



**City Council  
Agenda Memo**

**TO:** David A. Vela, Interim City Manager  
**FROM:** Mindy Patterson, Director of Finance  
**SUBJECT:** Ordinance Authorizing Issuance and Sale of Combination Tax and Surplus Revenue Certificates of Obligation, Series 2014, for Water and Wastewater System Improvements

**City Council  
Meeting Date: 10/23/14**

**GENERAL INFORMATION**

The certificates of obligation sale will finance \$65,000,000 for the purpose of constructing, acquiring, installing, and equipping additions, extensions and improvements to the City's water and wastewater system.

The issuance of the certificates will be a negotiated sale on October 22, 2014. The interest rates and debt service will be reported at the Council meeting on October 23, 2014.

**FUNDING/FISCAL IMPACT**

The \$65,000,000 for water and sewer projects will be funded from water and sewer revenue. Therefore a rate increase was necessary for this issue. The credit rating from Standard and Poor's is affirmed at AA+, and the rating from Fitch Ratings is AA+. We are utilizing a projected 4.3% interest rate on the certificates.

**STAFF RECOMMENDATION**

Staff recommends passage of the ordinance authorizing issuance of \$65,000,000 in certificates of obligation for water and wastewater system improvements.

**ATTACHMENTS**

Due to the size of the documents, the Official Statement and proposed ordinance authorizing issuance of the certificates are on file in the City Secretary's office.

**Prepared By:**

**Name** Mindy Patterson

**Title** Director of Finance

**Item No.** 7.1

**Disposition by City Council**

☐ Approved ☐ Denied  
☐ Other Ord/Res # \_\_\_\_\_

\_\_\_\_\_  
**City Secretary**

**ORDINANCE NO. \_\_\_\_\_**

**AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF CITY OF ABILENE, TEXAS, COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2014; LEVYING AN ANNUAL AD VALOREM TAX AND PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID CERTIFICATES; APPROVING THE OFFICIAL STATEMENT; PROVIDING AN EFFECTIVE DATE; AND ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT**

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<b>THE STATE OF TEXAS</b>	<b>§</b>
<b>COUNTIES OF TAYLOR AND JONES</b>	<b>§</b>
<b>CITY OF ABILENE</b>	<b>§</b>

WHEREAS, the City Council of the City of Abilene, Texas (the "Issuer"), deems it advisable to issue Certificates of Obligation in the amount of \$65,000,000 for the purposes hereinafter set forth;

WHEREAS, the Certificates of Obligation hereinafter authorized and designated are to be issued and delivered for cash pursuant to Subchapter C of Chapter 271, Local Government Code and Subchapter B, Chapter 1502, Government Code;

WHEREAS, the City Council has heretofore passed a resolution authorizing and directing the City Secretary to give notice of intention to issue Certificates of Obligation, and said notice has been duly published in a newspaper of general circulation in said City, said newspaper being a "newspaper" as defined in §2051.044, Texas Government Code;

WHEREAS, the City received no petition from the qualified electors of the City protesting the issuance of such Certificates of Obligation;

WHEREAS, it is considered to be to the best interest of the City that said interest-bearing Certificates of Obligation be issued; and

WHEREAS, It is officially found, determined, and declared that the meeting at which this Ordinance has been adopted was open to the public and public notice of the time, place and subject matter of the public business to be considered and acted upon at said meeting, including this Ordinance, was given, all as required by the applicable provisions of Tex. Gov't Code Ann. ch. 551; Now, Therefore

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ABILENE, TEXAS:**

Section 1. **RECITALS, AMOUNT AND PURPOSE OF THE CERTIFICATES.** The recitals set forth in the preamble hereof are incorporated herein and shall have the same force and effect as if set forth in this Section. The certificates of the City of Abilene, Texas (the "Issuer"), are hereby authorized to be issued and delivered in the aggregate principal amount of \$65,000,000 for paying all or a portion of the Issuer's contractual obligations incurred in connection with (i) constructing, acquiring installing and equipping additions, extensions and improvements to the City's water and wastewater system, including wastewater treatment plant improvements, water treatment improvements, distribution lines and pump stations, and engineering fees and acquisition of easements and equipment for water treatment improvements and transmission lines; and (ii) legal, fiscal and engineering fees in connection with such projects (collectively, the "Project").

Section 2. DESIGNATION, DATE, DENOMINATIONS, NUMBERS, AND MATURITIES AND INTEREST RATES OF CERTIFICATES. Each certificate issued pursuant to this Ordinance shall be designated: "CITY OF ABILENE, TEXAS, COMBINATION TAX AND SURPLUS REVENUE CERTIFICATE OF OBLIGATION, SERIES 2014," and initially there shall be issued, sold, and delivered hereunder one fully registered certificate, without interest coupons, dated November 1, 2014, in the principal amount stated above and in the denominations hereinafter stated, numbered T-1, with certificates issued in replacement thereof being in the denominations and principal amounts hereinafter stated and numbered consecutively from R-1 upward, payable to the respective Registered Owners thereof (with the initial certificate being made payable to the initial purchaser as described in Section 10 hereof), or to the registered assignee or assignees of said certificates or any portion or portions thereof (in each case, the "Registered Owner"), and said certificates shall mature and be payable serially on February 15 in each of the years and in the principal amounts, respectively, and shall bear interest from the dates set forth in the FORM OF CERTIFICATE set forth in Section 4 of this Ordinance to their respective dates of maturity or redemption prior to maturity at the rates per annum, as set forth in the following schedule:

<u>Years</u>	<u>Principal Amount</u>	<u>Interest Rates</u>	<u>Years</u>	<u>Principal Amount</u>	<u>Interest Rates</u>
2016	\$ 1,735,000		2029	\$ 2,520,000	
2017	1,770,000		2030	2,615,000	
2018	1,810,000		2031	2,715,000	
2019	1,860,000		2032	2,825,000	
2020	1,905,000		2033	2,940,000	
2021	1,955,000		2034	3,060,000	
2022	2,005,000		2035	3,200,000	
2023	2,065,000		2036	3,365,000	
2024	2,130,000		2037	3,535,000	
2025	2,200,000		2038	3,715,000	
2026	2,275,000		2039	3,910,000	
2027	2,350,000		2040	4,110,000	
2028	2,430,000				

The term "Certificates" as used in this Ordinance shall mean and include collectively the certificates initially issued and delivered pursuant to this Ordinance and all substitute certificates exchanged therefor, as well as all other substitute certificates and replacement certificates issued pursuant hereto, and the term "Certificate" shall mean any of the Certificates.

### Section 3. CHARACTERISTICS OF THE CERTIFICATES.

(a) Appointment of Paying Agent/Registrar. The Issuer hereby appoints U.S. Bank National Association, Dallas, Texas, to serve as paying agent and registrar for the Certificates (the "Paying Agent/Registrar"). The Mayor or City Manager is authorized and directed to execute and deliver in the name and under the corporate seal and on behalf of the Issuer a Paying Agent/Registrar Agreement with the Paying Agent/Registrar in substantially the form presented at this meeting.

(b) Registration, Transfer, Conversion and Exchange. The Issuer shall keep or cause to be kept at the corporate trust office of the Paying Agent/Registrar books or records for the registration of the transfer, conversion and exchange of the Certificates (the "Registration Books"), and the Issuer hereby appoints the

Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, conversions and exchanges under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, conversions and exchanges as herein provided within three days of presentation in due and proper form. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Certificate to which payments with respect to the Certificates shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, conversion, exchange and delivery of a substitute Certificate or Certificates. Registration of assignments, transfers, conversions and exchanges of Certificates shall be made in the manner provided and with the effect stated in the FORM OF CERTIFICATE set forth in this Ordinance. Each substitute Certificate shall bear a letter and/or number to distinguish it from each other Certificate.

(c) Authentication. Except as provided in subsection (i) of this section, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Certificate, date and manually sign said Certificate, and no such Certificate shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all paid Certificates and Certificates surrendered for conversion and exchange. No additional ordinances, orders or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange of any Certificate or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution and delivery of the substitute Certificates in the manner prescribed herein. Pursuant to Subchapter D, Chapter 1201, Texas Government Code, the duty of conversion and exchange of Certificates as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Certificate, the converted and exchanged Certificate shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Certificates which initially were issued and delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(d) Payment of Principal and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Certificates, all as provided in this Ordinance. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Certificates, and of all conversions and exchanges of Certificates, and all replacements of Certificates, as provided in this Ordinance. However, in the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(e) Payment to Registered Owner. Notwithstanding any other provision of this Ordinance to the contrary, the Issuer and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Certificate is registered in the Registration Books as the absolute owner of such Certificate for the purpose of payment of principal and interest with respect to such Certificate, for the purpose of registering transfers with respect to such Certificate, and for all other purposes whatsoever. The Paying Agent/Registrar

shall pay all principal of and interest on the Certificates only to or upon the order of the registered owners, as shown in the Registration Books as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of and interest on the Certificates to the extent of the sum or sums so paid. No person other than a registered owner, as shown in the Registration Books, shall receive a Certificate certificate evidencing the obligation of the Issuer to make payments of principal and interest pursuant to this Ordinance.

(f) Paying Agent/Registrar. The Issuer covenants with the registered owners of the Certificates that at all times while the Certificates are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution or other agency to act as and perform the services of Paying Agent/Registrar for the Certificates under this Ordinance, and that the Paying Agent/Registrar will be one entity. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

(g) Substitute Paying Agent/Registrar. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Certificates, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Certificates, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar.

(g) Book-Entry Only System. The Certificates issued in exchange for the Certificates initially issued to the purchaser or purchasers specified herein shall be initially issued in the form of a separate single fully registered Certificate for each of the maturities thereof and the ownership of each such Certificate shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York ("DTC"), and except as provided in subsections (i) and (j) of this Section, all of the outstanding Certificates shall be registered in the name of Cede & Co., as nominee of DTC.

(h) Blanket Letter of Representations. The previous execution and delivery of the Blanket Letter of Representations with respect to obligations of the Issuer is hereby ratified and confirmed; and the provisions thereof shall be fully applicable to the Certificates. Notwithstanding anything to the contrary contained herein, while the Certificates are subject to DTC's Book-Entry Only System and to the extent permitted by law, the Letter of Representations is hereby incorporated herein and its provisions shall prevail over any other provisions of this Ordinance in the event of conflict.

(i) Certificates Registered in the Name of Cede & Co. With respect to Certificates registered in the name of Cede & Co., as nominee of DTC, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created ("DTC Participant") to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants or to any person on behalf of whom such a DTC Participant holds an interest in the Certificates. Without limiting

the immediately preceding sentence, the Issuer 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 DTC Participant with respect to any ownership interest in the Certificates, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of Certificates, as shown on the Registration Books, of any notice with respect to the Certificates, or (iii) the payment to any DTC Participant or any other person, other than a registered owner of Certificates, as shown in the Registration Books of any amount with respect to principal of or interest on the Certificates. 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 being mailed to the registered owner at the close of business on the Record date, the words "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

(j) Successor Securities Depository; Transfers Outside Book-Entry Only System. In the event that the Issuer determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the Issuer to DTC or that it is in the best interest of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, the Issuer shall (i) appoint a successor securities depository, qualified to act as such under Section 17A of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Certificates to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Certificates and transfer one or more separate Certificates to DTC Participants having Certificates credited to their DTC accounts. In such event, the Certificates shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names registered owners transferring or exchanging Certificates shall designate, in accordance with the provisions of this Ordinance.

(k) Payments to Cede & Co. 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 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 of the Issuer to DTC.

(l) General Characteristics of the Certificates. The Certificates (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Certificates to be payable only to the Registered Owners thereof, (ii) may and shall be redeemed prior to their scheduled maturities, (iii) may be transferred and assigned, (iv) may be converted and exchanged for other Certificates, (v) shall have the characteristics, (vi) shall be signed, sealed, executed and authenticated, (vii) the principal of and interest on the Certificates shall be payable, and (viii) shall be administered and the Paying Agent/Registrar and the Issuer shall have certain duties and responsibilities with respect to the Certificates, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF CERTIFICATE set forth in this Ordinance. The Certificates initially issued and delivered pursuant to this Ordinance is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Certificate issued in conversion of and exchange for any Certificate or Certificates issued under this Ordinance the Paying Agent/Registrar shall execute the Paying Agent/registrar's Authentication Certificate, in the FORM OF CERTIFICATE set forth in this Ordinance.

(m) Cancellation of Initial Certificate. On the closing date, one initial Certificate representing the entire principal amount of the Certificates, payable in stated installments to the order of the initial purchaser of the Certificates or its designee, executed by manual or facsimile signature of the Mayor and City Secretary, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to such purchaser or its designee. Upon payment for the



initial Certificate, the Paying Agent/Registrar shall insert the Issuance Date on Certificate No. T-1, cancel each of the initial Certificates and deliver to The Depository Trust Company ("DTC") on behalf of such purchaser one registered definitive Certificate for each year of maturity of the Certificates, in the aggregate principal amount of all of the Certificates for such maturity, registered in the name of Cede & Co., as nominee of DTC. To the extent that the Paying Agent/Registrar is eligible to participate in DTC's FAST System, pursuant to an agreement between the Paying Agent/Registrar and DTC, the Paying Agent/Registrar shall hold the definitive Certificates in safekeeping for DTC.

Section 4. FORM OF CERTIFICATES. The form of the Certificates, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Certificates initially issued and delivered pursuant to this Ordinance, shall be, respectively, substantially as follows, with such appropriate variations, omissions or insertions as are permitted or required by this Ordinance.

(a) Form of Certificate.

NO. R-	UNITED STATES OF AMERICA STATE OF TEXAS CITY OF ABILENE, TEXAS	PRINCIPAL AMOUNT \$ _____
COMBINATION TAX AND SURPLUS REVENUE CERTIFICATE OF OBLIGATION SERIES 2014		

Interest Rate	Delivery Date	Maturity Date	CUSIP No.
	November 20, 2014	February 15, ____	

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

ON THE MATURITY DATE specified above, the City of Abilene, in Taylor and Jones Counties, Texas (the "Issuer"), being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above. The Issuer promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from the Delivery Date specified above at the Interest Rate per annum specified above. Interest is payable on February 15, 2015 and semiannually on each August 15 and February 15 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except, if this Certificate is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Certificate or Certificates, if any, for which this Certificate is being exchanged is due but has not been paid, then this Certificate shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Certificate are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Certificate shall be

paid to the registered owner hereof upon presentation and surrender of this Certificate at maturity, or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of U.S. Bank National Association, Dallas, Texas, which is the "Paying Agent/Registrar" for this Certificate. The payment of interest on this Certificate shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the ordinance authorizing the issuance of this Certificate (the "Certificate Ordinance") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at its address as it appeared on the last business day of the month preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each owner of a Certificate appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

ANY ACCRUED INTEREST due at maturity or upon the redemption of this Certificate prior to maturity as provided herein shall be paid to the registered owner upon presentation and surrender of this Certificate for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Certificate that on or before each principal payment date, interest payment date, and accrued interest payment date for this Certificate it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Certificate Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Certificates, when due.

