, the City Council to make supplemental appropriations towards the intended purposes for which the same were made or designated; and

WHEREAS, the City Manager has certified the availability for appropriation revenues as a result of the CARES Grant funds distributed by Tarrant County and received in the City on July 13, 2020 for reimbursement of COVID-19 expenditures by the City of Watauga; and

WHEREAS, the City Council hereby finds that the supplemental appropriations as set forth in this ordinance fall within the intended purposes of the revenues as certified by the City Manager; and

WHEREAS, in accordance with state law and the City Charter, the City Council is of the opinion that the budget should be amended;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF WATAUGA, TEXAS, THAT:

SECTION 1.

The facts and recitations set forth in the preamble of this Ordinance are hereby found to be true and correct.

SECTION 2.

The General Budget of the City of Watauga, Texas, for Fiscal Year 2019-2020 is hereby amended as set forth in Exhibit A which is attached hereto and incorporated herein for all purposes.

SECTION 3.

The Fiscal Year 2019-2020 City of Watauga Budget is hereby amended to reflect the supplemental revenues and appropriations listed in Exhibit A.

SECTION 4.

This ordinance shall be and is hereby cumulative of all other ordinances of the City of Watauga, Texas and this Ordinance shall not operate to repeal or affect any such other ordinances except insofar as the provisions thereof might be inconsistent or in conflict with the provisions of this Ordinance, in which such event conflicting provisions of this Ordinance, in which such event conflicting provisions, if any, in such other ordinance or ordinances are hereby repealed.

SECTION 5.

If any section, subsection, sentence, clause, or phrase of this Ordinance shall for any reason be held to be invalid, such decision shall not affect the validity of the remaining portions of this Ordinance.

SECTION 6.

This Ordinance shall become effective and shall be in full force and effect from and after the date of passage and adoption by the City Council of the City of Watauga, Texas, and upon application of law and in accordance with Sections 3.11 and 3.13 of the Charter of the City of Watauga, Texas.

PASSED AND ADOPTED By the City Council of the City of Watauga, Texas this 24th day of August, 2020.

Arthur L. Miner, Mayor

ATTEST:

Andrea Gardner, City Secretary

APPROVED AS TO FORM AND LEGALITY:

George Hyde, City Attorney

ATTACHMENT A: SUPPLEMENTAL REVENUES AND APPROPRIATIONS GRANT FUND (10)
FY 2019 - FY 2020

REVENUES		
Funding	DESCRIPTION	Revenues
13-Jul-20	CARES Grant Funding	\$ 951,043.00
	(Anticipated need for FY2019-2020)	
TOTALS		\$ 951,043.00

EXPENDITURES		
Item	DESCRIPTION	Estimate
	Personnel, Supplies, Contractual and Capital Outlay	\$ 951,043.00
TOTALS		\$ 951,043.00



AGENDA MEMORANDUM

DATE: August 13, 2020

TO: Honorable City Council Members

FROM: Sandra Gibson, CGFO, CGFM, Director of Finance
Deby Woodard, Assistant Director of Finance

THROUGH: Andrea Gardner, City Manager

SUBJECT: Discuss and consider action to approve Weaver and Tidwell, LLP as the vendor for Professional Audit Services

BACKGROUND/INFORMATION:

On an annual basis, the City of Watauga is required to engage an independent accounting firm to audit the financial statements of all funds and transactions completed throughout the fiscal year. The results of the Audit are presented to Council and made available to the public (City of Watauga Charter Section 9.06 (C)).

Proposals were received for Financial Audit Services on July 17, 2020. Eleven (11) proposals were received; Beasley Mitchell & Company, BKD, Brooks Watson & Company, Clifton Larson & Allen, Eide Bailly, Fox, Byrd & Company, Mauldin & Jenkins, McConnell & Jones, Patillo, Brown & Hill, Weaver, and Whitley Penn.

A committee consisting of Sandra Gibson, Director of Finance, Kimberly Rupkalvis, Financial Services Analyst, and Deby Woodard, Assistant Director of Finance was established to evaluate the proposals. The following criteria was used to evaluate each response:

1. Number of governmental entities audited by firm
2. Firm's governmental resources available
3. Training of personnel in governmental (and grant) auditing
4. Experience with clients receiving GFOA Certificate of Achievements for Excellence in Financial Reporting
5. Demonstrated knowledge of GASB and methods
6. Quality of staff included in assignment
7. Internal quality control procedures and external quality control review
8. Perceived adequacy of audit approach



AGENDA MEMORANDUM

After reviewing all proposals, the committee ranked Weaver as the best firm to meet the City's audit services requirements.

The proposal is based on an engagement for the 2019-2020 Fiscal Year with four (4) subsequent fiscal year renewals. This is subject to the annual review and recommendation to Council, the satisfactory negotiation of terms and the availability of an appropriation of funds.

FINANCIAL IMPLICATIONS:

Audit Services are budgeted in the FY2019-2020 and FY2020-2021 budget

RECOMMENDATION/ACTION DESIRED:

Respectfully recommend the Council review and take action on the item presented.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. City of Watauga Final EL
2. FORM 1295 - WEAVER
3. PURCHASING RIDER - WEAVER
4. Committee Evaluation Form - COMBINED SCORES

REVIEWED BY:

Sandra Gibson, CGFO, CGFM, Director of Finance

Karrie Marling, Legal

George Hyde, Legal

Andrea Gardner, City Manager

Approved as to form for inclusion on Agenda

Approved - 8/17/2020

Approved - 8/18/2020

Approved - 8/21/2020

Final Approval - 8/21/2020

August 18, 2020

Mr. Arthur Miner, Mayor
City of Watauga, Texas
7105 Whitley Road
Watauga, Texas 76148

Dear Mr. Miner:

You have requested that we audit the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Watauga, Texas (the City), as of September 30, 2020, and for the year then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. In addition, we will audit the City's compliance over major federal award programs for the year ended September 30, 2020. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Accounting principles generally accepted in the United States of America (U.S. GAAP), as promulgated by the Governmental Accounting Standards Board (GASB) require that management's discussion and analysis and budgetary comparison information, among other items, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by U.S. GAAP. This RSI will be subjected to certain limited procedures but will not be audited:

1. Management's Discussion and Analysis
2. Budgetary Comparison Schedule – General Fund
3. Schedule of Changes in Net Pension Liability and Related Ratios
4. Schedule of Pension Contributions
5. Schedule of Changes in Total OPEB Liability and Related Ratios

Supplementary information other than RSI will accompany the City's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and additional procedures in accordance with U.S. GAAS. We intend to provide an opinion on the following supplementary information in relation to the basic financial statements as a whole:

1. Schedule of Expenditures of Federal Awards
2. Combining Balance Sheet
3. Combining Statement of Revenues, Expenditures and Changes in Fund Balances
4. Schedule of Revenues, Expenditures and Changes in Fund Balances: Budgetary Comparison Schedules

Also, the document we submit to you will include the following other additional information that will not be subjected to the auditing procedures applied in our audit of the basic financial statements:

1. Introductory Section
2. Statistical Section

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material aspects, in conformity with U.S. GAAP and to report on the fairness of the supplementary information referred to above when considered in relation to the basic financial statements as a whole. The objective also includes reporting on internal control related to the basic financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the basic financial statements in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States of America (GAGAS); and internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add emphasis-of-matter, or other-matter paragraphs. If our opinions on the basic financial statements or compliance are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or withdraw from this engagement.

Auditor Responsibilities

We will conduct our audit in accordance with U.S. GAAS, the standards applicable to financial audits contained in GAGAS; and the provisions of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of assets, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we may request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the basic financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance (whether caused by errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and GAGAS.

In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the basic financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

In making our risk assessments, we consider internal control relevant to the City's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the basic financial statements that we have identified during the audit.

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants that could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions is not an objective of our audit, and accordingly, we will not express such an opinion.

Our audit of the City's major federal award program(s) compliance will be conducted in accordance with the requirements of the Single Audit Act, as amended; and the provisions of the Uniform Guidance; and will include tests of accounting records, a determination of major programs in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such an opinion on major federal award program compliance and to render the required reports. We cannot provide assurance that an unmodified opinion on compliance will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or withdraw from the engagement.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the City has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major federal award programs. Our procedures will consist of determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the City's major programs. The purpose of those procedures will be to express an opinion on the City's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Also, as required by the Uniform Guidance, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the City's major federal award programs. However, our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report.

Management's Responsibilities

Our audit will be conducted on the basis that management and those charged with governance acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the basic financial statements in accordance with U.S. GAAP;
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to error fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements;
- c. For safeguarding assets;
- d. For identifying all federal awards expended during the period including federal awards and funding increments received prior to December 26, 2014, and those received in accordance with the Uniform Guidance generally received after December 26, 2014;
- e. For preparing the schedule of expenses of federal awards (including notes and noncash assistance received) in accordance with the Uniform Guidance;
- f. For the design, implementation, and maintenance of internal control over compliance;
- g. For identifying and ensuring that the City complies with laws, regulations, grants, and contracts applicable to its activities and its federal award programs;
- h. For following up and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
- i. For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;
- j. For submitting the reporting package and data collection form to the appropriate parties;
- k. For making the auditor aware of any significant vendor relationships where the vendor is responsible for program compliance;
- l. To provide us with:
 - i. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the basic financial statements, and relevant to federal award programs, such as records, documentation, and other matters;
 - ii. Additional information that we may request from management for the purpose of the audit; and
 - iii. Unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence.
- m. For including the auditor's report in any document containing basic financial statements that indicates that such basic financial statements have been audited by the City's auditor;
- n. For adjusting the basic financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year under audit are immaterial, both individually and in the aggregate, to the basic financial statements as a whole;
- o. For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter;

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- p. With respect to any nonattest services we perform, for (a) making all management decisions and performing all management functions; (b) assigning an individual with suitable skills, knowledge, and experience, preferably within senior management, to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities. These nonaudit/nonattest services do not constitute an audit under GAGAS and such services will not be conducted in accordance with GAGAS. The entity has designated Sandra Gibson, Director of Finance, to oversee these services. Such services will include:
 - i. Preparation of financial statements and related notes
 - ii. Preparation of schedule of expenditures of federal awards (as applicable)
 - iii. Assisting with entries to convert accounting records from modified accrual to full accrual (GASB 34 entries)
 - iv. Prepare the Data Collection Form
- q. With regard to the supplementary information referred to above: (a) for the preparation of the supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding supplementary information; (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and (d) to present the supplementary information with the audited basic financial statements, or if the supplementary information will not be presented with the audited basic financial statements, to make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

GAGAS require that we document an assessment of the skills, knowledge, and experience of management, should we participate in any form of preparation of the basic financial statements and related schedules or disclosures as these actions are deemed a nonattest service.

During the course of our engagement, we will request information and explanations from management regarding the City's operations, internal controls, future plans, specific transactions and accounting systems and procedures. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide certain representations in a written representation letter. The City agrees that as a condition of our engagement to perform an audit that management will, to the best of its knowledge and belief, be truthful, accurate and complete in all representations made to us during the course of the audit and in the written representation letter. The procedures we perform in our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the written and oral representations that we receive from management. False or misleading representations could cause us to expend unnecessary efforts in the audit; or, worse, could cause a material error or a fraud to go undetected by our procedures.

Reporting

We will issue a written report upon completion of our audit of the City's basic financial statements. Our report will be addressed to the governing body of the Organization.

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In accordance with the requirements of GAGAS, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

We will issue a report on compliance that will include an opinion or disclaimer of opinion regarding the City's major federal award programs, and a report on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such report will not express an opinion on internal control.