IF THE DATE for the payment of the principal of or interest on this Certificate shall be a Saturday, Sunday, a legal holiday or a day on which banking institutions in the city where the principal 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 that is not such a Saturday, Sunday, legal holiday or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS CERTIFICATE is one of a series of Certificates dated November 1, 2014, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$65,000,000 for paying all or a portion of the Issuer's contractual obligations incurred in connection with (i) constructing, acquiring installing and equipping additions, extensions and improvements to the City's water and wastewater system, including wastewater treatment plant improvements, water treatment improvements, distribution lines and pump stations, and engineering fees and acquisition of easements and equipment for water treatment improvements and transmission lines; and (ii) legal, fiscal and engineering fees in connection with such projects.

ON FEBRUARY 15, 20\_\_, OR ON ANY DATE THEREAFTER, the Certificates of this series may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Certificates, or portions thereof, to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Certificate



may be redeemed only in an integral multiple of \$5,000), at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

AT LEAST 30 days prior to the date fixed for any redemption of Certificates or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, at least 30 days prior to the date fixed for any such redemption, to the registered owner of each Certificate to be redeemed at its address as it appeared on the 45th day prior to such redemption date; provided, however, that the failure of the registered owner to receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Certificate. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof that are to be so redeemed. If such written notice of redemption is sent and if due provision for such payment is made, all as provided above, the Certificates or portions thereof that are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Certificate shall be redeemed, a substitute Certificate or Certificates having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Certificate Ordinance.

IF AT THE TIME OF MAILING of notice of optional redemption there shall not have either been deposited with the Paying Agent/Registrar or legally authorized escrow agent immediately available funds sufficient to redeem all the Certificates called for redemption, such notice may state that it is conditional, and is subject to the deposit of the redemption moneys with the Paying Agent/Registrar or legally authorized escrow agent at or prior to the redemption date. If such redemption is not effectuated, the Paying Agent/Registrar shall, within five days thereafter, give notice in the manner in which the notice of redemption was given that such moneys were not so received and shall rescind the redemption.

ALL CERTIFICATES OF THIS SERIES are issuable solely as fully registered certificates, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Certificate Ordinance, this Certificate may, at the request of the registered owner or the assignee or assignees hereof, be assigned, transferred, converted into and exchanged for a like aggregate principal amount of fully registered certificates, without interest coupons, payable to the appropriate registered owner, assignee or assignees, as the case may be, having the same denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate registered owner, assignee or assignees, as the case may be, upon surrender of this Certificate to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Certificate Ordinance. Among other requirements for such assignment and transfer, this Certificate must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Certificate or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Certificate or any such portion or portions hereof is or are to be registered. The form of Assignment printed or endorsed on this Certificate may be executed by the registered owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Certificate or any portion or portions hereof from time to time by the registered owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for assigning, transferring, converting and exchanging any Certificate or portion thereof will be paid by the Issuer. In any circumstance,

any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer, conversion, or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

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

IT IS HEREBY certified, recited and covenanted that this Certificate has been duly and validly authorized, issued and delivered; that all acts, conditions and things required or proper to be performed, exist and be done precedent to or in the authorization, issuance and delivery of this Certificate have been performed, existed and been done in accordance with law; and that annual ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Certificate, as such interest comes due and such principal matures, have been levied and ordered to be levied against all taxable property in said Issuer, and have been pledged for such payment, within the limit prescribed by law, and that this Certificate is additionally secured by and payable from a pledge of the Surplus Revenues of the Issuer's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue obligations (now or hereafter outstanding) that are payable from all or part of said revenues, all as provided in the Certificate Ordinance.

THE ISSUER HAS RESERVED THE RIGHT to amend the Certificate Ordinance as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the registered owners of a majority in aggregate principal amount of the outstanding Certificates.

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

IN WITNESS WHEREOF, the Issuer has caused this Certificate to be signed with the manual or facsimile signature of the Mayor of the Issuer (or in the Mayor's absence, by the Mayor Pro Tem) and countersigned with the manual or facsimile signature of the City Secretary of said Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Certificate.

\_\_\_\_\_  
(signature)  
City Secretary

\_\_\_\_\_  
(signature)  
Mayor

(SEAL)

(b) Form of Paying Agent/Registrar's Authentication Certificate.

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE  
(To be executed if this Certificate is not accompanied by an executed Registration  
Certificate of the Comptroller of Public Accounts of the State of Texas)

It is hereby certified that this Certificate has been issued under the provisions of the Certificate Ordinance described in the text of this Certificate; and that this Certificate has been issued in conversion or replacement of, or in exchange for, a certificate, certificates, or a portion of a certificate or certificates of a series that originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

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

U.S. BANK NATIONAL ASSOCIATION  
Dallas, Texas  
Paying Agent/Registrar

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

(c) Form of Assignment.

ASSIGNMENT  
(Please print or type clearly)

For value received, the undersigned hereby sells, assigns and transfers  
unto: \_\_\_\_\_

Transferee's Social Security or Taxpayer Identification Number: \_\_\_\_\_

Transferee's name and address, including zip code: \_\_\_\_\_

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

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

Signature Guaranteed:

\_\_\_\_\_  
NOTICE: Signature(s) must be guaranteed by an  
eligible guarantor institution participating in a  
securities transfer association recognized signature  
guarantee program.

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

(d) Form of Registration Certificate of the Comptroller of Public Accounts.

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. \_\_\_\_\_

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

Witness my signature and seal this \_\_\_\_\_.

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

Texas

(COMPTROLLER'S SEAL)

(e) Initial Certificate Insertions.

(i) The initial Certificate shall be in the form set forth in paragraph (a) of this Section, except that:

A. immediately under the name of the Certificate, the headings "Interest Rate" and "Maturity Date" shall both be completed with the words "As shown below" and "CUSIP No. \_\_\_\_\_" shall be deleted.

B. the first paragraph shall be deleted and the following will be inserted:

"THE CITY OF ABILENE, TEXAS, in Taylor and Jones Counties, Texas (the "Issuer"), being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on February 15 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<u>Years</u>	<u>Principal Installments</u>	<u>Interest Rates</u>
--------------	-----------------------------------	---------------------------

(Information from Section 2 to be inserted)

The Issuer promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from the Delivery Date specified above at the respective Interest Rate per annum specified above. Interest is payable on February 15, 2015, and semiannually on each August 15 and February 15 thereafter to the date of payment of the principal installment specified above, or the date of redemption prior to maturity; except, that if this Certificate is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Certificate or Certificates, if any, for which this Certificate is being exchanged is due but has not been paid, then this Certificate shall bear interest from the date to which such interest has been paid in full."

C. The Initial Certificate shall be numbered "T-1."

Section 5. INTEREST AND SINKING FUND; SURPLUS REVENUES.

(a) A special "Interest and Sinking Fund" is hereby created and shall be established and maintained by the Issuer as a separate fund or account and the funds therein shall be deposited into and held in an account

at an official depository bank of said Issuer. Said Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of said Issuer, and shall be used only for paying the interest on and principal of said Certificates. All amounts received from the sale of the Certificates as accrued interest shall be deposited upon receipt to the Interest and Sinking Fund, and all ad valorem taxes levied and collected for and on account of said Certificates shall be deposited, as collected, to the credit of said Interest and Sinking Fund. During each year while any of said Certificates are outstanding and unpaid, the governing body of said Issuer shall compute and ascertain a rate and amount of ad valorem tax that will be sufficient to raise and produce the money required to pay the interest on said Certificates as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of said Certificates as such principal matures (but never less than 2% of the original amount of said Certificates as a sinking fund each year); and said tax shall be based on the latest approved tax rolls of said Issuer, with full allowances being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in said Issuer, for each year while any of said Certificates are outstanding and unpaid, and said tax shall be assessed and collected each such year and deposited to the credit of the aforesaid Interest and Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates, as such interest comes due and such principal matures, are hereby pledged for such payment, within the limit prescribed by law.

(b) The Certificates are additionally secured by revenues of the Issuer's waterworks and sewer system that remain after the payment of all maintenance and operation expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue obligations (now or hereafter outstanding) that are secured by a lien on all or any part of the net revenues of the Issuer's waterworks and sewer system, constituting "Surplus Revenues". The Issuer shall deposit such Surplus Revenues to the credit of the Interest and Sinking Fund created pursuant to subsection (a) of this section, to the extent necessary to pay the principal and interest on the Certificates. Notwithstanding the requirements of subsection (a) of this section, if Surplus Revenues or other lawfully available moneys of the Issuer are actually on deposit in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes that otherwise would have been required to be levied pursuant to Section 6 may be reduced to the extent and by the amount of the Surplus Revenues or other lawfully available funds then on deposit in the Interest and Sinking Fund.

(c) Article 1208, Government Code, applies to the issuance of the Certificates of Obligation and the pledge of the taxes and Surplus Revenues granted by the Issuer under this Section and Section 9, respectively, and is therefore valid, effective, and perfected. Should Texas law be amended at any time while the Certificates of Obligation are outstanding and unpaid, the result of such amendment being that the pledge of the taxes and Surplus Revenues granted by the Issuer under this Section and Section 9, respectively, is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, in order to preserve to the registered owners of the Certificates of Obligation a security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing of a security interest in said pledge to occur.

#### Section 6. DEFEASANCE OF CERTIFICATES.

(a) Any Certificate and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Certificate") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Certificate, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance

with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Certificates shall have become due and payable. At such time as a Certificate shall be deemed to be a Defeased Certificate hereunder, as aforesaid, such Certificate and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged as provided in this Ordinance, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem Defeased Certificates that is made in conjunction with the payment arrangements specified in subsection 6(a)(i) or (ii) shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the Issuer expressly reserves the right to call the Defeased Certificates for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Certificates immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Certificates and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Certificates may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection 6(a)(i) or (ii). All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Certificates, with respect to which such money has been so deposited, shall be remitted to the Issuer or deposited as directed in writing by the Issuer.

(c) The term "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to refund, retire or otherwise discharge obligations such as the Certificates.

(d) Until all Defeased Certificates shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Certificates the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such services as required by this Ordinance.

(e) In the event that the Issuer elects to defease less than all of the principal amount of Certificates of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Certificates by such random method as it deems fair and appropriate.

#### Section 7. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED CERTIFICATES.

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



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

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

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

(e) Authority for Issuing Replacement Certificates. In accordance with Sec. 1206.022, Government Code, this Section 7 of this Ordinance shall constitute authority for the issuance of any such replacement certificate without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such certificates is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Certificates in the form and manner and with the effect, as provided in Section 3(a) of this Ordinance for Certificates issued in conversion and exchange for other Certificates.

#### **Section 8. CUSTODY, APPROVAL, AND REGISTRATION OF CERTIFICATES; BOND COUNSEL'S OPINION; CUSIP NUMBERS AND CONTINGENT INSURANCE PROVISION, IF OBTAINED; ENGAGEMENT OF BOND COUNSEL.**

(a) The Mayor of the Issuer is hereby authorized to have control of the Certificates initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Certificates pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Certificates said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Certificates, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Certificates issued and delivered under this Ordinance, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Certificates. In addition, if bond insurance is obtained, the Certificates may bear an appropriate legend as provided by the insurer.

(b) The obligation of the initial purchaser to accept delivery of the Certificates is subject to the initial purchaser being furnished with the final, approving opinion of McCall, Parkhurst & Horton L.L.P., bond counsel to the Issuer, which opinion shall be dated as of and delivered on the date of initial delivery of the Certificates to the initial purchaser. The engagement of such firm as bond counsel to the Issuer in connection with issuance, sale and delivery of the Certificates is hereby approved and confirmed. The execution and delivery of an engagement letter between the Issuer and such firm, with respect to such services as bond counsel, is hereby authorized in such form as may be approved by the Mayor, and the Mayor is hereby authorized to execute such engagement letter.

## Section 9. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE CERTIFICATES.

(a) Covenants. The Issuer covenants to take any action necessary to assure, or refrain from any action that would adversely affect, the treatment of the Certificates as Obligation described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

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

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Certificates or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" that is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

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

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

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

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

(A) proceeds of the Certificates invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 30 days or less until such proceeds are needed for the purpose for which the bonds are issued,

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

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

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

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

(9) to assure that the proceeds of the Certificates will be used solely for new money projects.

(b) Rebate Fund. In order to facilitate compliance with the above covenant (a)(8), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such Fund shall not be subject to the claim of any other person, including without limitation the certificateholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) Use of Proceeds. For purposes of the foregoing covenants (a)(1) and (a)(2), the Issuer understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Certificates. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated that modify or expand provisions of the Code, as applicable to the Certificates, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Certificates under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated that impose additional requirements applicable to the Certificates, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Certificates under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the Mayor, the City Manager or the Director of Finance of the Issuer to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, that may be permitted by the Code as are consistent with the purpose for the issuance of the Certificates.

(d) Allocation of, and Limitation on, Expenditures for the Project. The Issuer covenants to account for the expenditure of sale proceeds and investment earnings to be used for the construction and acquisition of the Project on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed. The foregoing notwithstanding, the Issuer shall not expend proceeds of the sale of the Certificates or investment earnings thereon more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Certificates, or (2) the date the Certificates are retired, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such

expenditure will not adversely affect the status, for federal income tax purposes, of the Certificates or the interest thereon. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) Disposition of Project. The Issuer covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless any action taken in connection with such disposition will not adversely affect the tax-exempt status of the Certificates. For purpose of the foregoing, the Issuer may rely on an opinion of nationally-recognized bond counsel that the action taken in connection with such sale or other disposition will not adversely affect the tax-exempt status of the Certificates. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

#### Section 10. SALE OF CERTIFICATES AND APPROVAL OF OFFICIAL STATEMENT; FURTHER PROCEDURES.

(a) The Certificates are hereby sold and shall be delivered to Southwest Securities, Inc., Edward D. Jones & Co., L.P., RBC Capital Markets, LLC and BOSCO, Inc. (collectively the "Underwriters") for the purchase price of \$\_\_\_\_\_, representing the par amount of the Certificates of \$65,000,000.00 plus a net reoffering premium of \$\_\_\_\_\_ (premium to be applied as provided in Section 16) less an Underwriters' discount on the Certificates of \$\_\_\_\_\_, pursuant to the terms and provisions of a Purchase Agreement which the Mayor is hereby authorized to execute and deliver. It is hereby officially found, determined, and declared that the terms of this sale are the most advantageous reasonably obtainable. The Certificates shall initially be registered in the name of Southwest Securities, Inc., or its designee.

(b) The Issuer hereby approves the form and content of the Official Statement relating to the Certificates and any addenda, supplement or amendment thereto, and approves the distribution of such Official Statement in the reoffering of the Certificates by the Purchasers in final form, with such changes therein or additions thereto as the officer executing the same may deem advisable, such determination to be conclusively evidenced by his execution thereof. The distribution and use of the Preliminary Official Statement dated \_\_\_\_\_, 2014, prior to the date hereof is hereby ratified and confirmed.

(c) The Mayor and Mayor Pro Tem, the City Manager, City Secretary and Director of Finance and all other officers, employees and agents of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name of the Issuer all other such documents, certificates and instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the Certificates, the sale of the Certificates and the Official Statement. In case any officer 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 11. INTEREST EARNINGS ON CERTIFICATE PROCEEDS. Interest earnings derived from the investment of proceeds from the sale of the Certificates shall be used along with other certificate proceeds for the Project; provided that after completion of such purpose, if any of such interest earnings remain on hand, such interest earnings shall be deposited in the Interest and Sinking Fund. It is further

provided, however, that any interest earnings on certificate proceeds that are required to be rebated to the United States of America pursuant to Section 9 hereof in order to prevent the Certificates from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

#### Section 12. CONSTRUCTION FUND.

(a) The Issuer hereby creates and establishes and shall maintain on the books of the Issuer a separate fund to be entitled the "Series 2014 Combination Tax and Surplus Revenue Certificate of Obligation Construction Fund" for use by the Issuer for payment of all lawful costs associated with the acquisition and construction of the Project as hereinbefore provided. Upon payment of all such costs, any moneys remaining on deposit in said Fund shall be transferred to the Interest and Sinking Fund. Amounts so deposited to the Interest and Sinking Fund shall be used in the manner described in Section 5 of this Ordinance.

(b) The Issuer may place proceeds of the Certificates (including investment earnings thereon) and amounts deposited into the Interest and Sinking Fund in investments authorized by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended; provided, however, that the Issuer hereby covenants that the proceeds of the sale of the Certificates will be used as soon as practicable for the purposes for which the Certificates are issued.

(c) All deposits authorized or required by this Ordinance shall be secured to the fullest extent required by law for the security of public funds.

#### Section 13. COMPLIANCE WITH RULE 15c2-12.

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

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

(b) Annual Reports.

(i) The Issuer shall provide annually to the MSRB, in an electronic format as prescribed by the MSRB, within 6 months after the end of each fiscal year ending in or after 2010, financial information and operating data with respect to the Issuer of the general type included in the final Official Statement authorized by Section 10 of this Ordinance, being the information described in Exhibit A attached hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit A hereto, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the Issuer commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not available by the required time, the Issuer will provide unaudited financial information of the type in the numbered tables described in Exhibit A attached hereto by the required time and will provide the Issuer's annual audited financial statements when and if such audited financial statements become available.

(ii) If the Issuer changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Issuer otherwise would be required to provide financial information and operating data pursuant to this Section. The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document that is available to the public on the MSRB's internet website or filed with the SEC. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(c) Event Notices.

(i) The Issuer shall notify the MSRB in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Certificates, if such event is material within the meaning of the federal securities laws:

1. Non-payment related defaults;
2. Modifications to rights of Certificateholders;
3. Certificate calls;
4. Release, substitution, or sale of property securing repayment of the Certificates;
5. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into 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; and
6. Appointment of a successor or additional trustee or the change of name of a

trustee.

(ii) The Issuer shall notify the MSRB in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Certificates, without regard to whether such event is considered material within the meaning of the federal securities laws:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;



6. Tender offers;
7. Defeasances;
8. Rating changes; and
9. Bankruptcy, insolvency, receivership or similar event of an obligated person.

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

(d) Limitations, Disclaimers, and Amendments.

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

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

(iii) UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE LIABLE TO THE REGISTERED OWNER OR BENEFICIAL OWNER OF ANY CERTIFICATE OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY 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.

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

(v) Should the Rule be amended to obligate the Issuer to make filings with or provide notices to entities other than the MSRB, the Issuer hereby agrees to undertake such obligation with respect to the Certificates in accordance with the Rule as amended. The provisions of this Section may be amended by the Issuer from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations

of the Issuer, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the outstanding Certificates consent to such amendment or (b) person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Certificates. The Issuer may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the Issuer so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection (b) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided.

Section 14. METHOD OF AMENDMENT. The Issuer hereby reserves the right to amend this Ordinance subject to the following terms and conditions, to-wit:

(a) The Issuer may from time to time, without the consent of any holder, except as otherwise required by paragraph (b) below, amend or supplement this Ordinance in order to (i) cure any ambiguity, defect or omission in this Ordinance that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of this Ordinance and that shall not materially adversely affect the interests of the holders, (v) qualify this Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (iv) make such other provisions in regard to matters or questions arising under this Ordinance as shall not be inconsistent with the provisions of this Ordinance and that shall not in the opinion of the Issuer's Bond Counsel materially adversely affect the interests of the holders.

(b) Except as provided in paragraph (a) above, the holders of Certificates aggregating in principal amount 51% of the aggregate principal amount of then outstanding Certificates that are the subject of a proposed amendment shall have the right from time to time to approve any amendment hereto that may be deemed necessary or desirable by the Issuer; provided, however, that without the consent of 100% of the holders in aggregate principal amount of the then outstanding Certificates, nothing herein contained shall permit or be construed to permit amendment of the terms and conditions of this Ordinance or in any of the Certificates so as to:

- (1) Make any change in the maturity of any of the outstanding Certificates;
- (2) Reduce the rate of interest borne by any of the outstanding Certificates;
- (3) Reduce the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates;
- (4) Modify the terms of payment of principal or of interest or redemption premium on outstanding Certificates or any of them or impose any condition with respect to such payment; or

(5) Change the minimum percentage of the principal amount of any series of Certificates necessary for consent to such amendment.

(c) If at any time the Issuer shall desire to amend this Ordinance under this Section, the Issuer shall send by U.S. mail to each registered owner of the affected Certificates a copy of the proposed amendment and cause notice of the proposed amendment to be published at least once in a financial publication published in The City of New York, New York or in the State of Texas. Such published notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the office of the Issuer for inspection by all holders of such Certificates.

(d) Whenever at any time within one year from the date of publication of such notice the Issuer shall receive an instrument or instruments executed by the holders of at least 51% in aggregate principal amount of all of the Certificates then outstanding that are required for the amendment, which instrument or instruments shall refer to the proposed amendment and that shall specifically consent to and approve such amendment, the Issuer may adopt the amendment in substantially the same form.

(e) Upon the adoption of any amendatory Ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be modified and amended in accordance with such amendatory Ordinance, and the respective rights, duties, and obligations of the Issuer and all holders of such affected Certificates shall thereafter be determined, exercised, and enforced, subject in all respects to such amendment.

(f) Any consent given by the holder of a Certificate pursuant to the provisions of this Section shall be irrevocable for a period of 6 months from the date of the publication of the notice provided for in this Section, and shall be conclusive and binding upon all future holders of the same Certificate during such period. Such consent may be revoked at any time after 6 months from the date of the publication of said notice by the holder who gave such consent, or by a successor in title, by filing notice with the Issuer, but such revocation shall not be effective if the holders of 51% in aggregate principal amount of the affected Certificates then outstanding, have, prior to the attempted revocation, consented to and approved the amendment.

(g) For the purposes of establishing ownership of the Certificates, the Issuer shall rely solely upon the registration of the ownership of such Certificates on the registration books kept by the Paying Agent/Registrar.

## Section 15. DEFAULT AND REMEDIES

(a) Events of Default. Each of the following occurrences or events for the purpose of this Ordinance is hereby declared to be an Event of Default:

(i) the failure to make payment of the principal of or interest on any of the Certificates when the same becomes due and payable; or

(ii) default in the performance or observance of any other covenant, agreement or obligation of the City, the failure to perform which materially, adversely affects the rights of the registered owners of the Certificates, including, but not limited to, their prospect or ability to be repaid in accordance with this Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any Registered Owner to the City.

(b) Remedies for Default.

(i) Upon the happening of any Event of Default, then and in every case, any Registered Owner or an authorized representative thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the City for the purpose of protecting and enforcing the rights of the Registered Owners under this Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Registered Owners hereunder or any combination of such remedies.

(ii) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Certificates then outstanding.

(c) Remedies Not Exclusive.

(i) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Certificates or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Certificates shall not be available as a remedy under this Ordinance.

(ii) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

(iii) By accepting the delivery of a Certificate authorized under this Ordinance, such Registered Owner agrees that the certifications required to effectuate any covenants or representations contained in this Ordinance do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the officers, employees or trustees of the City or the City Council.

Section 16. USE OF PREMIUM. The Certificates are being sold at a net premium equal to \$\_\_\_\_\_. With respect to such premium, \$\_\_\_\_\_ shall be used to pay costs of issuance (including Underwriters' discount), \$2,920,000.00 shall be deposited into the Construction Fund and \$\_\_\_\_\_ shall be deposited into the Interest and Sinking Fund.

Section 17. APPROPRIATION. To pay the debt service coming due on the Certificates prior to receipt of the taxes levied to pay such debt service, if any, there is hereby appropriated from current funds on hand, which are hereby certified to be on hand and available for such purpose, an amount, which together with capitalized interest received from the sale of the Certificates, will be sufficient to pay such debt service, and such amount shall be used for no other purpose.

Section 18. EFFECTIVE DATE. In accordance with the provisions of V.T.C.A., Government Code, Section 1201.028, this Ordinance shall be effective immediately upon its final adoption by the City Council.

Section 19. SEVERABILITY. If any section, article, paragraph, sentence, clause, phrase or word in this Ordinance, or application thereof to any persons or circumstances is held invalid or unconstitutional by a court of competent jurisdiction, such holding shall not affect the validity of the remaining portion of this Ordinance, despite such invalidity, which remaining portions shall remain in full force and effect.

(Execution Page Follows)

APPROVED AND ADOPTED this \_\_\_\_\_.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Secretary

[CITY SEAL]

APPROVED:

\_\_\_\_\_  
City Attorney



## EXHIBIT A

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

The following information is referred to in Section 13(a) of this Ordinance:

The financial information and operating data with respect to the Issuer 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:

-- Tables 1 through 6, inclusive, and 8 through 23, inclusive

-- APPENDIX B (FINANCIAL INFORMATION OF THE TYPE IN THE NUMBERED TABLES DESCRIBED ABOVE FOR THE LAST COMPLETED FISCAL YEAR WHICH WILL BE UNAUDITED, UNLESS AN AUDIT IS PERFORMED IN WHICH EVENT THE AUDITED FINANCIAL STATEMENTS WILL BE MADE AVAILABLE)

### **Accounting Principles**

The accounting principles referred to in such Section are the accounting principles described in the notes to the financial statements referred to in paragraph above.

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**PRELIMINARY OFFICIAL STATEMENT**

**Dated: October \_\_, 2014**

**Ratings:**  
**S&P: Applied for**  
**Fitch: Applied for**  
**See ("Other Information**  
**Ratings" herein)**

**NEW ISSUE - Book-Entry-Only**

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

**THE CERTIFICATES WILL NOT BE DESIGNATED AS**  
**"QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS**

**\$65,000,000\***  
**CITY OF ABILENE, TEXAS**  
**(Taylor and Jones County)**  
**COMBINATION TAX AND SURPLUS REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 2014**

**Dated Date: November 1, 2014**

**Due: February 15, as shown on page 2**

(Interest accrues from the delivery date.)

**PAYMENT TERMS . . .** Interest on the \$65,000,000 City of Abilene, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Series 2014 (the "Certificates") will accrue from the date of initial delivery to the underwriters named below ("Underwriters"), and will be payable February 15 and August 15 of each year commencing February 15, 2015, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Certificates - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas (see "The Certificates - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE . . .** The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and constitute direct obligations of the City of Abilene, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of surplus net revenues of the City's Waterworks and Sewer System, as provided in the ordinance authorizing the Certificates (the "Ordinance") (see "The Certificates - Authority for Issuance").

**PURPOSE . . .** Proceeds from the sale of the Certificates will be used for (i) additions, extensions and improvements to the City's water and sewer system and (ii) to pay the legal, fiscal and engineering fees in connection with such projects.

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**CUSIP PREFIX: 00344N**

**MATURITY SCHEDULE & 9 DIGIT CUSIP**

**See Schedule on Page 2**

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**LEGALITY . . .** The Certificates are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton LLP, Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their counsel, Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, Dallas, Texas.

**DELIVERY . . .** It is expected that the Certificates will be available for delivery through DTC on November 20, 2014.

**SOUTHWEST SECURITIES**

**RBC CAPITAL MARKETS**

**EDWARD JONES**

**BOSC, INC.**

**A subsidiary of BOK Financial Corporation**

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\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. The securities referenced herein may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

### MATURITY SCHEDULE\*

Maturity 2/15	Principal Amount	Interest Rate	Initial Yield	CUSIP <sup>(1)</sup>	Maturity 2/15	Principal Amount	Interest Rate	Initial Yield	CUSIP <sup>(1)</sup>
2016	\$ 1,735,000				2029	\$ 2,520,000			
2017	1,770,000				2030	2,615,000			
2018	1,810,000				2031	2,715,000			
2019	1,860,000				2032	2,825,000			
2020	1,905,000				2033	2,940,000			
2021	1,955,000				2034	3,060,000			
2022	2,005,000				2035	3,200,000			
2023	2,065,000				2036	3,365,000			
2024	2,130,000				2037	3,535,000			
2025	2,200,000				2038	3,715,000			
2026	2,275,000				2039	3,910,000			
2027	2,350,000				2040	4,110,000			
2028	2,430,000								

(Interest to accrue from the Date of Delivery)

\* Preliminary, subject to change.