Engagement Fees

We estimate that the fee for our audit will be \$57,750. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. We understand that your employees will prepare all confirmations we request and will locate any documents or support for any other transactions we select for testing.

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. Our fee is based upon the complexity of the work to be performed and the tasks required. Fees for our services are due upon receipt of our invoice. For bills not paid within 60 days of the billing date, a late charge will be added to the outstanding balance. Payments are due in compliance with the Texas Local Government Code.

Other

In the unlikely event that circumstances occur which we in our sole discretion believe could create a conflict with either the ethical standards of our firm or the ethical standards of our profession in continuing our engagement, we may suspend our services until a satisfactory resolution can be achieved or we may resign from the engagement. We will notify you of such conflict as soon as practicable, and will discuss with you any possible means of resolving them prior to suspending our services.

The hiring of or potential employment discussions with any of our personnel could impair our independence. Accordingly, you agree to inform the engagement partner prior to any such potential employment discussions taking place.

Both of us agree that any dispute between you and Weaver and Tidwell, L.L.P., arising from the engagement, this agreement, or the breach of it, may, if negotiations and other discussions fail, be first submitted to mediation in accordance with the provisions of the Commercial Mediation Rules of the American Arbitration Association (AAA) then in effect. Both of us agree to conduct any mediation in good faith and make reasonable efforts to resolve any dispute by mediation. We agree to conduct the mediation in Fort Worth, Texas or another mutually agreed upon location.

If any term of this engagement letter is declared illegal, unenforceable, or unconscionable, that term shall be severed and the remaining terms of the engagement letter shall remain in force. Both of us agree that the Court should modify any term declared to be illegal, unenforceable, or unconscionable in a manner that will retain the intended term as closely as possible. If a dispute arising from the engagement or from this agreement or any term of it or any alleged breach of it is submitted to a Court for interpretation or adjudication, both of us irrevocably waive right to trial by jury and agree that the provisions of this engagement letter regarding damages, attorneys' fees, and expenses shall be applied and enforced by the Court.

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You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

Ms. Jaclyn Gonzalez is the engagement partner for the audit services specified in this letter. Her responsibilities include supervising our services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report. We expect to begin our audit procedures in December 2020, and issue our report in March 2021.

The audit documentation for this engagement is the property of Weaver and Tidwell, L.L.P. and constitutes confidential information. However, we may be requested to make certain audit documentation available to regulators and federal agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Weaver and Tidwell, L.L.P.'s personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

It is expected that prior to the conclusion of the engagement, sections of the Data Collection Form will be completed by our firm. The sections that we will complete summarize our audit findings by federal grant or contract. Management is responsible to submit the reporting package (defined as including basic financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. The instructions to the Data Collection Form require that the reporting package be an unlocked, unencrypted, text searchable portable document file (PDF) or else it will be rejected by the Federal Audit Clearinghouse. We will be available to assist management in creating the PDF if needed.

We will coordinate with you the electronic submission and certification upon the reporting package completion. If applicable, we will provide copies of our report for you to include with the reporting package if there is a need to submit the package to pass-through entities.

The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of our reports or nine months after the end of the audit period.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

In accordance with the requirements of GAGAS, we have attached a copy of our latest external peer review report of our firm for your consideration and files.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the basic financial statements compliance over major federal award programs including our respective responsibilities.

City of Watauga, Texas
August 18, 2020

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We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

RESPONSE:

This letter correctly sets forth the understanding.

Acknowledged and agreed on behalf of the City of Watauga, Texas by:

Management Signature: _____

Title: _____

Date: _____

Governance Signature: _____

Title: _____

Date: _____

Governmental Contract and Purchasing Rider

APPENDIX D: GOVERNMENTAL CONTRACT AND PURCHASING RIDER FOR CONTRACTS WITH THE CITY OF WATAUGA, TEXAS

By submitting a response to a solicitation or bid, or by entering into a contract for goods or services and/or by accepting a purchase order, the contractor, consultant or vendor, identified below, agrees that the below terms and conditions shall govern all agreements with the City unless otherwise agreed to by a **specifically executed provision** within the contract or purchase order, provided same is permissible by law. Absent a specifically executed provision, the below terms are BINDING and SUPERSEDE any and all other terms and/or conditions whether oral or written.

Application. This GOVERNMENTAL CONTRACT AND PURCHASING RIDER FOR CONTRACTS WITH THE CITY OF WATAUGA, TEXAS ("Governmental Rider") applies to, is part of, and takes precedence over any conflicting provision in or attachment to the Response to Solicitation or Bid, Contract or Purchase Order, as applicable, ("Contract") (attached hereto) of Weaver and Tidwell, L.L.P. ("Firm Name"). The Contract involved in this Governmental Rider is described as follows: Financial Audit Services

Payment Provisions. The City's payments under the Contract, including the time of payment and the payment of interest on overdue amounts, are subject to Chapter 2251, Texas Government Code. The City reserves the right to modify any amount due to Vendor presented by invoice to the City if necessary to conform the amount to the terms of the contract.

Multiyear Contracts. If the City's City Council does not appropriate funds to make any payment for a fiscal year after the City's fiscal year in which the contract becomes effective and there are no proceeds available for payment from the sale of bonds or other debt instruments, then the Contract automatically terminates at the beginning of the first day of the successive fiscal year. (Section 5, Article XI, Texas Constitution). It is understood and agreed the City shall have the right to terminate the Contract at the end of any City fiscal year if the governing body of the City does not appropriate funds sufficient to continue the contract, as determined by the City's budget for the fiscal year in question. The City may execute such termination by giving Vendor a written notice of termination at the end of its then current fiscal year.

Local Preference. The City Council supports the local preference option for purchasing. In accordance with Chapter 271.9051 of the State of Texas Local Government Code, the City Council may choose to award a competitive bid to a bidder whose principal place of business is in the City limits, provided that this bid is within 5% of the lowest bid price received, provided such action is not prohibited by law. The City determines that any such local bidder offers the City the best combination of contract price and additional economic development opportunities.

No Ex-Parte Communications during Competitive Bidding Period. To insure the proper and fair evaluation of a response, the City prohibits ex parte communication initiated by the proposed Vendor to a City official or employee evaluating or considering the responses prior to the time a formal decision has been made. Questions and other communication from vendors will be permissible until 5:00 pm on the day specified as the deadline for questions. Any communication between the proposed Vendor and the City after the deadline for questions will be initiated by the appropriate City official or employee in order to obtain information or clarification needed to develop a proper and accurate evaluation of the response. Ex parte communication may be grounds for disqualifying the offending Vendor from consideration or award of the solicitation then in evaluation, or any future solicitation.

Abandonment or Default. A Vendor who abandons or defaults the work on the contract and causes the City to purchase goods, materials or services elsewhere may be charged for any increased cost of goods, materials and/or services related thereto; may be considered disqualified in any re-advertisement of the service; and may not be considered in future bids for the same type of work for a period of three years for the same scope of work, goods or services.

Disclosure of Litigation. Each prospective Vendor shall include in its proposal a complete disclosure of any civil or criminal litigation or investigation pending which involves the Vendor or which has occurred in the past in which the Vendor has been judged guilty or liable by a competent court regardless of whether the Court Order or Judgment is final or on appeal.

Cancellation. the City reserves the right to cancel the contract without penalty by providing 30 days prior written notice to the Vendor. Termination under this paragraph shall not relieve the Vendor of any obligation or liability that has occurred prior to cancellation. **NOTE: This contract is subject to cancellation, without penalty, at any time the City deems the vendor to be non-compliant with contractual obligations.**

Annual Vendor Performance Review. The City reserves the right to review the Vendor's performance at the end of each twelve-month contract period and to cancel all or part of the Contract (without penalty) or continue the contract through the next period.

Compliance with other laws and certification of eligibility to contract. Any offer to contract with the City shall be considered an executed certification that the Vendor will comply with all federal, state, and local laws, statutes, ordinances, rules and regulations, (as amended during the contracting period) and any orders and decrees of any court, administrative bodies or tribunals in any matter affecting the performance of the Contract, including without limitation, immigration laws, workers' compensation laws, minimum and maximum salary and wage statutes and regulations, and licensing laws and regulations.

Compliance with all Codes, Permitting and Licensing Requirements. The successful Vendor shall comply with all national, state and local laws and regulations as well as those of any other authorities that have jurisdiction pertaining to equipment and materials used and their application. None of the terms or provisions of the specification shall be construed as waiving any rules, regulations or requirements of these authorities. The successful Vendor shall be responsible for obtaining all necessary permits, certificates and/or licenses to fulfill contractual obligations.

Liability and Indemnity of City. Any provision of the Contract is void and unenforceable if it: (1) limits or releases either party from liability that would exist by law in the absence of the provision; (2) creates liability for either party that would not exist by law in the absence of the provision; or (3) waives or limits either party's rights, defenses, remedies, or immunities that would exist by law in the absence of the provision. (Section 5, Article XI, Texas Constitution)

Indemnity and Independent Vendor Status of Vendor. Vendor shall indemnify, save harmless and defend the City, its officers, agents, and employees from and against any and all suits, actions, legal proceedings, claims, demands, damages, costs, expenses, attorney's fees and any and all other costs or fees (whether grounded in Constitutional law, Tort, Contract, or Property Law, or raised pursuant to local, state or federal statutory provision), arising out of the performance of the Contract and/or arising out of a willful or negligent act or omission of the Vendor its officers, agents, and employees. It is understood and agreed that the Vendor and any employee or sub-contractor of Vendor shall not be considered an

employee of the City. The Vendor shall not be within protection or coverage of the City's workers' compensation insurance, health insurance, liability insurance or any other insurance that the City from time to time may have in force and effect. City specifically reserves the right to reject any and all Vendor's employees, representatives or sub-contractors and/or their employees for any cause, should the presence of any such person on City property or their interaction with City employees be found not in the best interest of the City or is found to interfere with the effective and efficient operation of the City's workplace.

Liens. Vendor agrees to and shall indemnify and save harmless the City against any and all liens and encumbrances for all labor, goods and services which may be provided under the Contract. At the City's request the Vendor shall provide and shall cause all subcontractors to provide a proper release of all liens, or satisfactory evidence of freedom from liens shall be delivered to the City.

Confidentiality. Any provision in the Contract that attempts to prevent the City's disclosure of information that is subject to public disclosure under federal or Texas law is invalid. (Chapter 552, Texas Government Code).

Tax Exemption. The City is not liable to Vendor for any federal, state, or local taxes for which the City is not liable by law, including state and local sales and use taxes (Section 151.309 and Title 3, Texas Tax Code) and federal excise tax (Subtitle D of the Internal Revenue Code). Accordingly, those taxes may not be added to any item. Texas limited sales tax exemption certificates will be furnished upon request. Vendors shall not charge for said taxes. If billed, the City will remit payment less sales tax.

Contractual Limitations Period. Any provision of the Contract that establishes a limitations period that does not run against the City by law or that is shorter than two years is void. (Sections 16.061 and 16.070, Texas Civil Practice and Remedies Code)

Sovereign Immunity. Any provision of the Contract that seeks to waive the City's immunity from suit and/or immunity from liability is void unless agreed to by specific acknowledgement of the provision within the contract.

Governing Law and Venue. Texas law governs this Contract and any lawsuit on this Contract must be filed in a court that has jurisdiction in Tarrant County, Texas.

Right to trial by Jury. Any provision of the Contract that seeks to waive an aggrieved Party's right to trial by jury is void unless agreed to by specific acknowledgement of the provision within the contract.

Certificate of Interested Parties (TEC Form 1295). For contracts that require City Council approval or that is for services that would require a person to register as a lobbyist under Chapter 305 of the Government Code, the City may not accept or enter into a contract until it has received from the Vendor a completed and signed Texas Ethics Commission (TEC) Form 1295 complete with a certificate number assigned by the (TEC), pursuant to Texas Government Code § 2252.908 and the rules promulgated thereunder by the TEC. The Vendor understands that failure to provide said form complete with a certificate number assigned by the TEC may prohibit the City from entering the Contract.

Pursuant to the rules prescribed by the TEC, the TEC Form 1295 must be completed online through the TEC's website, assigned a certificate number, printed, signed and provided to the City. The TEC Form 1295 may accompany the bid or may be submitted separately but must be provided to the City prior to the award of the contract. Neither the City nor its consultants have the ability to verify the information

included in a TEC Form 1295, and neither have an obligation nor undertake responsibility for advising any potential Vendor with respect to the proper completion of the TEC Form 1295.

Anti-Boycott Israel Verification. In accordance with Chapter 2270, Texas Government Code, the City may not enter into a contract with a company, excluding a sole proprietorship, with 10 or more full-time employees for goods or services valued at \$100,000 or more unless the contract contains a written verification from the company that it: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the contract.

The signatory executing the Contract on behalf of Vendor verifies that Vendor and its parent company, wholly-owned subsidiaries, majority-owned subsidiaries and other affiliates, if any, do not boycott Israel and, to the extent the Contract is a contract for goods or services, will not boycott Israel during the term of the Contract. The foregoing verification is made solely to comply with Section 2270.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The signatory understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the signatory and exists to make a profit. This section does not apply to a Vendor which is a sole proprietorship and/or which has less than 10 full-time employees. This section does not apply to a contract valued at less than \$100,000,

Iran, Sudan, and Foreign Terrorist Organizations. The signatory executing the Contract on behalf of Vendor represents that neither Vendor nor any of its parent company, wholly-owned subsidiaries, majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>,
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or
<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.

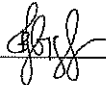
The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the entity and each of its parent company, wholly-owned subsidiaries, majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The signatory understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the signatory and exists to make a profit.

CITY OF WATAUGA, TEXAS

Weaver and Tidwell, L.L.P.

Firm

By: _____
Andrea Gardner, City Manager

By:  _____

Name: Jackie Gonzalez

Title: Partner

Date: _____

Date: July 17, 2020

Financial Audit Services
RFP 20-009
Evaluation - Combined Scores

	Beasley, Mitchell & Co	BKD	Brooks Watson & Co	Clifton, Larson Allen	Eide Bailly	Fox, Byrd & Company	Mauldin & Jenkins	McConnell & Jones	Patillo, Brown & Hill	Weaver	Whitley Penn
Member 1	56	79	78	74	75	67	66	84	76	86	87
Member 2	38	89	74.5	70	78.5	42	73	76	67	88	81
Member 3	53	90	83	84	86	62	82	87	87	93	93
Total	147	258	235.5	228	239.5	171	221	247	230	267	261

RANKINGS:

WEAVER
 WHITLEY PENN
 BKD
 MCCONNELL & JONES
 EIDE BAILLY
 BROOKS WATSON & COMPANY
 PATILLO, BROWN & HILL
 CLIFTON, LARSON, ALLEN
 MAUDLIN & JENKINS
 FOX, BYRD & COMPANY
 BEASLEY, MITCHELL & CO



AGENDA MEMORANDUM

DATE: August 13, 2020

TO: Honorable City Council Members

FROM: Sandra Gibson, CGFO, CGFM, Director of Finance

THROUGH: Andrea Gardner, City Manager

SUBJECT: Discuss and consider action on approval of the Watauga Economic Development Corporation (WEDC) Budget for Fiscal Year 2020-2021

BACKGROUND/INFORMATION:

The City Council held the required Public Hearing on the Proposed Watauga Economic Development Corporation Budget on August 24, 2020.

On August 10, 2020, City Council set the adoption date of August 24, 2020 for the WEDC Proposed Budget for Fiscal Year 2020-2021. City Council may make any changes to the budget up until the time of adoption.

FINANCIAL IMPLICATIONS:

Revenues are estimated at \$745,800 and total proposed expenses for the Watauga Economic Development Corporation (WEDC) are as follows: WEDC Operating in the amount of \$501,244 and WEDC Capital Projects in the amount of \$40,000.

RECOMMENDATION/ACTION DESIRED:

Approval of the Watauga Economic Development Corporation Budget for FY2020-2021

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. WEDC PROPOSED BUDGET FY2020-2021

REVIEWED BY:

Sandra Gibson, CGFO, CGFM, Director of Finance

Andrea Gardner, City Manager

Approved as to form for inclusion on Agenda

Approved - 8/13/2020

Final Approval - 8/14/2020

PROPOSED BUDGET



FISCAL YEAR 2020-2021

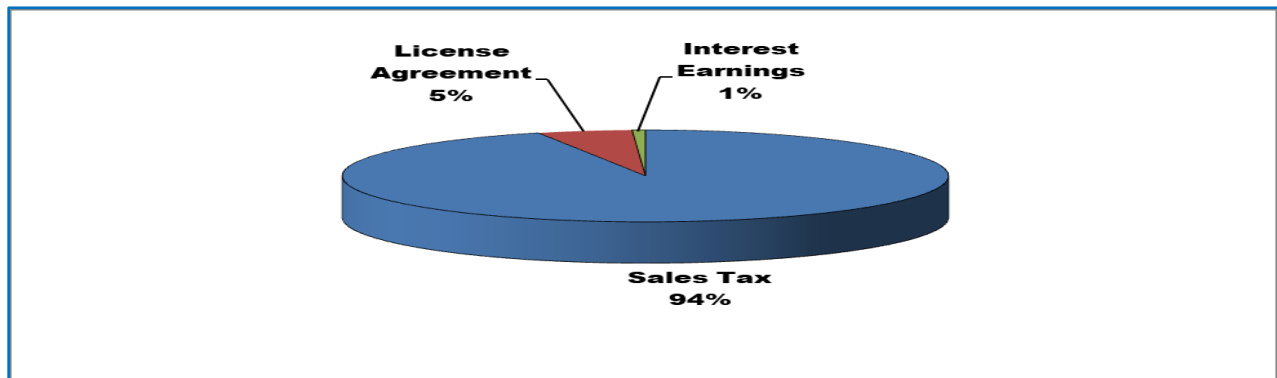
SPECIAL REVENUE FUND

ECONOMIC DEVELOPMENT CORPORATION (FORMERLY PARKS DEVELOPMENT CORPORATION)

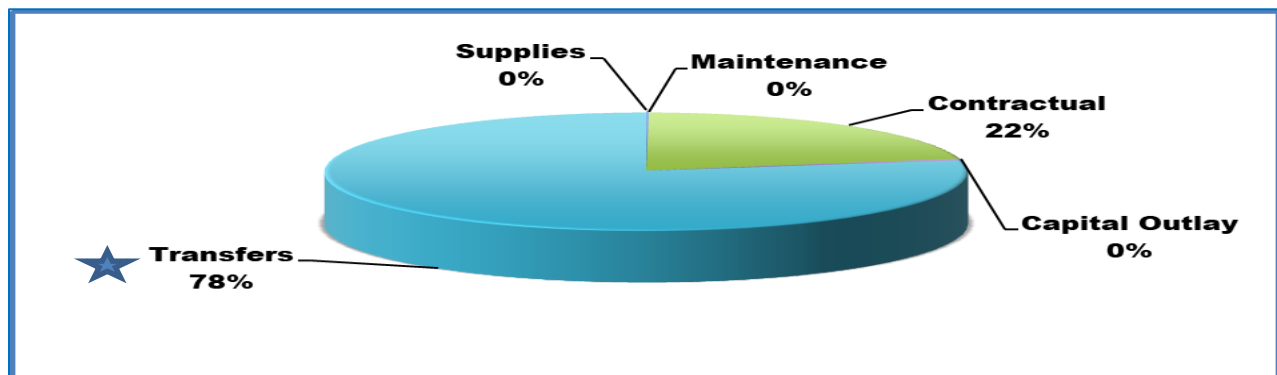
Voters established the Watauga Parks Development Corporation Sales Tax Fund to account for a ½ cent sales tax increase in May 1994 under the 4b Economic Development Legislation. The purpose of the increase in sales tax is to build city parks and improve existing parks under the supervision of the Watauga Parks Development Corporation. In May 2012, voters approved a reduction of the sales and use tax for the Watauga Parks Development Corporation to ¼ of one percent and reallocate ¼ of one percent for maintenance and repairs of municipal streets. This reduction took place on October 1, 2012. In FY2018-19 the corporation's name was changed to Economic Development Corporation and the focus was redirected to economic development within the City. Sales tax revenues for FY2021 are expected to be \$705,000.

This Special Revenue Fund is used to account for specific revenues that are legally restricted to expenditures for particular purposes. The fund is accounted for on the modified accrual basis of accounting. Revenues are recorded when available and measurable, and expenditures are recorded when liability is incurred.

Where Does the Money Come From?



Where Does the Money Go?



Note: Transfers to general fund cover personnel expenses and debt

SPECIAL REVENUE FUNDS

ECONOMIC DEVELOPMENT CORPORATION BUDGET SUMMARY - FUND 04

	HISTORY		PROJECTED YEAR		BUDGET	%CHANGE
	2017-2018 Actual	2018-2019 Actual	2019-2020 Budget	2019-2020 Projected	2020-2021 Budget	FY2020-21 VS 2019-20
Fund Balance, October 1	\$810,000	\$837,206	\$829,447	\$880,834	\$1,174,604	
<u>Revenues:</u>						
Sales Taxes	729,841	746,760	764,000	696,000	705,000	-7.7%
License Agreement - Property	0	0	0	0	28,800	100.0%
Interest Earnings	12,771	22,814	10,000	5,000	5,000	-50.0%
License Agreement - Services	0	0	0	0	7,000	100.0%
Operating Revenues	\$ 742,611	\$ 769,574	\$ 774,000	\$ 701,000	\$ 745,800	-3.6%
Total Available Resources	\$ 1,552,611	\$ 1,606,780	\$ 1,603,447	\$ 1,581,834	\$ 1,920,404	
<u>Expenditures:</u>						
Non-Departmental	15,505	19,837	0	0	0	0.0%
EDC	0	0	162,150	112,760	111,960	-31.0%
Parks Department	666,330	655,209	0	0	0	0.0%
Operating Expenditures	681,834	675,046	162,150	112,760	111,960	69.0%
<u>Operating Transfers-Out</u>						
To General Fund	36,443	36,400	194,292	194,292	231,781	19.3%
To Internal Service Fund	0	14,500	0	0	0	0.0%
To Debt Service	0	0	100,178	100,178	157,503	57.2%
Total Operating Transfers-Out	36,443	50,900	294,470	294,470	389,284	32.2%
TOTAL OPERATING & TRANSFERS	\$ 718,277	\$ 725,946	\$ 456,620	\$ 407,230	\$ 501,244	9.8%
Fund Balance, September 30	\$834,334	\$880,834	\$1,146,827	\$1,174,604	\$1,419,160	
CHANGE IN FUND BALANCE	\$24,334	\$43,628	\$317,380	\$293,770	\$244,556	

SPECIAL REVENUE FUND

DEPARTMENT: ECONOMIC DEVELOPMENT

DIVISION / ACTIVITY: ECONOMIC DEVELOPMENT CORPORATION – FUND 04

LOCATION:

7105 Whitley Road

Watauga, Texas 76148

Phone Number: 817-514-5800

HOURS OF OPERATION:

Monday – Friday

8:00 A.M. – 5:00 P.M.