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 20\_\_, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 20\_\_, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

*For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an Official Statement of the City with respect to the Certificates that has been “deemed final” by the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.*

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

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

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

*The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.*

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

**NEITHER THE CITY, ITS FINANCIAL ADVISOR, NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY ONLY SYSTEM.**

**IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.**

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

## OFFICIAL STATEMENT SUMMARY

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

- THE CITY**..... The City of Abilene (the "City") is a political subdivision and municipal corporation of the State located in Taylor and Jones Counties. The City covers approximately 109.92 square miles. The 2010 U.S. Census population was 117,063, while the estimated 2014 population is 118,117 (see "INTRODUCTION - Description of the City" and "Appendix A – General Information Regarding the City").
- THE CERTIFICATES** ..... The Certificates are issued as \$65,000,000\* Combination Tax and Surplus Revenue Certificates of Obligation, Series 2014 (the "Certificates"). The Certificates are issued as serial certificates maturing on February 15 in the years 2016 through 2040 (see "The Certificates - Description of the Certificates").
- PAYMENT OF INTEREST** ..... Interest on the Certificates accrues from the date of delivery to the Underwriters, and is payable initially on February 15, 2015, and each August 15 and February 15 thereafter until maturity or prior redemption (see "The Certificates - Description of the Certificates" and "The Certificates - Optional Redemption").
- AUTHORITY FOR ISSUANCE**..... The Certificates are issued pursuant to the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and an Ordinance passed by the City Council of the City (see "The Certificates - Authority for Issuance").
- SECURITY FOR THE CERTIFICATES** ..... The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of surplus net revenues of the City's Waterworks and Sewer System (see "The Certificates - Security and Source of Payment").
- OPTIONAL REDEMPTION** ..... The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 20\_\_, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 20\_\_, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Certificates - Optional Redemption").
- TAX EXEMPTION**..... In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "Tax Matters" herein, including the alternative minimum tax on corporations.
- USE OF PROCEEDS** ..... Proceeds from the sale of the Certificates will be used for (i) additions, extensions and improvements to the City's water and sewer system and (ii) to pay the legal, fiscal and engineering fees in connection with such projects.
- RATINGS** ..... The Certificates and the presently outstanding tax supported debt of the City are rated "\_\_\_\_" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "\_\_\_\_" by Fitch Ratings ("Fitch"), without regard to credit enhancement.
- BOOK-ENTRY-ONLY SYSTEM** ..... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "The Certificates - Book-Entry-Only System").
- PAYMENT RECORD** ..... The City has not defaulted in payment of its general obligation tax debt since 1939 when a general refunding program was consummated involving no reduction in interest rate and a rearrangement of principal maturities only. The City has never defaulted on revenue bonds.



# **SELECTED FINANCIAL INFORMATION**

Fiscal Year Ended 9/30	Estimated City Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Per Capita Taxable Assessed Valuation	General Obligation (G.O.) Debt <sup>(3)</sup>	Per Capita G.O. Debt	Ratio G.O. Debt to Taxable Assessed Valuation	% of Total Tax Collections
2011	117,179	\$ 4,870,956,654	\$ 41,569	\$ 116,140,000	\$ 991	2.38%	99.36%
2012	117,063	4,933,010,617	42,140	105,505,000	901	2.14%	99.81%
2013	118,117	5,090,544,126	43,097	97,345,000	824	1.91%	99.29%
2014	118,117	5,223,403,207	44,222	148,995,000	1,261	2.85%	99.36%
2015	118,117	5,364,492,576	45,417	202,455,000 <sup>(4)</sup>	1,714 <sup>(4)</sup>	3.77% <sup>(4)</sup>	N/A <sup>(5)</sup>

(1) Population estimates provided by the City.

(2) As reported by the Appraisal District (defined herein) on the City's annual Reports of Property Value to the State Comptroller of Public Accounts; subject to change during the ensuing year.

(3) Includes self-supporting debt (see Table 3B – Derivation of General Purpose Funded Tax Debt).

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

(5) In the process of collection. Payments are due upon taxpayer's receipt of tax statement and are delinquent if not paid prior to February 1, 2015.

## **GENERAL FUND CONSOLIDATED STATEMENT SUMMARY**

	2013	2012	2011	2010	2009
Fund Balance at					
Beginning of Year	\$ 25,731,484	\$ 25,106,278	\$ 18,585,078	\$ 18,552,695	\$ 18,923,956
Total Revenue	76,154,773	75,057,188	73,195,066	67,104,128	67,543,261
Total Expenditures	74,325,437	69,052,666	67,336,519	66,324,097	68,749,265
Other Financing Sources (Uses)	(2,296,007)	(5,379,316)	662,653	515,205	761,569
Prior Period Adjustments	-	-	-	(1,262,853)	73,174
<b>Fund Balance at</b>					
<b>End of Year</b>	<b>\$ 25,264,813</b>	<b>\$ 25,731,484</b>	<b>\$ 25,106,278</b>	<b>\$ 18,585,078</b>	<b>\$ 18,552,695</b>

For additional information regarding the City, please contact:

Mindy Patterson  
Director of Finance  
City of Abilene  
P.O. Box 60  
Abilene, Texas 79604-0060  
(325) 676-6326

or

George Williford  
First Southwest Company  
325 North St. Paul Street  
Suite 800  
Dallas, Texas 75201-4652  
(214) 953-8705

## CITY OFFICIALS, STAFF AND CONSULTANTS

### ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Norm Archibald Mayor	10 Years	May, 2017	Vice President, Hendrick Medical Center
Shane Price Councilmember (Place 1)	5 Years	May, 2015	Vice President of Development, Bookstore Manager
Joe Spano Councilmember (Place 2)	8 Years	May, 2015	Business Owner
Anthony Williams Councilmember (Place 3)	13 Years	May, 2017	Chief Business Services Officer, Abilene Christian University
Jay Hardaway Councilmember (Place 4)	Newly Elected	May, 2017	Finance/Investing
Kyle McAlister Councilmember (Place 5)	1 Year	May, 2016	Independent Insurance Agent
Kellie Miller Councilmember (Place 6)	4 Years	May, 2016	Business Owner

### SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to the City
Larry D. Gilley	City Manager	12 Years
David A. Vela	Deputy City Manager	8 Years
T. Daniel Santee	City Attorney	17 Years
Danette Dunlap	City Secretary	7 Years
Ronnie Kidd	Managing Director for Administration	15 Years
Mindy Patterson	Director of Finance	23 Years
Jon James	Director of Planning and Development	10 Years
Megan Santee	Director of Public Works	14 Years
Donald V. Green	Director of Aviation	10 Years
James Childers	Director of Community Services	2 Years
Tommy O'Brien	Director of Water Utilities	10 Years
Stan Standridge	Chief of Police	19 Years
Ken Dozier	Fire Chief	30 Years

### CONSULTANTS AND ADVISORS

Auditors .....	Davis Kinard & Co, PC Abilene, Texas
Bond Counsel .....	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Financial Advisor.....	First Southwest Company Dallas, Texas

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**PRELIMINARY OFFICIAL STATEMENT**  
**RELATING TO**  
**\$65,000,000\***  
**CITY OF ABILENE, TEXAS**  
**COMBINATION TAX AND SURPLUS REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 2014**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$65,000,000\* City of Abilene, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Series 2014. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance to be adopted on the date of sale of the Certificates which will authorize the issuance of the Certificates, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, First Southwest Company, Dallas, Texas.

**DESCRIPTION OF THE CITY . . .** The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1883, and first adopted its Home Rule Charter in 1962. The City operates under the Council/Manager form of government where the mayor and six Councilmembers are elected for staggered three-year terms. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, airport, sanitation services, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2010 U. S. Census population for the City was 117,063, while the estimated 2014 population is 118,117. The City covers approximately 109.92 square miles (see "Appendix A – General Information Regarding the City").

**THE CERTIFICATES**

**DESCRIPTION OF THE CERTIFICATES . . .** The Certificates are dated November 1, 2014, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing August 15, 2014. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "Book-Entry-Only System" herein.

**AUTHORITY FOR ISSUANCE . . .** The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and an Ordinance to be passed by the City Council.

**SECURITY AND SOURCE OF PAYMENT . . .** All taxable property within the City is subject to a continuing direct annual ad valorem tax levied by the City sufficient to provide for the payment of interest on and principal of the Certificates payable in whole or in part from ad valorem taxes, which tax must be levied within limits prescribed by law. Additionally, the Certificates are payable from and secured by a pledge of surplus net revenues of the City's Waterworks and Sewer System, as provided in the Ordinance authorizing the Certificates.

**TAX RATE LIMITATION . . .** All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection rate. The City's 2014/2015 tax rate is \$0.6860 of which \$0.1645 is for debt service purposes.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 20\_\_, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 20\_\_, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date.

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

**NOTICE OF REDEMPTION . . .** Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

**AMENDMENTS. . .** In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

The Ordinance further provides that the holders of the Certificates of Obligation aggregating in principal amount 51% of the outstanding Certificates of Obligation shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates of Obligation so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates of Obligation; (ii) reducing the rate of interest borne by any of the outstanding Certificates of Obligation; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates of Obligation; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates of Obligation or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates of Obligation necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

**DEFEASANCE...** The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on such Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or other authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The Ordinance provides that "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less

than “AAA” or its equivalent and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

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

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Ordinance or treated as debt of the City for purposes of taxation or applying any limitation on the City’s ability to issue debt or for any other purpose. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Current Interest Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Current Interest Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Current Interest Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Current Interest Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

**Book-Entry-Only System** . . . *This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company (“DTC”), New York, New York, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

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

The Depository Trust Company (“DTC”) New York, New York, will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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



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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the register and request that copies of the notices be provided directly to them.

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

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

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

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

The City may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor depository). In that event, Certificates, as appropriate, will be printed and delivered.

**Use of Certain Terms in Other Sections of this Official Statement** . . . In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor, or the Underwriters.

**Effect of Termination of Book-Entry-Only System . . .** In the event that the Book-Entry-Only System of the Certificates is discontinued, printed Certificates will be issued to the DTC Participants or the holder, as the case may be, and such Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under “The Certificates - Transfer, Exchange and Registration” below.

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

**TRANSFER, EXCHANGE AND REGISTRATION . . .** In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

**RECORD DATE FOR INTEREST PAYMENT . . .** The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the preceding month.

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

**CERTIFICATEHOLDERS' REMEDIES...** The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Certificates, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the owners of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, owners of the Certificates

may not be able to bring such a suit against the City for breach of the Certificates or Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or owners of the Certificates of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only registered owner of the Certificates will be The Depository Trust Company. See "Book-Entry-Only System" herein for a description of the duties of DTC with regard to ownership of Certificates.

**USE OF CERTIFICATE PROCEEDS** . . . Proceeds from the sale of the Certificates will be applied approximately as follows:

<u>Sources of Funds</u>	
Par Amount of the Certificates	
Reoffering Premium	
Total Sources of Funds	<u>\$ -</u>
<u>Uses of Funds</u>	
Deposit to Project/Construction Fund	
Deposit to Debt Service Fund	
Underwriter's Discount and Costs of Issuance	
Total Uses of Funds	<u>\$ -</u>

## **TAX INFORMATION**

**AD VALOREM TAX LAW** . . . The appraisal of property within the City is the responsibility of the Central Appraisal District of Taylor County and the Jones County Appraisal District (jointly, the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the appraisal district or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal Districts is subject to review by an Appraisal Review Board within each Appraisal District, consisting of members appointed by the Board of Directors of each respective Appraisal District. The Appraisal Districts are required to review the value of property within each respective Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board of the appropriate Appraisal District.

Reference is made to the, Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant: (1) An exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; (2) An exemption of up to 20% of the market value of residence homesteads. The minimum exemption under this provision is \$5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead

Under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead and to a surviving spouse living in such homestead who is disabled or is at least 55 years of age. If improvements (other than maintenance or repairs) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repeated or rescinded.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods in transit." "Goods in transit" is defined by a provision in the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out board motor, heavy equipment and manufactured housing inventory. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods in transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods in transit exemptions for items of personal property.

The City and the other taxing bodies within its territory may agree to jointly create tax increment financing zones, under which the tax values on property in the zone are "frozen" at the value of the property at the time of creation of the zone. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grant of public fund for economic development purposes, however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City.

**EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . .** By each September 1 or as soon thereafter as practicable, the City Council adopts a tax rate per \$100 taxable value for the current year. The City Council will be required to adopt the annual tax rate for

the City before the later of September 30 or the 60<sup>th</sup> day after the date the certified appraisal roll is received by the City. If the City Council does not adopt a tax rate by such required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the City for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". Effective 2005, a tax rate cannot be adopted by the City Council that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings have been held on the proposed tax rate following notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

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

**PROPERTY ASSESSMENT AND TAX PAYMENT** . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

**PENALTIES AND INTEREST** . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 15% attorney's collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.



**CITY APPLICATION OF TAX CODE...**The City grants an exemption of 15% of the market value of residence homesteads; minimum exemption of \$5,000.

The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of up to \$15,000; the disabled are also granted an exemption of up to \$15,000.

The City has granted certain Historic Tax Exemptions under the Historic Tax Reduction Program.

See Table 1 for a listing of the amounts of the exemptions described above.

The City does not tax nonbusiness personal property; and the Central Appraisal District of Taylor County collects ad valorem taxes for the City under a contract with the City.

The City has taken action to implement the tax freeze on the residence homestead of persons who are disabled and persons who are 65 years of age or older, as approved by the City's voters at an election held on November 7, 2006. The tax freeze, which applies to property that accounts for approximately 1.6% of the City's property tax revenue, may impact future property tax rates for the City. City administration does not believe that the implementation of the tax freeze will have a material adverse financial impact on the City for the September 30, 2013 fiscal year; however, City staff expects to continue to monitor the potential impact of the tax freeze on the City's financial condition.

The City does permit split payments, first half due by November 30, second half due by June 30; discounts are not allowed.

The City does tax freeport property.

The City has not taken action to tax goods-in-transit.

The City does collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City has adopted a tax abatement policy, as described below.

**TAX ABATEMENT POLICY...**In 1990, the City established a tax abatement policy to encourage economic development. The policy specified several criteria pertaining to job creation and property value enhancement that newly constructed real and personal property improvements had to meet in order to be considered for tax abatement; projects were eligible for abatement of a percentage of ad valorem taxes for ten years; property located within an enterprise zone could receive an additional percentage abatement of 5% - 10%. The City granted a total of four abatements during the period 1990-1992. From 1992 to March, 1997, however, no tax abatements were granted as the City's policy was to provide incentives in lieu of tax abatements from a ½ of 1% economic development sales tax that became effective in 1990.

On March 27, 1997, the City rewrote and adopted a definitive Property Tax Abatement Policy (the "Policy"). On June 14, 2001, the City Council adopted a revised definitive Policy. Specific guidelines for tax abatement benefits were established for manufacturing, distribution, retail (if located in an enterprise zone or development area) and service facilities located in Abilene and certain multi-family residential properties if located in the Abilene Reinvestment Zone Number One. Generally, tax abatements may be granted for each year only for the additional values of eligible property improvements (actual capital expenditures) to the extent that the value of the property covered by the agreement exceeds the value of the property for the year in which the abatement agreement is executed; no abatement agreement may have a term in excess of ten years from the date of execution. Abatements are to be considered under specific criteria that includes job creation and capital expenditures with resulting abatements of 15% to 100% if granted. The City currently does not have any tax abatements in effect.