MISSION / PROGRAMS / SERVICES:

Economic Development functions to implement a program of activities that works to improve Watauga's well-being and quality of life. Emphasis is placed on improving the business climate through specific efforts by way of the following projects and activities: new development, redevelopment, workforce development, business retention and expansion, and small business development.

FY2019-2020 HIGHLIGHTS / ACHIEVEMENTS:

- Completed a Five Year Strategy Plan
- Participated in the update to the Comprehensive Plan and Future Land Use Plan to add the RTMU zoning designation
- Held monthly Board Meetings for the WEDC
- Partnered with the City to host the Annual State of the City Address
- Executed a contract with Retail Coach to enhance new business recruitment
- Participated in monthly regional economic development meetings
- Participated in the Red River International Council of Shopping Centers Conference
- Completed the transfer of the Brooks Property to the WEDC from the Brooks family
- Created a new business recognition program
- Facilitated the hiring of an attorney for the WEDC
- Completed Business Retention training at Georgia Tech University
- Approved the Splash pad project
- Approved an agreement with the City for personnel services performed by City staff on behalf of the WEDC
- Developed the Shop Local, Play Local, and Dine Local campaign for the WEDC
- Approved a poster sign project to help promote local business

FY2020-2021 GOALS/ OBJECTIVES:

- Implement the Business Retention & Expansion Program
- Provide non-financial assistance to local businesses as part of the COVID-19 recovery
- Update the Five Year Strategic Plan for the WEDC
- Continue participation in the Annual State of the City Address
- Continue economic development efforts to attract new business and redevelopment
- Create a separate website for the WEDC
- Attend the International Council of Shopping Centers Conference
- Continue to support the Director of the WEDC to complete the Economic Developer Certification
- Develop a business incentive program

MAJOR BUDGETARY ISSUES AND OPERATIONAL TRENDS:

As the City begins to recover from the COVID-19 crisis, the WEDC will need to partner with the City on supporting local businesses through recovery efforts.

SPECIAL REVENUE FUND

DEPARTMENT: ECONOMIC DEVELOPMENT						
DIVISION / ACTIVITY: ECONOMIC DEVELOPMENT CORPORATION - FUND 04						
	OPERATED AS PDC					
EXPENDITURES	2016-2017 ACTUAL	2017-2018 ACTUAL	2018-2019 ACTUAL	2019-2020 BUDGET	2019-2020 PROJECTED	2020-2021 BUDGET
Non-Departmental	\$14,807	\$15,505	\$19,837	\$0	\$0	\$0
Personnel	\$393,284	\$433,236	\$410,747	\$0	\$0	\$0
Supplies	\$44,874	\$44,413	\$47,591	\$2,200	\$1,000	\$700
Maintenance	\$62,453	\$68,694	\$52,680	\$4,000	\$0	\$0
Contractual/Sundry	\$94,699	\$113,786	\$138,691	\$148,450	\$109,260	\$108,760
Capital Outlay	\$7,695	\$6,200	\$5,500	\$7,500	\$2,500	\$2,500
Transfers	\$36,285	\$36,443	\$50,900	\$294,470	\$294,470	\$389,284
TOTAL	\$654,097	\$718,277	\$725,946	\$456,620	\$407,230	\$501,244
PERFORMANCE MEASURES / SERVICE LEVELS						
Input / Demand			Actual 18-19	Budget 19-20	Projected 19-20	Budget 20-21
Staff Dedicated			PREVIOUSLY	1.50	1.5	N/A
Volunteers			PDC	2	2	5
Inquiries Received				20	20	25
Output/ Workload			Actual 18-19	Budget 19-20	Projected 19-20	Budget 20-21
Project Files Opened			PREVIOUSLY	5	10	15
Cilents Served			PDC	5	10	15
Jobs Created				5	26	35
Potential New Business Calls/Contacts				85	158	170
Responses Submitted				20	147	155
Board Meetings Held				12	12	12
Efficiency Measures / Impact			Actual 18-19	Budget 19-20	Projected 19-20	Budget 20-21
M & O percentage of City budget			PREVIOUSLY	0.82%	0.73%	
M & O budget per capita			PDC	\$19.34	\$17.25	\$20.45
Effectiveness Measures / Outcomes	Goals		Actual 18-19	Budget 19-20	Projected 19-20	Budget 20-21
Business Closures				2	10	15
Business Retention Visits			PREVIOUSLY	200	141	200
Small Business Development			PDC	4	8	10
New Businesses Opened				10	19	25
Redevelopment Projects				2	3	10
New Development Projects				3	5	5

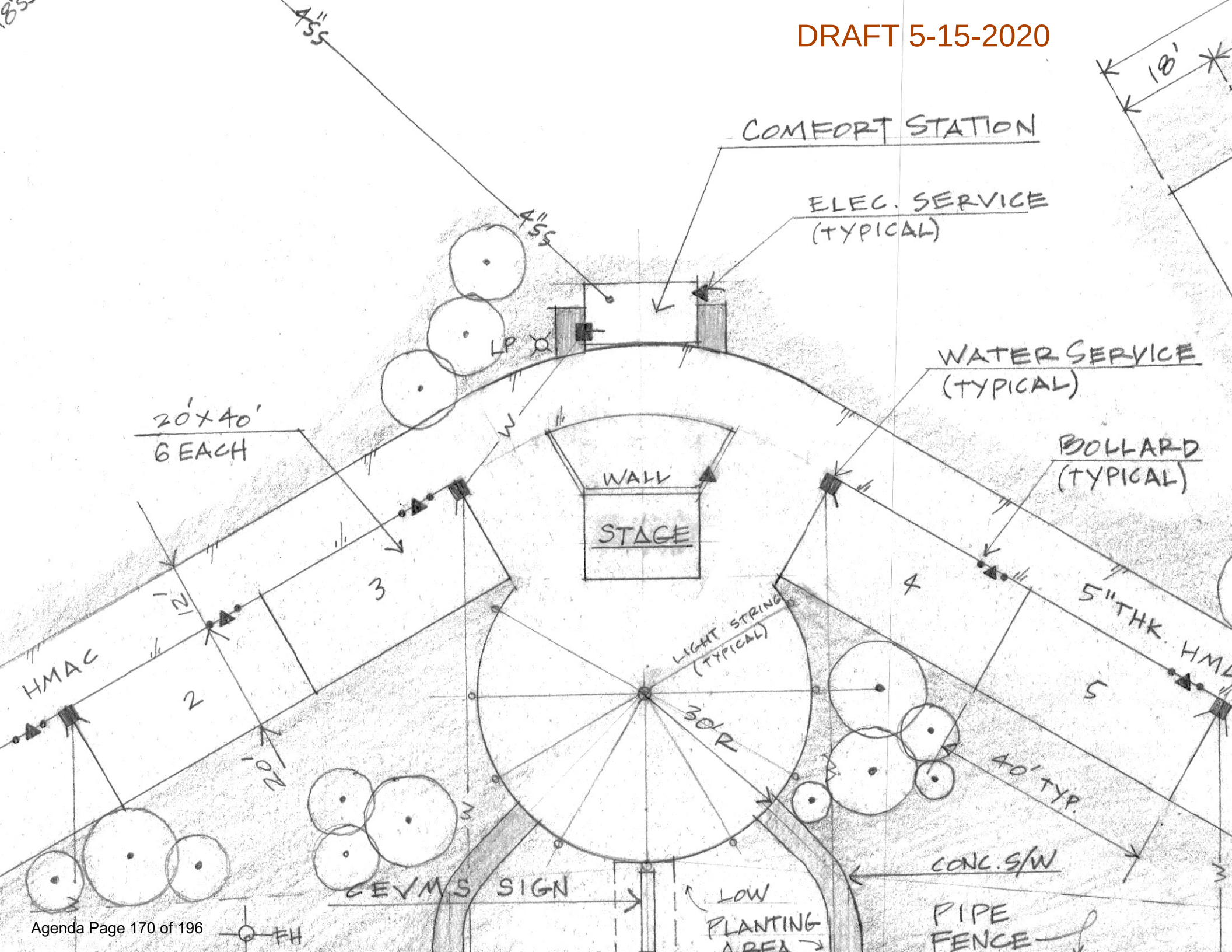
SPECIAL REVENUE FUND
ECONOMIC DEVELOPMENT CORPORATION
BUDGET SUMMARY
FUND 05 - CAPITAL PROJECTS

	HISTORY		PROJECTED YEAR		BUDGET
	2017-18 Actual	2018-2019 Actual	2019-2020 Budget	2019-2020 Projected	2020-2021 Budget
Fund Balance, October 1	\$ 430,390	\$ 374,358	\$244,179	\$244,179	\$43,347
<u>Revenues:</u>					
Interest Earnings	5,060	8,453	5,500	5,500	1,000
Proceeds from Sale of Assets	0	0	0	0	0
Transfer from PDC Sales Tax Fund	0	0	0	0	0
Other Financing Sources	0	0	0	0	0
Matching Grants	0	0	0	0	0
Total Revenues	\$ 5,060	\$ 8,453	\$ 5,500	\$ 5,500	1,000
Total Available Resources	\$ 435,450	\$ 382,811	\$ 249,679	\$ 249,679	44,347
<u>Expenditures:*</u>					
Shade Structure - BISD Park	0	25,000	0	0	0
Foster Village Improvements	49,962	49,800	0	0	0
Shade Structure - Indian Springs	0	21,578	0	0	0
Park Equipment (Picnic Pads, etc.)	0	39,666	0	0	0
Capp Smith Park Improvements	11,130	2,588	151,832	151,832	0
Capp Smith Improvements EDC	0	0	54,500	54,500	0
Contingency	0	0	0	0	40,000
Total Expenditures	61,092	138,632	206,332	206,332	40,000
<u>Other Expenditures</u>					
Transfer to PDC Debt Service	0	0	0	0	0
Total Other Soures (Uses)	0	0	0	0	0
REVENUES OVER (UNDER) EXPENSES	(\$56,032)	(\$130,179)	(\$200,832)	(\$200,832)	\$ (39,000)
Fund Balance, September 30	\$374,358	\$244,179	\$43,347	\$43,347	\$4,347
CHANGE IN FUND BALANCE	(\$56,032)	(\$130,179)	(\$200,832)	(\$200,832)	(\$39,000)

***WAS PARKS DEVELOPMENT CORPORATION UNTIL FY2018-19

PROPOSED INCUBATOR PROJECT





Item No.	OPTION G - DESCRIPTION OF ITEM	UNIT	TOTAL QTY.	UNIT PRICE	COST
1	Prepare/Restore Site	LS	1	\$2,500.00	\$2,500.00
2	Construction Entrance	EA	1	\$2,500.00	\$2,500.00
3	Site Grading	LS	1	\$2,500.00	\$2,500.00
4	Remove Existing Curb and Gutter	LF	110	\$35.00	\$3,850.00
5	Remove Existing Concrete Flatwork	SF	360	\$3.00	\$1,080.00
6	Excavation	CY	348	\$20.00	\$6,960.00
7	6" Thk. Concrete Paving (Truck Parking areas, Dumpster pad and Drive Approach)	SY	681	\$60.00	\$40,860.00
8	5" Thk. Concrete Paving (Dumpster driveway)	SY	107	\$57.00	\$6,099.00
9	4" Thk. Concrete sidewalks	SF	630	\$5.00	\$3,150.00
10	3" Type "B" HMAC	SY	998	\$22.50	\$22,455.00
11	2" Type "D" HMAC	SY	998	\$15.00	\$14,970.00
12	6" Flex Base	SY	667	\$18.00	\$12,006.00
13	ADA Ramps	EA	4	\$1,600.00	\$6,400.00
14	Water Service	EA	7	\$1,500.00	\$10,500.00
15	4" dia. Sewer Service Line	LF	150	\$25.00	\$3,750.00
16	Sanitary Sewer Service Transfers Incl. Cleanout, Tee & Double Cleanout	EA	1	\$350.00	\$350.00
17	Connect to Existing 18" SS Line	EA	1	\$1,000.00	\$1,000.00
18	Landscaping - Trees, Shrubs, etc.	LS	1	\$75,000.00	\$75,000.00
19	Pipe Fence with Gates	LF	450	\$50.00	\$22,500.00
20	4" Thick Topsoil & Solid Sodding	SY	2500	\$6.00	\$15,000.00
21	Dumpster Enclosure and Gate (Unknown type of Enclosure)	LS	1	\$10,000.00	\$10,000.00
22	Site Electrical	LS	1	\$75,000.00	\$75,000.00
23	CEVMS Sign	EA	1	\$79,000.00	\$79,000.00
24	Traffic Control Plan and Implementation	LS	1	\$1,500.00	\$1,500.00
25	Erosion Control	LS	1	\$1,000.00	\$1,000.00
26	Project Signs	EA	1	\$750.00	\$750.00
27	Project- Wide Miscellaneous Allowance	LS	1	\$25,000.00	\$25,000.00
28	Modular Restroom without Stairs or Ramp	LS	1	\$36,226.00	\$36,226.00
					\$481,906.00
	Stage, Seating or Tables Budget is not included in this Estimate				

Reduction of the following items shall reduce the cost accordingly

BOND DEBT SERVICE

**Watauga Parks Development Corporation
Certificates of Obligation, Series 2020**

Dated Date 08/01/2020
Delivery Date 08/01/2020

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2021	45,000	3.000%	7,500	52,500	
08/01/2021			6,825	6,825	
09/30/2021					59,325
02/01/2022	45,000	3.000%	6,825	51,825	
08/01/2022			6,150	6,150	
09/30/2022					57,975
02/01/2023	45,000	3.000%	6,150	51,150	
08/01/2023			5,475	5,475	
09/30/2023					56,625
02/01/2024	50,000	3.000%	5,475	55,475	
08/01/2024			4,725	4,725	
09/30/2024					60,200
02/01/2025	50,000	3.000%	4,725	54,725	
08/01/2025			3,975	3,975	
09/30/2025					58,700
02/01/2026	50,000	3.000%	3,975	53,975	
08/01/2026			3,225	3,225	
09/30/2026					57,200
02/01/2027	50,000	3.000%	3,225	53,225	
08/01/2027			2,475	2,475	
09/30/2027					55,700
02/01/2028	55,000	3.000%	2,475	57,475	
08/01/2028			1,650	1,650	
09/30/2028					59,125
02/01/2029	55,000	3.000%	1,650	56,650	
08/01/2029			825	825	
09/30/2029					57,475
02/01/2030	55,000	3.000%	825	55,825	
09/30/2030					55,825
	500,000		78,150	578,150	578,150

Allocations Information



SCHEDULE A - Estimated Cost for Economic Development Corporation 2020-2021 Fiscal Year

Prepared by: Finance Director Sandra Gibson

Phone #: 817-514-5822

Salary/ Benefits Personnel

Staff	Description	Annual hours	Salary + Benefits Calculation
City Secretary - TOTAL			\$18,410
City Secretary 1/4 Cost Allocation	Agenda Prep/Posting/Meetings		\$6,666
Records Secretary	Records Retention/PIA	208	\$3,975
Deputy City Secretary	Agenda Prep/Minutes/Resolutions	312	\$7,769
Finance - TOTAL			\$2,632
Finance Director - Total 33 hours	Monthly Report	6	\$2,242
	EDC Attendance	12	
	Annual Budget	15	
Financial Analyst	Monthly Report	4	\$98
Purchasing personnel	Purchasing	15	\$293
Information Technology - TOTAL			\$33,795
IT Director	IT Director - Website Design/Updates	120	
	Attend/Record Meetings	12	
Public Information Officer - Part-time	Marketing	1040	\$25,568
	Website/Updates/Projects		
Public Works - TOTAL	Projects	49	\$2,107
	Project Coordination/Oversight		
Parks - TOTAL	EDC Projects - Parks	208	\$6,875
Admin Asst. - EDC	50% of salary/benefits		\$24,024
	Business Retention/Scheduling		
City Manager - TOTAL	50% of Salary & Benefits		\$139,163
EDC Director Role and CM Role			
Sub-total			\$227,006
<i>Other Items</i>			
Annual Audit Allocation	4% of Total		\$2,000
Codification Fees	15% of Total		\$900
Civil Space	25% of Total		\$1,875
Sub-total			\$4,775
TOTAL			\$231,781



AGENDA MEMORANDUM

DATE: August 13, 2020

TO: Honorable City Council Members

FROM: Sandra Gibson, CGFO, CGFM, Director of Finance

THROUGH: Andrea Gardner, City Manager

SUBJECT: Discuss and consider action on approval of the Watauga Crime Control Prevention District (WCCPD) Proposed Budget for Fiscal Year 2020-2021

BACKGROUND/INFORMATION:

The Crime Control Prevention District's Proposed Budget for FY2020-2021 has been approved by the Crime Control and Prevention District Board, accepted by City Council, and all of the Public Hearing requirements have now been met.

Per Local Government Code, Section 323.205(d), not later than the 30th day before the date the fiscal year begins, the governing body shall approve or reject the budget submitted by the Board. The governing body may not amend the budget.

FINANCIAL IMPLICATIONS:

Revenues are estimated at \$1,501,000 and expenditures are budgeted at \$1,553,650. Fund balance at the end of the Fiscal Year 2020-2021 is anticipated to be at \$495,920.

RECOMMENDATION/ACTION DESIRED:

Respectfully recommend the Council review and take action on the item presented.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. CCD PROPOSED BUDGET DOCUMENT

REVIEWED BY:

Sandra Gibson, CGFO, CGFM, Director of Finance
Andrea Gardner, City Manager
Approved as to form for inclusion on Agenda

Approved - 8/13/2020
Final Approval - 8/14/2020



POLICE DEPARTMENT



The mission of the Watauga Police Department is to provide the highest quality police services while safeguarding individual liberties and building positive community relationships.



CRIME CONTROL DISTRICT

PROPOSED BUDGET 2020-2021

SPECIAL REVENUE FUNDS

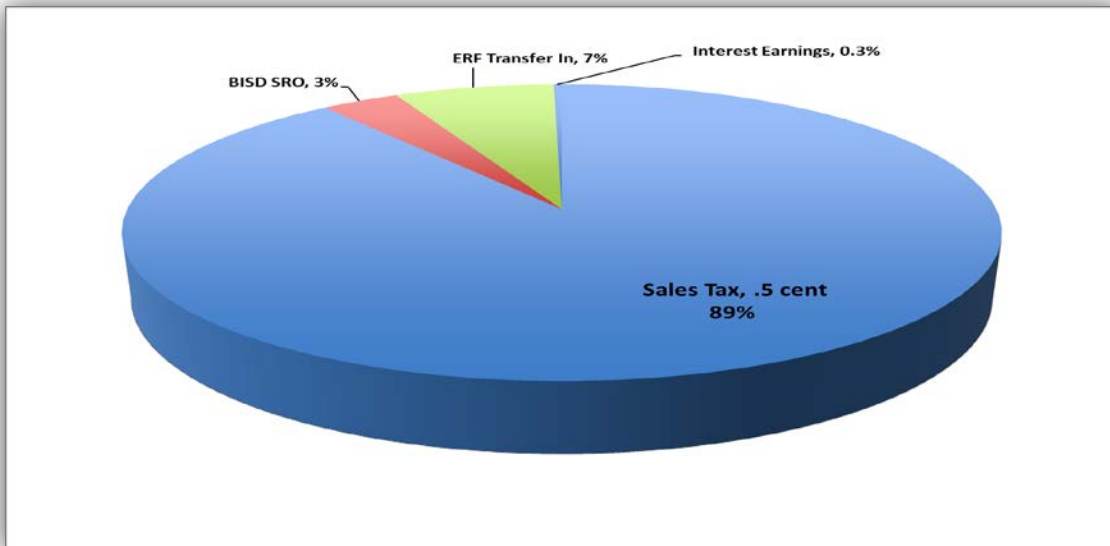
CRIME CONTROL DISTRICT – FUND 18

The Crime Control and Prevention District was established to account for a one-half cent sales tax increase approved by voters on March 23, 1996, for an initial five years. On May 5, 2001, voters extended the sales tax collection for ten more years. The purpose of the increase in sales tax is to enhance law enforcement in Watauga. The additional funding is used to add officers and purchase additional equipment and supplies for law enforcement purposes. A ten-year extension of the sales tax was passed during the November 2010 election.

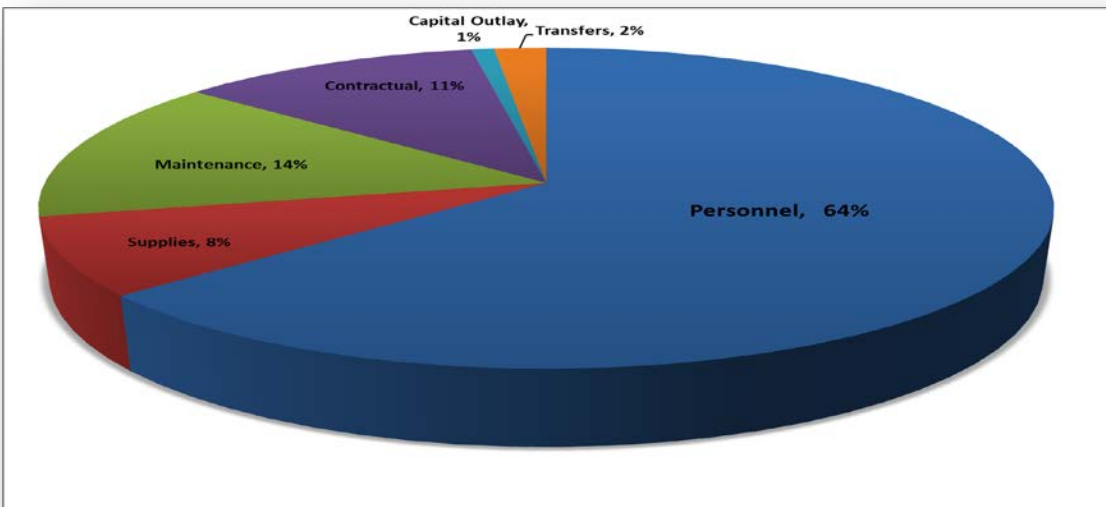
This is a Special Revenue Fund and is used to account for specific revenues that are legally restricted to expenditures for particular purposes. The fund is accounted for on the modified accrual basis of accounting. Revenues are recorded when available and measurable, and expenditures are recorded when the liability is incurred.

Sales tax revenue for FY2020-2021 is forecasted to be \$1,347,000. Sales Tax revenues are projected to be approximately 11% lower than the FY2019-2020 original budget due to the financial impact of COVID-19.

Where Does the Money Come From?