**TAX INCREMENT FINANCING ZONE...**Reinvestment Zone Number One, City of Abilene (the "Zone") was created in 1982 by the City with the consent of other taxing units overlapping the Zone. Comprising approximately 235 acres, the Zone includes the central business district. Ad valorem taxes on incremental growth in real property values within the Zone (levied at the tax rates of each taxing unit assessing an ad valorem tax on real property in the Zone) from a base value of January 1, 1983, are used to pay costs of development of the Zone; these tax funds can be used only for public improvements in the Zone or for payment of debt service on bonds issued to provide funds for public improvements located within the Zone. The Zone terminated January 1, 2008. Approximately \$1,062,966 of tax funds derived from incremental values in the Zone remain and such funds have been and are being used for public improvements in the Zone; the Zone has no bonded debt.

A Termination Agreement was executed in December 2007 between the City of Abilene and Tax Increment Finance board where by the remaining tax funds will be used for 6 specific items to include:

- 1) FY08 operating budget for the TIF Board
- 2) Destination/Way-finding signs for downtown and leading to downtown
- 3) Redevelopment of two (2) lots on Cedar Street into public parking with public restrooms
- 4) FY08 Abilene Cultural Affairs Council Cultural Incentive Program
- 5) Redevelopment Plan for Northeast & South Planning areas of downtown
- 6) Streetscape improvements on Cypress, Pine, Cedar and Walnut streets

**CHAPTER 380 AGREEMENTS...**The City is not currently a party to any agreements under Chapter 380 of the Local Government Code.



**TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT**

2014/15 Market Valuation Established by the Appraisal District (excluding totally exempt property)		\$ 5,987,640,064
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead Exemptions (Local Option)	\$ 352,815,553	
Residence Homestead Exemptions (Over 65 and Disabled)	154,983,040	
Pollution Control Exemption Loss	23,952,260	
Productivity Loss	46,809,051	
Residential Homestead Value Lost on 10% Cap	9,803,110	
Historical Exemptions	3,344,353	
Veterans Exemptions	15,160,732	
Disabled Exemptions	15,980,188	
Miscellaneous Exemptions	299,201	(623,147,488)
2014/15 Taxable Assessed Valuation		<u>\$ 5,364,492,576</u>
City Funded Debt Payable from Ad Valorem Taxes		
Outstanding General Obligation Debt (as of 10/1/2014)	\$ 148,995,000	
The Certificates <sup>(1)</sup>	<u>65,000,000</u>	
		\$ 213,995,000
Less: Self-Supporting Debt		
Waterworks and Sewer System General Obligation Debt <sup>(2) (4)</sup>	159,235,000	
Airport General Obligation Debt <sup>(3)(4)</sup>	3,090,000	
General Purpose Funded Debt Payable from Ad Valorem Taxes		\$ 51,670,000
Ratio Funded Debt to Taxable Assessed Valuation		3.99%
Ratio General Purpose Funded Debt to Taxable Assessed Valuation		0.96%

2014/15 Estimated Population - 118,117

Per Capita 2014/15 Taxable Assessed Valuation - \$ 45,417

Per Capita Funded Debt Payable from Ad Valorem Taxes - \$1,812

Per Capita General Purpose Funded Debt Payable from Ad Valorem Taxes - \$437

(1) Preliminary, subject to change.

(2) "Waterworks and Sewer System (the "System") General Obligation Debt" consists of outstanding Combination Tax and Waterworks & Sewer System Revenue Certificates of Obligation, Series 2005, Combination Tax and Revenue Certificates of Obligation, Series 2009, a portion of the General Obligation Refunding Bonds, Series 2011, the Combination Tax & Surplus Revenue Certificates of Obligation, Series 2012, a portion of the General Obligation Refunding Bonds, Series 2013, the Combination Tax and Surplus Revenue Certificates of Obligation, Series 2013 and the Certificates. The City provides for debt service on these issues from surplus Net Revenues of the System. The City has no outstanding Waterworks and Sewer System Revenue Bonds but has obligated revenues of the System under Water Supply Contracts. See Note 8, "Long-Term Obligations and Amounts Due within One Year" in the Notes to Financial Statements for the Fiscal year Ended September 30, 2013, in "APPENDIX B – EXCERPTS FROM THE CITY OF ABILENE, TEXAS ANNUAL FINANCIAL REPORT" for additional information concerning such Water Supply Contracts.

(3) "Airport General Obligation Debt" consists of outstanding Combination Tax and Airport Revenue Certificates of Obligation, Series 2007, on which debt service is provided from Passenger Facility Charge (PFC) revenues (see footnote (2), "Table 9 – Interest and Sinking Fund Budget Projection").

(4) It is the City's current policy to pay such self-supporting debt from the respective revenue sources; this policy is subject to change in the future, although the City has no current plans to change its policy. In the event the City changes its policy, or if such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service (see Tables 1 and 10 herein for more detailed information on the City's general obligation self-supporting debt).

**TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY**

Category	Taxable Appraised Value for Fiscal Year September 30,					
	2015		2014		2013	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 3,191,850,868	53.31%	\$ 3,082,761,046	52.98%	\$ 3,008,703,632	53.01%
Real, Residential, Multi-Family	331,852,172	5.54%	332,562,976	5.72%	319,961,928	5.64%
Real, Vacant Lots/Tracts	71,792,179	1.20%	72,245,374	1.24%	73,539,239	1.30%
Real, Acreage (Land Only)	49,277,156	0.82%	50,485,308	0.87%	55,749,057	0.98%
Real, Farm and Ranch Improvements	33,671,460	0.56%	30,955,326	0.53%	25,211,192	0.44%
Real, Commercial and Industrial	1,258,625,178	21.02%	1,214,755,702	20.88%	1,179,383,530	20.78%
Real, Oil, Gas and Other Minerals	19,425,936	0.32%	18,443,630	0.32%	28,181,842	0.50%
Real and Tangible Personal, Utilities	114,249,650	1.91%	118,191,164	2.03%	114,731,628	2.02%
Tangible Personal, Commercial and Industrial	858,953,990	14.35%	840,748,706	14.45%	816,713,569	14.39%
Tangible Personal, Other	10,732,454	0.18%	12,304,793	0.21%	12,708,084	0.22%
Real Property, Inventory <sup>(1)</sup>	3,044,601	0.05%	4,681,150	0.08%	5,058,219	0.09%
Special Inventory	44,164,420	0.74%	40,712,959	0.70%	36,287,223	0.64%
Total Appraised Value Before Exemptions	\$ 5,987,640,064	100.00%	\$ 5,818,848,134	100.00%	\$ 5,676,229,143	100.00%
Less: Total Exemptions/Reductions	(623,147,488)		(595,444,927)		(585,685,017)	
Taxable Assessed Value	<u>\$ 5,364,492,576</u>		<u>\$ 5,223,403,207</u>		<u>\$ 5,090,544,126</u>	

  

Category	Taxable Appraised Value for Fiscal Year September 30,			
	2012		2011	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 2,942,340,273	53.65%	\$ 2,904,255,262	53.31%
Real, Residential, Multi-Family	301,170,796	5.49%	291,856,209	5.36%
Real, Vacant Lots/Tracts	71,043,613	1.30%	73,448,175	1.35%
Real, Acreage (Land Only)	55,489,608	1.01%	59,129,559	1.09%
Real, Farm and Ranch Improvements	21,434,525	0.39%	23,954,984	0.44%
Real, Commercial and Industrial	1,124,977,869	20.51%	1,123,353,230	20.62%
Real, Oil, Gas and Other Minerals	22,113,118	0.40%	13,220,033	0.24%
Real and Tangible Personal, Utilities	122,605,459	2.24%	138,407,537	2.54%
Tangible Personal, Commercial and Industrial	776,082,644	14.15%	776,372,190	14.25%
Tangible Personal, Other	12,464,154	0.23%	12,634,100	0.23%
Real Property, Inventory <sup>(1)</sup>	5,722,993	0.10%	4,400,993	0.08%
Special Inventory	28,972,405	0.53%	27,145,262	0.50%
Total Appraised Value Before Exemptions	\$ 5,484,417,457	100.00%	\$ 5,448,177,534	100.00%
Less: Total Exemptions/Reductions	(551,406,840)		(577,220,880)	
Taxable Assessed Value	<u>\$ 4,933,010,617</u>		<u>\$ 4,870,956,654</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

- (1) Real properties inventories in the hands of developers or builders; each group of properties in this category is appraised on the basis of its value as a whole as a sale to another developer or builder.

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**TABLE 3A - VALUATION AND GENERAL OBLIGATION DEBT HISTORY**

Fiscal Year Ended 9/30	Estimated Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Taxable Assessed Valuation Per Capita	General Obligation Debt Outstanding <sup>(3)</sup>	Ratio General Obligation Debt to Taxable Assessed Valuation	General Obligation Debt Per Capita
2011	117,179	\$ 4,870,956,654	\$ 41,569	\$ 116,140,000	2.38%	\$ 991
2012	117,063	4,933,010,617	42,140	105,505,000	2.14%	901
2013	118,117	5,090,544,126	43,097	97,345,000	1.91%	824
2014	118,117	5,223,403,207	44,222	148,995,000	2.85%	1,261
2015	118,117	5,364,492,576	45,417	202,455,000 <sup>(4)</sup>	3.77% <sup>(4)</sup>	1,714 <sup>(4)</sup>

(1) Source: City of Abilene

(2) As reported by the Appraisal District on the City's annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Includes self-supporting debt (see "Table 3B - Derivation of General Purpose Funded Tax Debt").

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

**TABLE 3B - DERIVATION OF GENERAL PURPOSE FUNDED TAX DEBT**

Fiscal Year Ended 9-30	General Obligation Debt Outstanding	Less: Self-Supporting Waterworks and Sewer System General Obligation Debt	Less: Airport General Obligation Debt	General Purpose Funded Tax Debt
2011	\$ 116,140,000	\$ 41,020,000	\$ 4,190,000	\$ 70,930,000
2012	105,505,000	40,105,000	3,840,000	61,560,000
2013	97,345,000	35,745,000	3,475,000	58,125,000
2014	148,995,000	94,235,000	3,090,000	51,670,000
2015	202,455,000 <sup>(1)</sup>	154,285,000 <sup>(1)</sup>	2,770,000	45,400,000

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

**TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY**

Fiscal Year Ended 9/30	Tax Rate	Distribution		Tax Levy	% of Current Tax Collections to Tax Levy	% of Total Tax Collections to Tax Levy
		General Fund	Interest and Sinking Fund			
2011	\$ 0.6932	\$ 0.4758	\$ 0.2174	\$ 33,155,700	98.67%	99.36%
2012	0.6932	0.4837	0.2095	33,525,531	98.75%	99.81%
2013	0.6860	0.4937	0.1923	34,356,915	98.29%	99.29%
2014	0.6860	0.5095	0.1765	35,017,447	98.37% <sup>(1)</sup>	99.36% <sup>(1)</sup>
2015	0.6860	0.5215	0.1645	36,800,419	In process of collection	

(1) Partial year collections as of July 31, 2014.

**TABLE 5 - TEN LARGEST TAXPAYERS**

Name of Taxpayer	Nature of Property	FYE 2015 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
NC SCHI Inc.	Abilene Regional Medical Center - Private Hospital	\$ 44,576,623	0.83%
MAI Investors Limited Partnership	Mall of Abilene	42,274,486	0.79%
AEP Texas North Company	Electric Transmission & Distribution	41,741,195	0.78%
Sidewinder Drilling	Oil and Gas Drilling	29,787,596	0.56%
Wal-Mart Stores East, Inc.	Discount Store	27,142,169	0.51%
Lowe's Home Centers, Inc.	Home Improvement Store	26,367,624	0.49%
Coca-Cola Refreshments USA Inc.	Soft Drinks	22,282,636	0.42%
Zoltek Properties Inc.	Manufacturing	20,326,038	0.38%
Eagle Aviation Service, Inc.	Aircraft Maintenance	19,512,834	0.36%
Reserve at Abilene	Apartments	18,003,000	0.34%
		<u>\$ 292,014,201</u>	<u>5.44%</u>

**GENERAL OBLIGATION DEBT LIMITATION . . .** No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "Tax Rate Limitation").

**TABLE 6 - TAX ADEQUACY**

Maximum Principal and Interest Requirements, All General Obligation Debt, 2016 <sup>(1)</sup> .....	\$ 21,346,266
\$.4103 Tax Rate at 97% Collection Produces .....	\$ 21,350,198
Maximum Principal and Interest Requirements, General Purpose Debt, 2015 <sup>(2)</sup> .....	\$ 8,353,087
\$.1606 Tax Rate at 97% Collection Produces .....	\$ 8,356,914

(1) Includes the Certificates and self-supporting debt. Preliminary, subject to change. See "Table 1 – Valuation, Exemptions and General Obligation Debt."

(2) Excludes the Certificates and self-supporting debt. Preliminary, subject to change.

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**TABLE 7 - ESTIMATED OVERLAPPING DEBT**

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2014/15 Taxable Assessed Value <sup>(1)</sup>	2014/15 Tax Rate <sup>(1)</sup>	Total Tax Debt As of 10/1/2014	Estimated % Applicable	City's Overlapping Tax Debt As of 10/1/2014	Authorized But Unissued Debt As of As of 10/1/2014
City of Abilene	\$ 5,364,492,576	\$ 0.6860	\$ 213,995,000 <sup>(2)</sup>	100.00%	\$ 213,995,000 <sup>(2)</sup>	\$ -
Abilene Independent School District	4,231,422,736	1.2175	121,891,605	97.09%	118,344,560	-
Clyde Cons. Independent School District	32,700,812	1.3997	20,800,000	0.34%	70,720	-
Eula Independent School District	102,782,914	1.4400	6,504,999	19.44%	1,264,572	-
Hawley Independent School District	139,159,700	1.2900	7,300,000	1.43%	104,390	-
Jones County	773,297,520	0.6430	6,545,000	3.44%	225,148	6,900,000
Merkel Independent School District	407,791,595	1.3150	9,750,000	0.25%	24,375	4,240,879
Taylor County	7,193,990,179	0.5200	1,225,000	79.04%	968,240	-
Wylie Independent School District	1,600,578,050	1.0400	-	64.14%	-	-
Total Direct and Overlapping Tax Debt . . . . .					\$ 334,997,004	
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation . . . . .					6.24%	
Per Capita Overlapping Tax Debt . . . . .					\$ 2,836	

(1) Source: Municipal Advisory Council of Texas.

(2) Includes the Certificates and \$94,235,000 self-supporting Waterworks and Sewer System General Obligation Debt and \$3,090,000 self-supporting Airport General Obligation Debt (see "Table 1 – Valuation, Exemptions and General Obligation Debt"). Preliminary, subject to change.