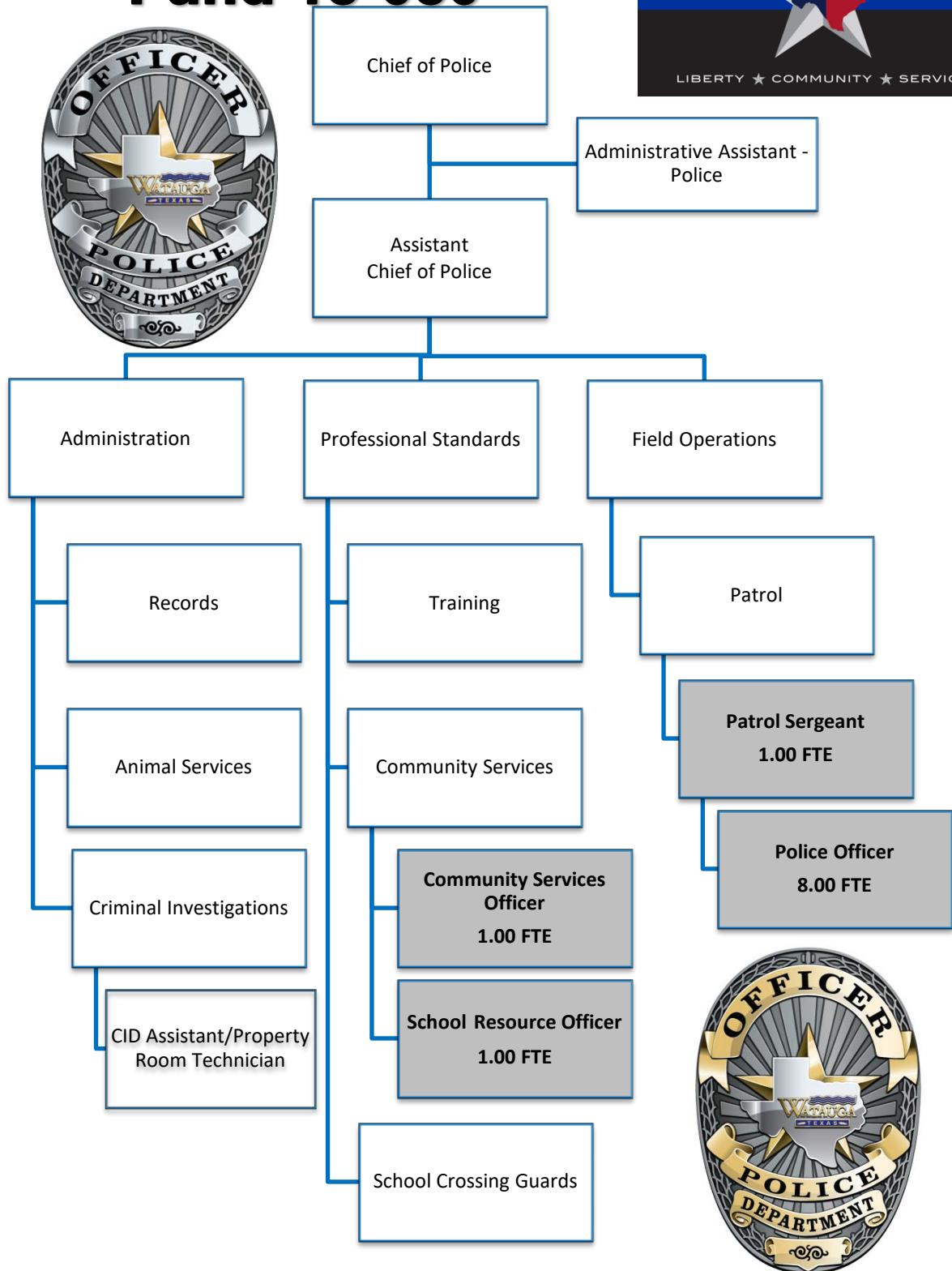


Where Does the Money Go?



Crime Control District

Fund 18-080



SPECIAL REVENUE FUNDS

CRIME CONTROL DISTRICT BUDGET SUMMARY - FUND 18 REVISED

	HISTORY	CURRENT BUDGET YEAR		BUDGET	%CHANGE
	2018-2019 Actual	2019-2020 Budget	2019-2020 Proposed Revised Budget	2020-2021 Budget	FY2020-2021 VS 2019-2020
Fund Balance, October 1	\$726,911	\$681,641	\$677,245	\$548,570	
<u>Revenues:</u>					
Sales Taxes	1,477,348	1,509,000	1,314,000	1,347,000	-10.7%
BISD SRO	0	49,000	24,500	49,000	0%
Transfer In From ERF	0	0	70,000	100,000	100%
Interest Earnings/Other	85,328	18,000	10,000	5,000	-72.2%
Operating Revenues	\$ 1,562,676	\$ 1,576,000	\$ 1,418,500	\$ 1,501,000	-4.76%
Total Available Resources	\$ 2,289,587	\$ 2,257,641	\$ 2,095,745	\$ 2,049,570	-9.2%
<u>Expenditures:</u>					
Operating Expenditures	1,555,855	1,658,370	1,508,175	1,510,650	-8.9%
Capital Outlay	12,487	17,000	9,000	13,000	-23.5%
Total Expenditures	1,568,341	1,675,370	1,517,175	1,523,650	-9.1%
<u>Operating Transfers-Out</u>					
To General Fund	29,000	30,000	30,000	30,000	0.0%
To Capital Projects	0	0	0	0	0.0%
To Internal Service Fund	15,000	0	0	0	0.0%
Total Operating Transfers-Out	44,000	30,000	30,000	30,000	0.0%
TOTAL OPERATING & TRANSFERS	\$ 1,612,341	\$ 1,705,370	\$ 1,547,175	\$ 1,553,650	-8.9%
Fund Balance, September 30	\$677,245	\$552,271	\$548,570	\$495,920	
CHANGE IN FUND BALANCE	(\$49,665)	(\$129,370)	(\$128,675)	(\$52,650)	
Fund Balance Policy Min @ 20%				\$308,130	

SPECIAL REVENUE FUNDS

DEPARTMENT: POLICE

DIVISION / ACTIVITY: WATAUGA CRIME CONTROL AND PREVENTION DISTRICT – FUND 18

LOCATION:

7101 Whitley Road
Watauga, Texas 76148

HOURS OF OPERATION:

24 hours a day

MISSION / PROGRAMS / SERVICES:

The mission of the Watauga Police Department is to provide the highest quality police services while safeguarding individual liberties and building positive community relationships. Our mandate is to reduce both crime and the fear of crime through training, technology and the implementation of the most modern and progressive resources available. The Watauga Police Department is responsible for all crime prevention, crime reports, crime investigations, traffic law enforcement, professional standards and animal services.

FY2019-2020 HIGHLIGHTS / ACHIEVEMENTS:

- Filled all vacancies and successfully trained all positions
- With the appropriate staffing revitalization of the bike patrol was possible
- Back filled specialized positions such as Traffic and CID
- Hosted Coffee with the Cops meetings at various local restaurants establishments
- Began community engagement with Civil Space for upgrading police facility

FY2020-2021 GOALS/ OBJECTIVES:

- Pursuing Re-Recognition status in the Texas Police Chiefs Association
- Enhance community outreach by meeting with local religious leaders
- Increase community events such as Snow Cones and Cops in an effort to engage more of the community
- Increase the usage of social media and web services such as Civil Space in order to obtain feedback and engagement of the community

MAJOR BUDGETARY ISSUES AND OPERATIONAL TRENDS:

The primary budget concern is the budget reduction due to the economic shortfall during the Covid-19 Pandemic. This shortfall will affect training opportunities and equipment replacement options.

The Pandemic is also creating an impact in the area of projections for the number of events and contacts in certain aspects of the department due to the unknown future of school resuming and the ability to host community gatherings.

SPECIAL REVENUE FUNDS

DEPARTMENT: POLICE						
DIVISION / ACTIVITY: WATAUGA CRIME CONTROL AND PREVENTION DISTRICT - FUND 18						
EXPENDITURES	2016-2017 ACTUAL	2017-2018 ACTUAL	2018-2019 ACTUAL	2019-2020 BUDGET	2019-2020 PROJECTED	2020-2021 BUDGET
Personnel	\$775,532	\$889,873	\$891,041	\$982,500	\$1,012,500	\$991,000
Supplies	\$127,289	\$148,808	\$141,659	\$147,500	\$116,500	\$122,500
Maintenance	\$172,581	\$206,498	\$214,256	\$198,500	\$218,250	\$223,000
Contractual/Sundry	\$198,809	\$288,071	\$308,898	\$329,870	\$160,925	\$174,150
Capital Outlay	\$48,365	\$28,807	\$12,488	\$17,000	\$9,000	\$13,000
Transfers	\$28,813	\$396,696	\$44,000	\$30,000	\$30,000	\$30,000
TOTAL	\$1,351,389	\$1,958,753	\$1,612,342	\$1,705,370	\$1,547,175	\$1,553,650
PERSONNEL						
Officer	9.00	8.00	8.00	8.00	8.00	8.00
Sergeant	1.00	1.50	1.50	1.00	1.00	1.00
Community Resources Officer	0.00	1.00	1.00	1.00	1.00	1.00
School Resource Officer (SRO)	1.00	1.00	1.00	1.00	1.00	1.00
CID Secretary/Property Tech	1.00	0.00	0.00	0.00	0.00	0.00
TOTAL	12.00	11.50	11.50	11.00	11.00	11.00
PERFORMANCE MEASURES / SERVICE LEVELS						
Input / Demand			Actual 18-19	Budget 19-20	Projected 19-20	Budget 20-21
Number of Sworn Police Officers				11.00	11.00	11.00
Efficiency Measures / Impact			Actual 18-19	Budget 19-20	Projected 19-20	Budget 20-21
M&O Budget per Capita			\$68.35	\$72.23	\$65.53	\$63.39
M&O Percentage of City Budget			3.74%	3.06%	2.78%	
Number of Sworn Officers Per 1000 Population from WCCPD			0.49	0.47	0.47	0.45
Effectiveness Measures / Outcomes						
	Goals	Actual 18-19	Budget 19-20	Projected 19-20	Budget 20-21	
SRO Presentations	1,3, 5	5	18	1	2	
SRO Student Contacts	1,3, 5	615	450	679	500	
Area School Events/Contacts	1,3, 5	10	10	18	18	
Explorer Post Meetings	1,3, 5	45	47	17	47	
Explorer Post Meetings Training Hours	1,3, 5	1,989	2,115	376	2,000	
Crime Prevention Training - Community Svc.	1, 3, 5	20	90	2	50	
Business Contacts - Community Svc.	1, 3, 4, 5	62	175	74	100	
Neighborhood Watch Mtgs - Community Svc.	1, 3, 5	0	35	0	10	
VIPS Hours	1, 2, 3, 5	3,000	2,600	1,317	2,000	
Town Hall Meetings	1, 2, 3, 4, 5	0	1	0	1	