(3) If the City's General Purpose Tax Debt of \$51,670,000 is included in the calculation in place of Total Tax Debt of \$213,995,000, the following results:

Total Direct and Overlapping Tax Debt . . . . .	\$ 172,672,004
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation . . . . .	3.22%
Per Capita Overlapping Tax Debt . . . . .	\$ 1,462

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## DEBT INFORMATION

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

Fiscal Year Ended 9/30	Outstanding Debt			The Certificates <sup>(1)</sup>			Grand Total Requirements	Less: Waterworks and Sewer System General Obligation Debt	Less: Airport General Obligation Debt	General Purpose Funded Tax Debt	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total					
2015	\$ 11,540,000	\$ 6,094,228	\$ 17,634,228	\$ -	\$ 1,835,436	\$ 1,835,436	\$ 19,469,664	10,657,730	\$ 458,848	\$ 8,353,087	5.39%
2016	11,455,000	5,680,194	17,135,194	1,735,000	2,476,073	4,211,073	21,346,266	12,896,501	457,063	7,992,703	
2017	11,365,000	5,241,509	16,606,509	1,770,000	2,440,138	4,210,138	20,816,646	12,738,197	460,713	7,617,736	
2018	11,100,000	4,801,498	15,901,498	1,810,000	2,398,928	4,208,928	20,110,425	12,587,912	464,510	7,058,003	
2019	10,375,000	4,365,675	14,740,675	1,860,000	2,353,053	4,213,053	18,953,727	11,824,462	466,988	6,662,278	29.44%
2020	9,075,000	3,955,303	13,030,303	1,905,000	2,305,990	4,210,990	17,241,293	11,695,774	468,046	5,077,473	
2021	8,180,000	3,582,023	11,762,023	1,955,000	2,257,740	4,212,740	15,974,763	11,110,922	467,750	4,396,091	
2022	6,220,000	3,255,788	9,475,788	2,005,000	2,205,233	4,210,233	13,686,020	9,466,821	471,155	3,748,044	
2023	5,450,000	2,985,583	8,435,583	2,065,000	2,146,188	4,211,188	12,646,770	9,444,229		3,202,541	
2024	4,645,000	2,754,439	7,399,439	2,130,000	2,080,600	4,210,600	11,610,039	9,434,763		2,175,276	49.83%
2025	4,265,000	2,551,822	6,816,822	2,200,000	2,010,238	4,210,238	11,027,059	9,032,934		1,994,125	
2026	4,375,000	2,369,897	6,744,897	2,275,000	1,937,519	4,212,519	10,957,416	9,033,334		1,924,081	
2027	4,090,000	2,208,315	6,298,315	2,350,000	1,862,363	4,212,363	10,510,677	9,034,065		1,476,613	
2028	3,830,000	2,041,911	5,871,911	2,430,000	1,781,650	4,211,650	10,083,561	9,032,611		1,050,950	
2029	3,575,000	1,870,542	5,445,542	2,520,000	1,691,875	4,211,875	9,657,417	9,033,692		623,725	64.74%
2030	3,105,000	1,715,920	4,820,920	2,615,000	1,595,594	4,210,594	9,031,514	9,031,514			
2031	3,250,000	1,568,063	4,818,063	2,715,000	1,495,656	4,210,656	9,028,719	9,028,719			
2032	3,415,000	1,412,720	4,827,720	2,825,000	1,388,250	4,213,250	9,040,970	9,040,970			
2033	3,570,000	1,248,683	4,818,683	2,940,000	1,272,950	4,212,950	9,031,633	9,031,633			
2034	3,610,000	1,076,600	4,686,600	3,060,000	1,152,950	4,212,950	8,899,550	8,899,550			79.28%
2035	3,790,000	896,813	4,686,813	3,200,000	1,011,750	4,211,750	8,898,563	8,898,563			
2036	3,965,000	719,588	4,684,588	3,365,000	847,625	4,212,625	8,897,213	8,897,213			
2037	4,145,000	543,088	4,688,088	3,535,000	675,125	4,210,125	8,898,213	8,898,213			
2038	4,320,000	356,450	4,676,450	3,715,000	493,875	4,208,875	8,885,325	8,885,325			
2039	4,525,000	161,388	4,686,388	3,910,000	303,250	4,213,250	8,899,638	8,899,638			97.26%
2040	420,000	54,250	474,250	4,110,000	102,750	4,212,750	4,687,000	4,687,000			
2041	430,000	39,375	469,375				469,375	469,375			
2042	445,000	24,063	469,063				469,063	469,063			
2043	465,000	8,138	473,138				473,138	473,138			100.00%
	<u>\$ 148,995,000</u>	<u>\$ 63,583,859</u>	<u>\$ 212,578,859</u>	<u>\$ 65,000,000</u>	<u>\$ 42,122,795</u>	<u>\$ 107,122,795</u>	<u>\$ 319,701,654</u>	<u>\$ 252,633,856</u>	<u>\$ 3,715,073</u>	<u>\$ 63,352,725</u>	

(1) Preliminary, subject to change. True interest cost has been calculated at 4.173% for the purpose of illustration only. Average life of the issue is approximately 15.12 years.



**TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION**

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2015 <sup>(1)</sup>		\$ 8,353,087
Interest and Sinking Fund Balance, 9/30/2014 (Unaudited)	\$ 1,206,851	
Budgeted Interest and Sinking Fund Taxes, 9/30/2015	8,351,680	
Airport Passenger Facility Charge ("PFC") Transfer <sup>(2)</sup>	458,850	
Solid Waste Transfer	39,810	
Estimated Investment Income	4,750	\$ 10,061,941
Estimated Balance, 9/30/2015		\$ 1,708,854

- (1) Excludes the Self Supported Debt (see Tables 1 and 10 herein for more detailed information on the City's general obligation self-supporting debt).
- (2) PFCs are authorized by the Federal Aviation Administration ("FAA"). PFC revenues must be used for allowable costs of FAA approved airport projects including debt service on airport obligations issued to carry out approved projects. The City issued \$4,895,000 Combination Tax and Airport Revenue Certificates of Obligation, Series 2007, (outstanding principal balance on 10/1/2014 is \$3,090,000); the proceeds are being used for an FAA approved project with debt service on these obligations being paid from PFC revenues.

**TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT**

Gross Income, Waterworks & Sewer System, Fiscal Year Ended 9/30/2013	\$ 37,502,886
Less: Net Operating Expenses, Waterworks & Sewer System, Fiscal Year Ended 9/30/2013	<u>30,776,966</u>
Balance Available for Other Purposes	\$ 6,725,920
Waterworks and Sewer System General Obligation Requirements, Fiscal Year Ended 9/30/2013	\$ 4,883,703 <sup>(1)</sup>
Percentage of Waterworks and Sewer System General Obligation Debt Self-Supporting	100.00%

- (1) For information regarding the System see the information under the caption "The Waterworks and Sewer System" herein.

**TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS**

The City has no authorized but unissued general obligation debt.

**ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT...**If drought conditions continue, the City may consider the issuance of \$43 to \$75 million of general obligation debt in calendar year 2015. It is expected that debt service on this issuance would be self-supported by water and sewer revenues. The City has also convened a committee to discuss and possibly recommend a general obligation bond election, to be held as early as May, 2015. The amount and timing of issuance from a potential bond election is uncertain at this time.

**TABLE 12 - OTHER OBLIGATIONS**

**COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM NOTES ("NOTES")**

The City has entered into various note agreements with the Department of Housing and Urban Development for loan guarantee assistance under Section 108 of the Housing and Community Act of 1974, as amended. The Notes are liabilities of the City's Community Development Block Grant Program; debt service on the Notes is paid from Community Development Block Grants received from the U.S. Department of Housing and Urban Development and from rentals. On October 17, 2005, the Abilene Public Health Corporation, which is a blended component unit of the City, entered into a note agreement with NDC New Markets for \$2,913,967 for the financing of the purchase of the newly constructed Abilene Public Health Facility from the City of Abilene. \$2,200,000 of the loan amount matures on October 17, 2015, with interest due annually at a rate of 2.2% and the remaining \$713,967 of the loan amount matures on October 17, 2035 with interest due annually at a rate of 0.5%. See Note 8, "Long-Term Obligations – Notes Payable" in the Notes to Financial Statements for the Fiscal year Ended September 30, 2013, in "APPENDIX B – EXCERPTS FROM THE CITY OF ABILENE, TEXAS ANNUAL FINANCIAL REPORT" for additional information concerning the Notes.

The following represents the future maturities of these notes:

Fiscal Year End 9/30	The Notes Payable		
	Principal	Interest	Total
2014	\$ 504,000	\$ 19,828	\$ 523,828
2015	100,000	13,739	113,739
2016	110,000	7,249	117,249
	<u>\$ 714,000</u>	<u>\$ 40,816</u>	<u>\$ 754,816</u>

**ABILENE-TAYLOR COUNTY EVENTS VENUE DISTRICT...** The City and Taylor County, Texas held a successful election on February 7, 2004 authorizing the creation of the Abilene-Taylor County Events Venue District (the "Venue District") for financing, construction, renovation, and/or operation of a venue project, to-wit: City of Abilene Frontier Texas!, a museum and visitors center for transportation and western heritage; the expo center of Taylor County, and paving at Abilene Independent School District's Shotwell stadium together with related infrastructure and other related improvements, and to impose a hotel occupancy tax at a maximum rate of two percent (2%) of the price paid for a room in a hotel in the City and Taylor County, Texas for the purpose of financing the venue project.

On May 6, 2004, the Venue District issued \$1,345,000 Hotel/Motel Tax Revenue Bonds (the "Venue Bonds") to First National Bank, Abilene to finance improvements to the Venue District. The Venue Bonds mature annually, March 15, 2005 through March 15, 2024 at a true interest cost of 4.95%.

These Venue Bonds are only payable from the 2% hotel/motel occupancy tax and are not an obligation payable from ad valorem taxes of either the City or the County.

#### **RETIREMENT PLANS**

##### Texas Municipal Retirement System

##### Plan Description

The City provides pension benefits for all of its full-time employees, except firefighters, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System Plan (TMRS), one of 833 currently administered by TMRS, an agent multiple-employer public employee retirement system.

The TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. Such report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas, 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

In reading this section, investors should be aware that (i) the information included in this Official Statement relating to the TMRS relies on information produced by the TMRS and its independent accountant and actuary, (ii) actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the TMRS and (iii) actuarial assessments are based upon a variety of assumptions, one or more of which may prove to be inaccurate or be changed in the future, and will change with the future experience of the TMRS.

##### Benefits

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Deposit Rate:	7%
Matching Ratio (City to Employee)	2 to 1
A member is vested after	5 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City are: 5 yrs/age 60, 20 yrs/any age.

#### Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases. The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The City has always paid the full rate required by the TMRS in each year, and the City will continue contributing at the full rate in calendar year 2013, which will be 11.72% of covered payroll. Based on current contributions, the City's actuarial accrued liability will be fully funded over the next 25 years with an assumed payroll growth rate of 3%.

The annual pension cost and net pension obligation as of September 30, 2013 are as follows:

Actuarial Valuation Date	9/30/2013
Annual Required Contributions (ARC)	\$ 4,828,298
Interest on Net Pension Obligation	197,589
Adjustment to ARC	(173,598)
Annual Pension Cost	4,852,289
Actual Contributions Made	(4,828,419)
Increase in Net Pension Obligation	23,870
Net Pension Obligation (NPO) at Beginning of the year	2,822,703
Net Pension Obligation (NPO) at end of the year	\$ 2,846,573

Actuarial Assumptions	
Actuarial Valuation Date	12/31/2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	23.8 Years – Closed Period
Asset Valuation Method	10-Year Smoothed Market
Investment Rate of Return	7%
Projected Salary Increases	Varies by Age and Service
Included Inflation at	3.00%
Cost-of-Living Adjustments	0.00%

As of December 31, 2012, the City's actuarial accrued liability was \$235,589,455. As of such date, the City had actuarial value of assets of \$222,887,376, leaving the City with an unfunded actuarial accrued liability of \$12,702,079 and giving the City a "funded ratio" of 94.6%.

For more information concerning the City's pension plan and funding progress relating thereto, see Appendix B, "Excerpts from the City's Annual Financial Report" - Note 6.

## Firemen's Relief and Retirement Fund

### Plan Description

The City provides pension benefits, through a single-employer defined benefit plan, for all of its fire fighters not covered by the Texas Municipal Retirement System. The Abilene Firemen's Relief and Retirement Fund is established under the authority of the Texas Local Fire Fighter's Retirement Act (TLFFRA). The plan document may be amended as provided in Section 7 of the TLFFRA (Article 6243e, V.T.C.S.) Amending the plan requires approval of any proposed change by an eligible actuary and a majority of the participating members of the fund. The Plan is governed by seven trustees composed of the Mayor or his designee and Chief Financial Officer of the City of Abilene, three firefighters elected by majority vote of firefighters and two citizens, who must be appointed unanimously by the first five trustees.

The City of Abilene contributes 19.25% of each member's total pay (including regular, longevity and overtime pay, but excluding lump sum distributions for unused sick leave, or vacation). Fund members contribute to the fund at a rate of 13.2% of pay. Employee contributions are "picked up" by the City, as permitted under Section 414(h)(2) of the Internal Revenue Code. For this reason, a member's contributions are excluded from taxable income when paid into the fund.

Benefits are generally determined on a "formula" or a "final salary" plan. There are five benefit plans under which distributions are paid. Currently, they are as follows:

(a) Service Retirement Benefit - A member will be eligible for 3% of the members average salary multiplied by the member's number of years of credited service not in excess of 20 years plus an additional benefit which is calculated as the sum of (i) and (ii) where (i) equals the member's years of credited service in excess of 20 years, but not in excess of 21.5 years, multiplied by 3 percent of the member's average monthly salary and (ii) equals \$80 multiplied by the member's number of years of credited service in excess of 21.5. The maximum service retirement benefit is \$7,500 per month. Service retirement benefits are payable for the member's lifetime. In the event the member's death precedes that of the spouse, two-thirds of the member's pension will be continued to the spouse for their lifetime.

(b) Disability Retirement Benefit - A member will be eligible (whether on duty or off) for 60% of his average monthly salary plus an additional benefit which is calculated as the sum of (i) and (ii) where (i) equals the member's years of credited service in excess of 20 years, but not in excess of 21.5 years, multiplied by 3 percent of the member's average monthly salary and (ii) equals \$80.00 multiplied by the member's number of years of credited service in excess of 21.5.

The maximum disability retirement benefit is \$7,500 per month. A member's disability benefit will commence once his or her regular salary, including vacation and sick leave pay, has ceased. Disability benefits are payable in the same joint and-survivor form as service retirement benefits. A disabled member may elect to receive a modified monthly benefit payable for as long as the member or the member's spouse is living. An unmarried disabled member may elect to receive a larger monthly benefit which is payable for the member's lifetime and which ceases at the member's death.

(c) Vested Termination Benefit - If a member has completed at least 20 years of service but has not reached the age of 50 years, he will be entitled to a deferred retirement income when he reaches age 50. However, the member must leave his contribution in the fund.

(d) Death Benefits - Upon the death of a member his widow will receive 40% of his average monthly salary plus two-thirds of any additional service benefit the member had earned. If the member's death occurred after termination of employment, with vested benefits but before benefits commence, a standard death benefit equal to two-thirds of the benefit the member was entitled to at age 50 will be received. If death occurs after service retirement or commencement of benefits, then the total of all benefits paid may not exceed the retirement benefit the member was receiving as of the date of his death. Benefits are reduced pro rata, if necessary, in order to satisfy these limitations. The firefighter's widow will receive the benefits listed above as long as she is alive. Children are also provided for by the Plan subject to certain restrictions. An optional joint and 100% survivor pre-retirement death benefit is available to active members with at least 20 years of credited service. This equals 60% of his average monthly salary plus 100% of any additional service benefit earned less a percentage determined by the member's age when the election was made and number of years between the election and the member's death. Each of the other benefits would be reduced if this option is selected. All Domestic Relations Orders shall be pursuant to subchapters A and C of Chapter 804 of the Texas Government Code.

(e) Deferred Retirement Option Plan (DROP) - A member is eligible to elect to receive benefits under DROP if retirement occurs on or after he attains age 53 and has completed 23 years of service. Benefits are calculated as if he retired on his DROP eligibility date, which is the later of the date he meets the eligibility requirements or three years prior to the date he retires. Benefits are based on the monthly average salary and years of credited service as of the DROP eligibility date. The member is entitled to also receive a single payment equal to the sum of (1) the total of the monthly retirement benefits the member would have received between his DROP eligibility date and the time he retired under the DROP option, and (2) the difference between the member's accumulated contributions at the retirement date and from the DROP eligibility date.

As of September 30, 2011, the City's actuarial accrued liability for its Firemen's Relief and Retirement Fund was \$88,412,062. As of such date, the City had actuarial value of assets of \$49,429,210, leaving the City with an unfunded actuarial accrued liability of \$38,982,852 and giving the City a "funded ratio" of 55.9%.

For more information concerning the City's Firemen's Relief and Retirement Fund and funding progress relating thereto, see Appendix B, "Excerpts from the City's Annual Financial Report" - Note 6.

#### Other Post-Employment Benefits

The City's employee life insurance program is administered by an independent insurance company. The City collects premium payments from employees and retirees electing to participate in the program and remits these premium payments to the insurance company. Life insurance premiums collected and remitted for employees and retirees amounted to \$13,566 and \$4,031, respectively, for the year ended September 30, 2013.

Other than the City's employee life insurance program, the City provides no other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement 45.

For more information concerning the City's post-employment benefits, see the financial statements of the City, and the notes thereto.

### **FINANCIAL INFORMATION**

**TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY**

	Fiscal Year Ended September 30,				
	2013	2012	2011	2010	2009
<b>Revenues:</b>					
Taxes	\$ 63,980,278	\$ 62,937,306	\$ 60,828,135	\$ 55,511,172	\$ 56,158,137
Licenses and Permits	1,284,471	1,389,950	1,502,109	1,212,977	1,171,261
Fines and Forfeitures	2,119,234	1,830,021	1,943,449	1,790,130	1,752,355
Charges for Services	3,631,256	3,632,071	3,429,302	3,238,322	3,294,956
Intergovernmental Revenues	96,125	115,734	215,933	224,047	219,186
Interest and Miscellaneous	5,043,409	5,152,106	5,276,138	5,127,480	4,947,366
<b>Total Revenues</b>	<b>\$ 76,154,773</b>	<b>\$ 75,057,188</b>	<b>\$ 73,195,066</b>	<b>\$ 67,104,128</b>	<b>\$ 67,543,261</b>
<b>Expenditures:</b>					
General Government	\$ 1,836,054	\$ 1,731,374	\$ 1,701,552	\$ 1,908,269	\$ 1,999,678
Administrative Services	2,351,570	2,153,587	2,153,658	2,154,088	2,230,564
Finance	6,544,637	5,960,886	5,640,219	5,327,819	5,536,439
Planning and Development	3,057,265	2,769,001	2,632,993	2,803,478	3,237,445
Public Works	6,120,229	5,916,793	6,018,629	6,080,772	7,875,299
Police	23,215,614	22,230,091	21,222,766	20,723,251	20,174,960
Fire	17,557,546	16,748,604	16,473,698	16,285,080	15,333,989
Aviation	1,771,546	1,645,407	1,576,770	1,549,379	1,746,503
Community Services	11,870,976	9,896,923	9,916,234	9,491,961	10,614,388
<b>Total Expenditures</b>	<b>\$ 74,325,437</b>	<b>\$ 69,052,666</b>	<b>\$ 67,336,519</b>	<b>\$ 66,324,097</b>	<b>\$ 68,749,265</b>
Excess (Deficit) of Revenue over Expenditures	\$ 1,829,336	\$ 6,004,522	\$ 5,858,547	\$ 780,031	\$ (1,206,004)
Other Financing Sources (Uses)	(2,296,007)	(5,379,316)	662,653	515,205	761,569
Fund Balance at Beginning of Year	\$ 25,731,484	\$ 25,106,278	\$ 18,585,078	\$ 18,552,695	\$ 18,923,956
Prior Period Adjustments	-	-	-	(1,262,853)	73,174
<b>Fund Balance at End of Year<sup>(1)</sup></b>	<b>\$ 25,264,813</b>	<b>\$ 25,731,484</b>	<b>\$ 25,106,278</b>	<b>\$ 18,585,078</b>	<b>\$ 18,552,695</b>

(1) The City funded its CIP program during fiscal year 2012/13 with cash in the General Fund. The City projects the General Fund balance for fiscal year 2013-14 will be approximately \$ million.

**TABLE 14 - MUNICIPAL SALES TAX HISTORY**

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. On August 12, 1989, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½% of 1%) for economic development and an additional one-half of one percent (½ of 1%) for property tax reduction. Collection for the additional tax went into effect on January 1, 1990. The sales tax for economic development is collected solely for the benefit of the Development Corporation of Abilene, Inc., and may be pledged to secure payment of sales tax revenue bonds if issued by the Corporation in the future. No sales tax revenue has been pledged to secure payment of the Bonds.

Fiscal Year Ended 9/30	Total Collected <sup>(1)</sup>	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita <sup>(2)</sup>
2010	\$ 27,409,858	82.88%	\$ 0.5648	\$ 234
2011	29,143,720	87.90%	0.5983	249
2012	30,938,050	92.28%	0.6272	264
2013	30,579,680	89.01%	0.6007	259
2014	30,346,413 <sup>(2)</sup>	86.66%	0.5810	257

(1) Excludes collections of the 1/2 of 1% sales and use tax for economic development.

(2) See "Estimated Population" under "Table 3A - Valuation and General Obligation Debt History".

(3) Unaudited collections through September 30, 2014.

#### **FINANCIAL POLICIES**

The City Council adopted the following Financial Policy on May 23, 1984, and amended the policy on February 9, 1995. The City of Abilene adheres to the Financial Policy for conducting the financial management of the City. The established long-range policies regarding financial management are to exercise a discipline which allows the City to retain a sound financial condition; strive to retain the best possible rating on bonds; provide future generations with the ability to borrow capital for construction of facilities without severe financial burden; and, give recognition to the community's needs and ability to pay. These goals are accomplished in the following manner:

- Prudent budgeting and effective budget control. The operating budgets will provide sufficient funding levels for ongoing maintenance of the infrastructure. Budget replacement of capital equipment as the need arises. (Office machines, automobiles, heavy equipment, etc.)
- The securing and/or approval of federal and state assistance will be based on established criteria. Such criteria is:
  - What benefit does the project have to the community as a whole,
  - What future impact will the City be responsible for due to the acceptance of the funding, and
  - How does the project relate to the Strategic Management Plan and/or other future plans of the organization?
- Private grants and donations will be actively pursued and will be subject to the same criteria as federal and state funds.
- Passing a share of the cost of extending utilities and improvements in subdivisions to property owners of the subdivisions rather than to the general public.
- Providing working capital in all funds sufficient to meet current operating needs.
- Funding Equipment Replacement at the required level.
- The Facilities and Infrastructure Improvement/Maintenance Program will be financed by dedicating a minimum of either 1/2¢ ad valorem tax or \$100,000.
- Pay as you go financing of capital improvements where feasible while planning for capital improvements on a five year basis and updated annually.



- Attempting to schedule bond issues so that an equal principal amount is retired each year over the life of the issue producing a total debt service schedule with a declining balance each year.
- The intent of this paragraph is to assure that the taxpayers of the City receive full benefit of “qualified” status on debt issued and not subsidize the interest expense of other debt issuers utilizing corporations created by the City on their behalf. Any differential in interest expense to the City between “qualified” (qualified tax-exempt obligations [“QTEO”]) and “non-qualified” tax exempt debt status that results from debt issued through corporations established by the City Council will be borne by those issuers of debt. The differential will be prorated among the issuers utilizing the corporations based on the amount of debt it issues to total debt issued by all corporation issuers during the calendar year. Any differential in the City’s cost shall be calculated by the City’s financial advisor based on market conditions on the date of the City sale of debt.
- The Minor Improvement Program will encompass basic capital needs whereby the amount of debt issued is equal to the amount of debt retired while maintaining the same tax rate for debt. The basic capital needs include streets, bridges, traffic control, parks, localized drainage/creek cleaning, and police/fire equipment. All projects will be financed through Certificates of Obligation or Contractual Obligations as appropriate.
- The Major Improvement Program will encompass major new construction such as large facilities, flood control, and other major infrastructure improvements. All projects will be approved through bond elections. A plan of major improvements that would require a bond election will be reviewed at least every three years. The identified needs would determine when a bond election would be needed.
- Financial accounting and reporting in accordance with methods prescribed by the Governmental Accounting Standards Board and the Governmental Finance Officers Association and making such reports available to bond rating agencies and other financially interest organizations.
- Achieving and maintaining a fund balance equivalent to three (3) months’ operating costs of the general operating budget, at 95% liquidity, which should be sufficient to provide financing for necessary projects and meet unanticipated contingencies such as lawsuits, tax roll tie-ups, severe fluctuations in sales of the City owned utilities and other fiscal emergencies.

*Basis of Accounting...*The City’s accounting system is conducted on the modified accrual basis of accounting for all governmental and expendable trust funds. Under this basis expenditures are recorded when liabilities are incurred; and, revenues are recorded when they become measurable and available as net current assets. The accrual basis of accounting is followed for the Enterprise and Internal Service Funds. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

*General Fund Balance...*The City’s policy is to achieve and maintain a General Fund balance equivalent to three months operating cost of the general operating budget, at ninety-five percent (95%) liquidity, which should be sufficient to provide financing for necessary projects and meet unanticipated contingencies such as law suits, tax roll tie-ups, and severe fluctuations in the sales of the City owned utilities and other fiscal emergencies.

*Debt Service Fund Balance...*A reasonable debt service fund balance is maintained in order to compensate for unexpected contingencies.

*Use of Bond Proceeds, Grants, etc...*Bond proceeds are used only for the equipment and construction of capital improvements for which the bonds have been authorized. The City receives various grants from federal and state governments. Some of these grants are for permanent capital improvements and some are for operating assistance such as Urban Mass Transit Administration operating and assurance grants. All grant funds are expended in accordance with the requirements of the grant regulations and are audited annually by the City’s Independent Auditors; Federal and State grants do not play a significant part in funding of the City’s operations.

*Budgetary Procedures...*At least thirty days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget, which represents the fiscal plan for the ensuing fiscal year, includes proposed expenditures and the means of financing them. Public hearings are conducted at which all interested persons and comments concerning the budget are heard. The budget for the next fiscal year is legally enacted by the City Council through passage of an ordinance not later than the twenty-fifth day of the last month of the fiscal year.

## INVESTMENTS

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



**LEGAL INVESTMENTS . . .** Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) bonds issued, assumed, or guaranteed by the State of Israel, (7) effective September 1, 2005, certificates of deposit (i) issued by a depository institution that has its main office or a branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Company or the National Credit Union Share Insurance Fund, or are secured as to principal by Certificates described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) where; (a) the funds are invested by the City through a depository institution that has a main office or branch office in this state and that is selected by the City; (b) the depository institution selected by the City arranges for the deposit of funds in one or more federally insured depository institutions, wherever located; (c) the certificates of deposit are insured by the United States or an instrumentality of the United States; (d) the depository institution acts as a custodian for the City with respect to the certificates of deposit; and (e) at the same time that the certificates of deposit are issued, the depository institution selected by the City receives deposits from customers of other federally insured depository institutions, wherever located, that is equal to or greater than the funds invested by the City through the depository institution selected under clause (ii)(a) above, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) bankers' acceptances with a stated maturity of 270 days or less from the date of its issuance, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the preceding clauses, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent, and (13) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent or no lower than investment grade with a weighted average maturity no greater than 90 days. Texas law also permits the City to invest bond proceeds in a guaranteed investment contract, subject to limitations as set forth in the Public Funds Investment Act, Texas Government Code, Chapter 2256 (the "PFIA").

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service and has or which has a weighted average maturity no greater than 90 days. The City is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

**INVESTMENT POLICIES . . .** Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value, and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City.

**ADDITIONAL PROVISIONS** . . . Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City ; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer, and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict its investment in non-money market mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

**TABLE 15 - CURRENT INVESTMENTS**

As of July 31, 2013, the City's investable funds were invested in the following categories:

Investment Type	Percent of Total Investments	Purchase Price	Fair Market Value <sup>(1)</sup>
TexPool	7.71%	\$ 9,301,512	\$ 9,301,512
TexSTAR <sup>(2)</sup>	6.48%	7,821,144	7,821,144
Money Markets	36.90%	44,522,962	44,522,962
Certificates of Deposit	39.78%	48,000,000	48,000,000
Government Agency Investments	9.12%	11,004,238	11,006,483
	100.00%	\$ 120,649,856	\$ 120,652,101

As of such date, 100 % of the City's investment portfolio will mature within 59 months. The market value of the investment portfolio was approximately 100% of its purchase price.

TexSTAR is a local government investment pool for whom First Southwest Asset Management, Inc., an affiliate of First Southwest Company, provides customer service and marketing for the pool. TexSTAR currently maintains a "AAAm" rating from Standard & Poor's and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds is allowed by the participants.