SPECIAL REVENUE FUNDS

BUDGET CHANGES

Fiscal Year 2020-21 Compared to Fiscal Year 2019-20

DEPARTMENT: POLICE

DIVISION / ACTIVITY: CRIME CONTROL DISTRICT - FUND 18-080

DESCRIPTION	CATEGORY	ONE-TIME	ON-GOING	CHANGE EXPLANATION
Personnel	Personnel Services		\$8,500	Benefits & Rentention Adjustments
Office Supplies	Supplies		(\$1,000)	Needs Analysis Adjustment
Wearing Apparel	Supplies		(\$5,000)	Needs Analysis Adjustment
Vehicle Fuels & Lubricants	Supplies		(\$10,000)	Needs Analysis Adjustment
Minor Tools & Apparatus	Supplies		(\$3,000)	Needs Analysis Adjustment
Educational Supplies	Supplies		(\$1,000)	Crossing Guards Program Elimination/ Needs Adjustment
Weapons/ Ammunition	Supplies		(\$5,000)	Needs Analysis Adjustment
Office Equipment	Maintenance		(\$1,000)	Needs Analysis Adjustment
Vehicle Maintenance	Maintenance		(\$4,000)	Needs Adjustment/ Historical Analysis
Software Maintenance	Maintenance		\$3,000	Axon Body Cameras Maintenance Increase
Software Maintenance	Maintenance		\$34,000	CAD/RMS Adjustment
Software Maintenance	Maintenance		(\$500)	Netmotion/ Misc. Adjustment
Software Maintenance	Maintenance		(\$7,000)	Vigilant Software Elimination
Communications	Contractual/Sundry		(\$11,000)	Needs Analysis Adjustment
Special Services	Contractual/Sundry		(\$5,500)	Needs Analysis Adjustment
Advertising	Contractual/Sundry		(\$1,500)	Needs Analysis Adjustment
Dues & Subscriptions	Contractual/Sundry		\$150	Various Dues Increases
Dues & Subscriptions	Contractual/Sundry		(\$8,000)	Lexipol Subscription Elimination
Dues & Subscriptions	Contractual/Sundry		\$6,500	PowerDMS Subscription Addition (Replaces Lexipol)
Lease/ Purchase Cost	Contractual/Sundry		(\$136,370)	No ERF Transfer
Computer Software	Capital Outlay		(\$4,000)	Historical Needs Analysis Adjustment
TOTALS:		\$0	(\$151,720)	

(\$151,720) NET INCREASE/DECREASE



AGENDA MEMORANDUM

DATE: August 13, 2020

TO: Honorable City Council Members

FROM: Sandra Gibson, CGFO, CGFM, Director of Finance

THROUGH: Andrea Gardner, City Manager

SUBJECT: Discuss the proposed tax rate of \$0.580404 per \$100 valuation for Fiscal Year 2020-2021 and accept Notice About 2020 Tax Rates

BACKGROUND/INFORMATION:

As per Texas Property Tax Code 26.04(e), on August 5, 2020, the tax rates were submitted to the governing body calculating the no-new-revenue rate and voter approval rate. Also included in the calculations presented were the de minimis rate, the rate calculated under disaster provision under authority of section 26.04(c-1) which is the same rate as the voter approval rate, and the proposed tax rate of \$0.580404 per \$100 valuation.

The attached Notice About 2020 Tax Rates is the formal notice prescribed by the Texas Comptroller of Public Accounts. The notice includes (1) the no-new-revenue tax rate, the voter-approval tax rate, and an explanation of how they were calculated; (2) the estimated amount of interest and sinking fund balances and the estimated amount of maintenance and operation or general fund balances remaining at the end of the current fiscal year that are not encumbered with or by a corresponding debt obligation; and (3) a schedule of the taxing unit's debt obligations. This notice is required to be posted on the City's website.

Additionally, the Notice of Public Hearing on Tax Increase for the proposed tax rate of \$0.580404 is attached that will be posted to the website and published in the paper. The Hearing is scheduled for September 14, 2020 at the regular City Council meeting held at 6:30 p.m. The tax rate proposed will bring in revenue to cover general debt service obligations and fund maintenance and operations for the general fund. This includes fire, emergency medical services, police, library, recreation, public works, animal control, and other city services.



AGENDA MEMORANDUM

FINANCIAL IMPLICATIONS:

Respectfully recommend the Council review and take action on the item presented.

RECOMMENDATION/ACTION DESIRED:

Respectfully recommend the Council review and take action on the item presented.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. NOTICE ABOUT 2020 TAX RATES - CITY OF WATAUGA
2. NOTICE OF PUBLIC HEARING ON TAX INCREASE

REVIEWED BY:

Sandra Gibson, CGFO, CGFM, Director of Finance

Andrea Gardner, City Manager

Approved as to form for inclusion on Agenda

Approved - 8/17/2020

Final Approval - 8/18/2020

Notice About 2020 Tax Rates

Property Tax Rates in City of Watauga

This notice concerns the 2020 property tax rates for City of Watauga.

This notice provides information about two tax rates used in adopting the current tax year's tax rate. The no-new-revenue tax rate would impose the same amount of taxes as last year if you compare properties taxed in both years. In most cases, the voter-approval tax rate is the highest tax rate a taxing unit can adopt without holding an election. In each case, these rates are calculated by dividing the total amount of taxes by the current taxable value with adjustments as required by state law. The rates are given per \$100 of property value.

This year's no-new-revenue tax rate \$0.571188/\$100

This year's voter-approval tax rate \$ 0.612459/\$100

To see the full calculations, please visit www.cityofwatauga.org for a copy of the Tax Rate Calculation Worksheet under Property Taxes section.

Unencumbered Fund Balances

The following estimated balances will be left in the taxing unit's accounts at the end of the fiscal year. These balances are not encumbered by corresponding debt obligation.

Type of Fund	Balance
General Fund	\$4,644,292
General Obligation Debt Service	\$ 721,570

Current Year Debt Service

The following amounts are for long-term debts that are secured by property taxes. These amounts will be paid from upcoming property tax revenues (or additional sales tax revenues, if applicable).

Description of Debt	Principal or Contract Payment to be Paid From Property Taxes	Interest to be Paid From Property Taxes	Other Amounts to be Paid	Total Payment
2007 Certificates of Obligation	\$200,000	\$61,239	\$	\$261,239
2011 Certificates of Obligation	\$455,000	\$27,075	\$	\$482,075
2013 Certificates of Obligation	\$200,000	\$10,913	\$	\$210,913
2014 Certificates of Obligation	\$515,000	\$72,669	\$	\$587,669
2016 Certificates of Obligation	\$245,000	\$114,869	\$	\$359,869
2018 Certificates of Obligation	\$ 480,000	\$224,590		\$704,590
2019 Certificates of Obligation	\$50,000	\$ 13,950	\$	\$ 63,950
2020 Tax Notes	\$75,000	\$ 22,138	\$	\$ 97,138
2020 Certificates of Obligation	\$115,000	\$ 73,563	\$	\$ 188,563

Form developed by: Texas Comptroller of Public Accounts, Property Tax Assistance Division

For additional copies, visit:
comptroller.texas.gov/taxes/property-tax

Total required for <u>2020</u> debt service.	\$ <u>2,956,006</u>
(current year)	
- Amount (if any) paid from funds listed in unencumbered funds	\$ <u>74,670</u>
- Amount (if any) paid from other resources	\$ <u>370,387</u>
- Excess collections last year	\$ <u>0</u>
 = Total to be paid from taxes in <u>2020</u>	\$ <u>2,510,949</u>
(current year)	
+ Amount added in anticipation that the taxing unit will collect	
only <u>100</u> % of its taxes in <u>2020</u>	\$ <u>0</u>
(collection rate) (current year)	
= Total Debt Levy	\$ <u>2,510,949</u>

Voter-Approval Tax Rate Adjustments (not applicable to the City of Watauga)

Eligible County Hospital Expenditures

The City of Watauga spent \$0 from July 1, 2019 to June 30, 2020 on expenditures to maintain and operate an eligible county hospital. For the current tax year, the amount of increase above last year's eligible county hospital expenditures is \$0. This increased the no-new-revenue rate by \$0/\$100.

This notice contains a summary of the no-new-revenue and voter-approval calculations as

certified by

Sandra Gibson, Director of Finance, 8/5/2020
 (designated individual's name and position) (date)

NOTICE OF PUBLIC HEARING ON TAX INCREASE

A tax rate of \$0.580404 per \$100 valuation had been proposed by the governing body of the City of Watauga, Texas.

PROPOSED TAX RATE	\$0.580404 per \$100
NO NEW REVENUE TAX RATE	\$0.571188 per \$100
VOTER APPROVAL RATE	\$0.612459 per \$100
DE MINIMIS RATE	\$0.616188 per \$100

The no-new-revenue tax rate is the tax rate for the 2020 tax rate that will raise the same amount of property tax revenue for the City of Watauga from the same properties in the 2019 tax year and the 2020 tax year.

The voter-approval rate is the highest tax rate that the City of Watauga may adopt without holding an election to seek voter approval of the tax rate, unless the de minimis rate for the City of Watauga exceeds the voter-approval rate for the City of Watauga.

The de minimis rate is the rate to the sum of the no-new-revenue maintenance and operations rate for the City of Watauga, the rate that will raise \$500,000, and the current debt rate for the City of Watauga.

The proposed tax rate is greater than the no new revenue rate. This means that the City of Watauga is proposing to increase property taxes for the 2020 tax year.

A PUBLIC HEARING ON THE PROPOSED TAX RATE WILL BE HELD ON September 14, 2020 at 6:30 PM at Watauga City Hall, 7105 Whitley Road, Watauga, Texas 76148.

The proposed tax rate is not greater than the voter-approval tax rate. As a result, the City is not required to hold an election at which voters may accept or reject the proposed tax rate. However, you may express your support for or opposition to the proposed tax rate by contacting members of the City Council of the City of Watauga at their offices or by attending the public hearing mentioned above.

YOUR TAXES OWED UNDER ANY OF THE TAX RATES MENTIONED ABOVE CAN BE CALCULATED AS FOLLOWS:

$$\text{Property tax amount} = (\text{tax rate}) \times (\text{taxable value of your property}) / 100$$

The members of the governing body voted on the proposal to consider the tax increase as follows:

FOR: Tom Snyder, Place 2, Mayor Pro Tem, Lovie Downey, Place 3, Andrew Neal, Place 4, Juanita King, Place 5, Mark Taylor, Place 6

AGAINST: none

PRESENT and not voting: Arthur Miner, Mayor

ABSENT: Danielle Tucker, Place 1, Kim Irving, Place 7

The 86th Texas Legislature modified the manner in which the voter-approval tax rate is calculated to limit the rate of growth of property taxes in the State. The following table compares the taxes imposed on the average residence homestead by the City of Watauga last year to the taxes proposed to be imposed on the average residence homestead by the City of Watauga this year:

	2019	2020	Change
Total tax rate (per \$100 of value)	\$0.58050	\$0.580404	Decrease of \$.000096
Average homestead taxable value	\$152,618	\$160,330	Increase of 5.05%
Tax on average homestead	\$885.95	\$930.56	increase of \$45 or 5.03%
Total tax levy on all properties(not including freeze levy)	\$7,996,341	\$8,109,621	Increase of \$113,281 or 1.41%

For assistance with tax calculations, please contact the tax assessor for the City of Watauga at 817-514-5800 or accounting@wataugatx.org, or visit www.cityofwatauga.org for more information.



AGENDA MEMORANDUM

DATE: August 14, 2020

TO: Honorable City Council Members

FROM: Sandra Gibson, CGFO, CGFM, Director of Finance

THROUGH: Andrea Gardner, City Manager

SUBJECT: Discuss and Consider action on a Staffing Reimbursement Agreement between the City of Watauga and the Watauga Economic Development Corporation

BACKGROUND/INFORMATION:

The City Council and the Board for the Watauga Economic Development Corporation (WEDC) have determined that the WEDC's staffing needs can best be met by utilization of certain City employees and contractors.

The City of Watauga, and the WEDC, have determined that providing certain personnel and services to the WEDC will be mutually beneficial to the City and the WEDC. Specifically, it will promote local economic development, and will stimulate business and commercial activity within the City, all in furtherance of the purposes of the WEDC.

As the City is prohibited by Texas Local Government Code §501.007 from granting public money or another thing of value in aid to the WEDC, except as provided for by a contract (authorized by §380.002 of the Texas Local Government Code), the attached Staffing and Reimbursement Agreement is put forward for consideration by Council.

The agreement estimates fees to be charged directly to the WEDC for the services to be provided by City employees. The estimate is based on an allocation prepared each fiscal year, during the budget process, for matters supporting and benefiting the WEDC.

Said agreement was prepared by the City Attorney and approved by the WEDC Board on July 21, 2020.

FINANCIAL IMPLICATIONS:

Reimbursement to the City for personnel costs and benefits provided to the Watauga Economic Development Corporation.



AGENDA MEMORANDUM

RECOMMENDATION/ACTION DESIRED:

Respectfully recommend the Council review and take action on the item presented.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. Staffing and Reimbursement Agreement Draft legal review

REVIEWED BY:

Sandra Gibson, CGFO, CGFM, Director of Finance

Karrie Marling, Legal

George Hyde, Legal

Andrea Gardner, City Manager

Approved as to form for inclusion on Agenda

Approved - 8/18/2020

Approved - 8/18/2020

Approved - 8/21/2020

Final Approval - 8/21/2020

**STAFFING AND REIMBURSEMENT AGREEMENT BETWEEN THE CITY
OF WATAUGA AND THE WATAUGA ECONOMIC DEVELOPMENT
CORPORATION FOR PERSONNEL AND SERVICES.**

This Agreement for Staffing and Reimbursement Agreement between the City of Watauga and the Watauga Economic Development Corporation for Personnel and Services (this "Agreement") is entered into by and between the following Parties; the City of Watauga, a Home Rule City located in Watauga, Texas, (the "City") and the Watauga Economic Development Corporation, Texas, (the "WEDC") a political subdivision of the State of Texas, Tarrant County, (individually a "Party" and collectively the "Parties").

WHEREAS, pursuant to The Texas Development Corporation Act, Texas Local Government Code Chapters 501, 502 and 505 (the "Act"), the City created the WEDC and collects, on behalf of the WEDC, a sales and use tax, a portion of which may be used by WEDC to pay certain administrative costs; and

WHEREAS, the WEDC desires to utilize the services and support of certain City staff and contractors in furtherance of its work and the projects it undertakes to eliminate duplication of services and to promote economy and efficiency; and

WHEREAS, the City is prohibited by Texas Local Government Code §501.007 from granting public money or another thing of value in aid to the WEDC, except as provided for by a contract authorized by §380.002 of the Texas Local Government Code; and

WHEREAS, during the FY2019 Budget process the Board of Directors of the WEDC requested the City to allocate the costs of the parks staff to the general fund; and

WHEREAS, to more effectively and efficiently fulfill the WEDC's purpose, its Board of Directors of the WEDC and the City Council have determined that the WEDC's staffing needs can best be met by utilization of certain City employees and contractors; and

WHEREAS, the WEDC and the City of Watauga have determined that providing certain personnel and services, including personnel management, professional services, administrative services, financial management, oversight services and legal services to the WEDC will be mutually beneficial to the City and the WEDC, will promote local economic development, and will stimulate business and commercial activity within the City, all in furtherance of the purposes of the WEDC; and

WHEREAS, the cost for such services by city employees will be accounted for and presented to the WEDC based on an allocation prepared each fiscal year during the budget process for matters benefiting the WEDC and the actual costs for any contracted services and related expenses will be charged directly to the WEDC; and

WHEREAS, the WEDC Board of Directors and the City Council wish to enter into the agreement to memorialize the terms and conditions under which City personnel and contractors shall serve the WEDC; and

NOW, THEREFORE, in consideration of the promises and mutual agreements hereinafter set forth, the Parties hereby do mutually agree as follows:

1.0 Purpose

The purpose of this agreement is to set out the terms and conditions by which the City of Watauga shall provide personnel and services to serve the needs of the WEDC.

2.0 Employees of the City

All personnel who are designated as City employees shall at all times remain solely employees of the City and shall not be employees of the WEDC in any capacity. All personnel servicing this contract shall be subject to the City's Charter, ordinances and City personnel policies. The WEDC Board shall coordinate any staff directive through the City Manager.

3.0 Personnel Assigned to the WEDC and Reimbursement of Costs

Certain City employee positions shall be assigned to serve the WEDC for all or part of the positions' work schedules as set forth within Schedule A, attached hereto and made a part hereof for all purposes. Schedule A further provides the allocated charge for each employee position's service. On or before the 10th day of month the City shall transfer from the WEDC Fund to the General Fund an amount equal to the allocated charge for the personnel services dedicated to WEDC for the previous month.

4.0 Breach

The failure of either Party to comply with its obligations under the agreement shall be considered a breach of this agreement. Should such a breach occur, the non-breaching Party shall provide breaching Party with at least 30 days written notice to cure its breach.

5.0 Waiver

The waiver by either Party of a breach of this agreement shall not constitute a continuing waiver of such breach or of a subsequent breach of the same or a different provision, unless so stipulated by the Party not in breach of this agreement.

6.0 Term

This Agreement shall remain in effect until September 30, 2021 and renews annually thereafter unless terminated by either of the Parties. Any notice of termination is not effective until the first day of the fiscal year following notice.

7.0 Texas Law to Apply

This agreement shall be construed under and in accordance with the laws of the State of Texas and all obligations of the Parties created hereunder are performable in Tarrant County, Texas.

8.0 Notice

All notices, whether for reimbursement or otherwise, shall be in writing and may be hand delivered, or sent by registered or certified mail, postage prepaid, return receipt requested to the following addresses:

City of Watauga
Attn: City Manager
7105 Whitley Rd.
Watauga, TX 76148

City of Watauga Economic Development Corporation
Attn: WEDC Board Chair
7105 Whitley Rd.
Watauga, TX 76148

9.0 Legal Construction

If any one or more of the provisions contained in this agreement shall for any reason be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof and this agreement shall be construed as if such invalid, illegal, or unenforceable provisions had never been contained herein.

This Agreement shall be for the sole and exclusive benefit of the City and the WEDC and shall not be construed to confer any benefit or right upon any other Parties.

10.0 Entire Agreement

This agreement supersedes any and all other agreements, either oral or in writing, between the Parties hereto with respect to the subject matter hereof and contains all of the covenants and agreements between the Parties with respect to said matter. Each Party to this agreement acknowledges that no representations, inducements, promises, or agreements, oral or otherwise, have been made by any Party or anyone acting on behalf of any Party which are not embodied herein and that no other agreements, statement, or promise not contained in this agreement shall be valid or binding. No modification concerning this instrument shall be of any force or effect, excepting a subsequent amendment in writing signed by the Parties. No official, representative, agent or employee of either entity, has any authority to modify this agreement except pursuant to express authority to do so granted by the governing body.

11.0 Parties Bound

This agreement shall be binding upon and inure to the benefit of the Parties to it and their respective legal representatives, successors and assigns where permitted by this agreement.

IN WITNESS WHEREOF, the City of Watauga and the Watauga Economic Development Corporation, have hereby entered into this agreement.

City

WEDC:

By: _____
Mayor

By: Arthur L. Miller
President

Date: _____

Date: AUGUST 17, 2020

SCHEDULE A - Estimated Cost for Economic Development Corporation 2020-2021 Fiscal Year

Prepared by: Finance Director Sandra Gibson Phone #: 817-514-5822

Salary/ Benefits Personnel

Staff	Description	Annual hours	Salary + Benefits Calculation
City Secretary - TOTAL			\$18,410
City Secretary 1/4 Cost Allocation	Agenda Prep/Posting/Meetings		\$6,666
Records Secretary	Records Retention/PIA	208	\$3,975
Deputy City Secretary	Agenda Prep/Minutes/Resolutions	312	\$7,769
Finance - TOTAL			\$2,632
Finance Director - Total 33 hours	Monthly Report	6	\$2,242
	EDC Attendance	12	
	Annual Budget	15	
Financial Analyst	Monthly Report	4	\$98
Purchasing personnel	Purchasing	15	\$293
Information Technology - TOTAL			\$33,795
IT Director	IT Director - Website Design/Updates	120	
	Attend/Record Meetings	12	
Public Information Officer - Part-time	Marketing	1040	\$25,568
	Website/Updates/Projects		
Public Works - TOTAL	Projects	49	\$2,107
	Project Coordination/Oversight		
Parks - TOTAL	EDC Projects - Parks	208	\$6,875
Admin Asst. - EDC	50% of salary/benefits		\$24,024
	Business Retention/Scheduling		
City Manager - TOTAL	50% of Salary & Benefits		\$139,163
EDC Director Role and CM Role			
Sub-total			\$227,006
Other Items			
Annual Audit Allocation	4% of Total		\$2,000
Codification Fees	15% of Total		\$900
Civil Space	25% of Total		\$1,875
Sub-total			\$4,775
TOTAL			\$231,781



AGENDA MEMORANDUM

DATE: August 17, 2020

TO: Honorable City Council Members

FROM: Andrea Gardner, City Manager

SUBJECT: Acknowledgement of City Councilmember Danielle Tucker's August 17, 2020 resignation as City Councilmember City Council Place 1; discuss and consider action as provided by Section 3.05 of the City Charter to fill the vacancy on City Council by the appointment of a qualified person to fill the unexpired term of office for City Councilmember City Council Place 1 and conduct Oath of Office ceremony (as necessary).

BACKGROUND/INFORMATION:

On August 17, 2020, the City Secretary's Office received a letter from City Councilmember Tucker that was dated August 16, 2020.

Section 3.05 of the City's Charter reads in pertinent part:

"The office of the mayor or a councilmember shall become vacant upon... written resignation submitted to the city secretary,...."

On August 17, 2020, formal notice of acceptance was sent to Councilmember Tucker by the City Secretary's Office in accordance with the City Charter.

However, the City Charter also states in part in Section 3.01 that: "Each member of the city council shall hold office until a successor is elected and duly sworn, unless removed under the provisions of this Charter." This is consistent with state law. Even though Councilmember Tucker resigned, she continues to be considered a "Holdover" City Councilmember. When an elected or appointed official is a "Holdover", it means that the officer retains all rights and authority of the office and may continue to perform the duties of office until his or her successor has taken office. Therefore, after resigning, he, as a City Councilmember may participate in a council meeting as a holdover officer. The Texas constitution provides that an officer continues to perform the duties of office until his/her successor is duly qualified (e.g. appointed and sworn in) pursuant to Article 16, Section 17 of the Texas Constitution.

City Council vacancies in the City are filled in accordance with the City Charter. The



AGENDA MEMORANDUM

applicable section of the City Charter, Section 3.05 reads: "Filling of vacancies. Subject to and consistent with applicable law, any vacancy or vacancies occurring on such governing body may be filled by appointment by majority vote remaining members of the city council." As with any other vote, the mayor may only vote on the appointment if there is a tie. The appointee only serves until the next regular city election, at which time the office would go to the duly elected replacement upon being sworn in.

This item allows the City Council to consider filling the vacancy on City Council by appointing a person to complete the remaining term of office in City Council Place 1 as contemplated by the language of the City Charter.

FINANCIAL IMPLICATIONS:

RECOMMENDATION/ACTION DESIRED:

City staff respectfully requests the City Council acknowledge the resignation submitted by Ms. Tucker on August 16, 2020 as it was accepted on August 17, 2020 by the City Secretary's Office and effective by operation of law on August 17, 2020, if not sooner.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. Letter of Resignation

REVIEWED BY:

Karrie Marling, Legal

George Hyde, Legal

Andrea Gardner, City Manager

Approved as to form for inclusion on Agenda

Approved - 8/18/2020

Approved - 8/21/2020

Final Approval - 8/21/2020