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## THE WATERWORKS AND SEWER SYSTEM

The City of Abilene owns and operates an integrated Waterworks and Sewer System (the “System”). Water supplies from surface reservoirs are treated and distributed; sewage is collected and treated before discharge.

### THE WATERWORKS SYSTEM

#### WATER SUPPLY

The City’s water supply consists of (i) one lake owned by the City, Lake Fort Phantom Hill; (ii) Hubbard Creek Reservoir, owned by the West Central Texas Municipal Water District (the “WCT District”) and (iii) O.H. Ivie Reservoir owned by the Colorado River Municipal Water District (the “CR District”). These reservoirs provide the City with an annual daily average raw water safe yield capacity of 39 million gallons per day mgd.

Lake Fort Phantom Hill located in north Abilene, is a principal source of raw water. The lake has a 250 square mile drainage area on Elm Creek, a tributary of the Clear Fork of the Brazos River, and an estimated 2060 conservation storage capacity of 62,694 acre feet. Additional contribution inflows are made by diversions from Deadman Creek to the northeast and the Clear Fork of the Brazos River to the north when quantity and quality permit. Abilene’s portion of the lake’s estimated safe yield is 12,645 acre feet per year (11.3 mgd).

Hubbard Creek Reservoir (“Hubbard”), owned by the WCT District (member cities Abilene, Breckenridge, Albany and Anson), is situated on Hubbard Creek and Big Sandy Creek, tributaries of the Clear Fork of the Brazos River, 50 miles northeast of Abilene in Stephens County and has an estimated 2060 conservation storage capacity of 317,750 acre feet. The WCT District delivers raw water to the City through the Distribution Main Transmission System to a point near Lake Fort Phantom Hill in north Abilene; at this point, water can be diverted into Lake Fort Phantom Hill or transmitted to the City’s water treatment plants; maximum daily water volume delivery from Hubbard is 30 mgd.

The City is entitled to the following amounts of water (based on the lake level of Hubbard):

<u>Elevation</u>	<u>Volume of Water (per year)</u>
1183-1170	25,451 acre feet per year
1170-1155	20,361 acre feet per year
1155-1153	15,271 acre feet per year
1153-1150	10,180 acre feet per year
1150-1148	5,090 acre feet per year

There is no minimum “take or pay” delivery volume. Cost of water to the City is calculated from a four part formula which includes a Stand-by Charge, an Operation Charge, a (electric service) Demand Charge, and a (electric service) Pumping Charge. In addition, the City is obligated to pay operating and maintenance expenses on a parallel 36” diameter pipeline and pumping and storage facilities that were constructed in 1986-1987 which enabled water delivery capability from Hubbard to increase from 15.5 mgd to 30 mgd. All payments to the WCT District by the City are an operating expense of the System.

O.H. Ivie Reservoir. In 1991 the 554,340 acre feet O.H. Ivie Reservoir (“reservoir”) was constructed on the Colorado River in Coleman, Concho and Runnels Counties by the CR District. The City of Abilene has contractual rights to an estimated 10,900 acre feet per year (10 mgd) of water or 16.54% of the “Safe Yield” of the reservoir. In return the City is responsible for 16.54% of annual debt service plus its share of operating expenses for the reservoir. A raw water delivery system (transmission line and pumping facility) was constructed by the City in order to transport raw water to the City’s treatment facilities. This raw water delivery system will provide up to 20 mgd; additional pumping units can be added to deliver up to 24 mgd.

**WATER TREATMENT.** . . There are three water treatment plants currently providing Abilene’s customers potable water. The plants have a combined peak capability of treating approximately 51 mgd.

**HIGH SERVICE PUMPING FACILITIES, STORAGE FACILITIES, DISTRIBUTION SYSTEM.** . . There are seven high service pump stations and 2 booster pump stations with a combined rated firm capacity of 132 mgd. The System has a total of 32,900,000 gallons of ground storage capacity and 6,700,000 gallons of elevated storage. High service pumps at the treatment plants and pump stations discharge into large water transmission mains which distribute water throughout the City utilizing three pressure planes.

**SPECIAL TREATED WATER CUSTOMERS (“CONTRACT CUSTOMERS”).** . . Through individual contracts, the City supplies treated water to various customers outside the City limits, including the Cities of Merkel, Tye, Clyde and Baird and several water supply corporations. In addition, the City treats raw water for the City of Hamlin. Water is also supplied to Dyess Air Force Base and Texas Department of Criminal Justice facilities inside the City limits.

**THE PROJECT . . .** The City owns and operates the Hamby Wastewater Treatment Plant (“Hamby WWTP”) and is addressing the need to upgrade the aging facility. The current drought is having a severe impact on the City’s water supplies. To prepare for the continuation of the current drought, the City will make additional improvements to the Hamby WWTP that will increase performance and reliability of the plant to treat raw wastewater to standards imposed by the Texas Commission on Environmental Quality, and will provide the option of advanced wastewater treatment to allow the advanced treated wastewater to be directed into Lake Fort Phantom Hill. Since the majority of the existing Hamby WWTP already requires significant improvements, the City is taking this opportunity to consolidate treatment processes and significantly upgrade the Hamby WWTP performance as a whole. This project will include a significant upgrade to the Hamby WWTP, consisting of both conventional wastewater treatment and advanced water treatment technologies. The ultimate goal of this project is to augment the City’s Lake Fort Phantom Hill raw water reservoir with approximately 7 million gallons per day (MGD) of highly treated reclaimed water, to be produced from the City’s Hamby WWTP.

In addition, the City is in the process of implementing a multi-phased drought management strategy which includes securing additional raw water supplies from the Brazos River Authority’s Possum Kingdom Reservoir, and expanding the City’s Hargesheimer Water Treatment Plant to provide approximately 12 MGD of potable water from its raw water source – OH Ivie Reservoir.

Securing additional raw water supplies from Possum Kingdom Reservoir will require constructing additional pipelines to deliver the raw water from Possum Kingdom Reservoir to the City. Infrastructure will also include the construction of advanced water treatment facilities to treat the highly saline raw water from Possum Kingdom Reservoir.

Expanding the City’s Hargesheimer Water Treatment Plant will involve installing additional advanced water treatment process units to allow approximately twice the amount of potable water to be produced at the Hargesheimer Water Treatment Plant. The potable water produced will be increased from its current output of approximately 6 MGD to approximately 12 MGD with the proposed improvements.

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**TABLE 16 - MONTHLY WATER RATES**

	Present Rates (effective 9-26-13)	Previous Rates (effective 9-10-09)
<b>Residential <sup>(1)</sup></b>		
Customer Service Charge	Based on Meter Size <sup>(2)</sup>	Based on Meter Size <sup>(2)</sup>
Volume Charge:		
First 6,000 gallons	\$2.00 per 1,000 gals.	\$1.84 per 1,000 gals.
7,000 - 15,000 gallons	2.83 per 1,000 gals.	2.60 per 1,000 gals.
Over 15,000 gallons	3.91 per 1,000 gals.	3.60 per 1,000 gals.
Plus O.H. Ivie charge	\$0.60 per 1,000 gals.	\$0.60 per 1,000 gals.
<b>Commercial <sup>(1)</sup></b>		
Customer Service Charge	Based on Meter Size <sup>(2)</sup>	Based on Meter Size <sup>(2)</sup>
Volume Charge:		
First 6,000 gallons	\$2.00 per 1,000 gals.	\$1.87 per 1,000 gals.
Over 6,000 gallons	2.83 per 1,000 gals.	2.49 per 1,000 gals.
Plus O.H. Ivie charge	\$0.60 per 1,000 gals.	\$0.60 per 1,000 gals.
<b>Industrial</b>		
Customer Service Charge	Based on Meter Size <sup>(2)</sup>	Based on Meter Size <sup>(2)</sup>
Volume Charge:		
All Consumption	\$2.31 per 1,000 gals.	\$2.16 per 1,000 gals.
Plus O.H. Ivie charge	\$0.60 per 1,000 gals.	\$0.60 per 1,000 gals.
<b>Yard Meter and Construction Water</b>		
Volume Charge:		
All Consumption	\$3.91 per 1,000 gals.	\$3.60 per 1,000 gals.
Plus O.H. Ivie charge	\$0.60 per 1,000 gals.	\$0.60 per 1,000 gals.
<b>Special Treated Water Customers (Contract Customers)</b>		
Volume Charge:		
All Consumption	\$2.83 per 1,000 gals.	\$2.49 per 1,000 gals.
Plus O.H. Ivie charge	\$0.60 per 1,000 gals.	\$0.60 per 1,000 gals.

(1) Residential category applies to all domestic housing of three units or less. Commercial category applies to business operations including residential housing with four units or more. For all categories "Outside City Limits" rates are double the above rates for water consumption.

(2) Customer Service Charges:

Meter Size	Monthly Charge	Meter Size	Monthly Charge
5/8" or 3/4"	\$ 11.25	4 inch	\$ 133.00
1 inch	16.25	6 inch	237.00
1 1/2 inch	29.00	8 inch	388.00
2 inch	49.00	10 inch	504.00
3 inch	93.00		

**TABLE 17 - HISTORICAL WATER CONSUMPTION**

Fiscal Year Ending 09/30	Annual Treated Water Consumption (Thousand Gallons)	Daily Average (Thousand Gallons)	Peak Day (Thousand Gallons)
2009	6,747,634	18,487	34,731
2010	6,204,124	16,998	29,980
2011	7,767,211	21,280	37,784
2012	6,818,223	21,904	34,346
2013	6,720,346	21,629	32,250
2014 <sup>(1)</sup>	6,708,487	20,025	30,686

(1) Figures as of August 31, 2014.

**TABLE 18 - TOP TEN TREATED WATER CUSTOMERS <sup>(1)</sup>**

Customer	Fiscal Year Ended September 30, 2013	
	Annual Consumption (Thousand Gallons)	Billings
Dyess AFB	280,408	\$ 773,926
TDCJID	280,034	769,431
Potosi WSC	227,770	703,809
Steamboat Mountain WSC	214,410	662,527
Hawley WSC	92,310	285,418
City of Merkel	92,166	284,793
Coca Cola	94,025	261,297
SUN WSC	83,765	258,834
Abilene Christian University	72,625	227,747
View/Caps WSC	69,262	214,020
	<u>1,506,775</u>	<u>\$ 4,441,802</u>

(1) Excludes City of Abilene treated water consumption which is metered and billed to General Fund supported activities.

(2) Texas Department of Criminal Justice prison system facilities.

**TABLE 19 - SPECIAL TREATED WATER CUSTOMERS ("CONTRACT CUSTOMERS")**

Customer	Fiscal Year Ended September 30, 2013	
	Annual Water Consumption (Thousand Gallons)	Billings
Potosi WSC	227,770	\$ 703,809
Steamboat Mountain WSC	214,410	662,527
Hawley WSC	92,310	285,418
City of Merkel	92,166	284,793
SUN WSC	83,765	258,834
View/Caps WSC	69,262	214,020
Eula WSC	64,234	198,483
Hamby WSC	52,816	163,201
City of Clyde	50,465	155,937
City of Tye	47,014	145,273
	<u>994,212</u>	<u>\$ 3,072,294</u>

## AVERAGE MONTHLY CONSUMPTION

For Fiscal Year Ended September 30, 2013, average monthly residential consumption was 7,168 gallons, average monthly commercial consumption was 35,749, and the average monthly industrial consumption was 333,782 gallons.

## THE SEWER SYSTEM

The sewer collections system covers essentially all the City except some recently annexed areas. The System operates as a gravity flow system by 3 sewage lift stations. Sewage flows through 4 – 48” outfall lines to a main pump station which pumps to the wastewater reclamation plant 4.8 miles northeast of the City.

## WASTEWATER RECLAMATION PLANT

The City’s wastewater reclamation plant has a permitted 22.0 mgd capacity and provides primary and secondary treatment. Final effluent is discharged to either the Clear Fork of the Brazos River (by State permit), is used for irrigation on City farm land and/or adjoining private farm land, or in a reclaimed water project completed in September 2000, which provides up to 4.0 mgd for irrigation needs within the city limits of Abilene.

**TABLE 20 - MONTHLY SEWER RATES<sup>(1)</sup>**

<u>Residential</u>	
Customer Service Charge	\$12.00 (minimum)
Volume Charge (Water Consumption)	
First 10,000 gallons	\$1.55 per 1,000 gallons
Over 10,000 gallons	No Charge
<u>Commercial</u>	
Customer Service Charge	\$12.00 (minimum)
Volume Charge (Water Consumption)	\$1.55 per 1,000 gallons
<u>Industrial</u>	
Volume Charge (Water Consumption), All Use	\$1.55 per 1,000 gallons
Plus: Surcharge Rate if effective (based on type and strength of sewage):	
B.O.D.	\$0.091/lb
T.S.S	0.067/lb
F.O.G.	0.091/lb

(1) Effective September 23, 2013

**TABLE 21 - DAILY AVERAGE SEWAGE FLOWS**

<u>Calendar Year</u>	<u>Million Gallons Per Day</u>
2010	12.682
2011	11.552
2012	11.234
2013	11.202
2014 <sup>(1)</sup>	11.322

(1) Partial year, through July 31, 2014.



**TABLE 22 - TOP TEN SEWER CUSTOMERS**

Customer	Fiscal Year Ended September 30, 2013	
	Billings	Volume
	Wastewater Charge <sup>(2)</sup>	(Thousand Gallons)
TDCJID <sup>(1)</sup>	\$ 292,132	237,506
Dyess AFB	195,095	158,614
Abilene Christian University	60,514	49,198
Western A.H. 406 Ltd	38,332	31,164
Hendrick Medical Center	33,606	27,322
Abilene ISD	29,390	23,894
Abilene State Supported Living	26,833	21,816
Las Brisas Apartments	26,688	21,698
Coca Cola	24,289	19,747
Taylor County	24,015	19,524
	<u>\$ 750,894</u>	<u>\$ 610,483</u>

(1) Texas Department of Criminal Justice prison system facilities

(2) Charges are an estimation based on per gallon charge.

**TABLE 23 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS**

	Fiscal Year Ended Septmeber 30,				
	2013	2012	2011	2010	2009
Revenue					
Charges for Services	\$ 36,054,828	\$ 36,553,801	\$ 39,792,247	\$ 33,436,791	\$ 33,834,622
Other Operating Revenues	672,470	578,921	580,011	804,784	646,450
Non-Operating Income	775,588	763,646	485,900	439,361	417,255
Gross Revenues	<u>\$ 37,502,886</u>	<u>\$ 37,896,368</u>	<u>\$ 40,858,158</u>	<u>\$ 34,680,936</u>	<u>\$ 34,898,327</u>
Operating Expenses <sup>(1)</sup>					
Personal Services	6,810,656	6,470,725	6,655,635	6,199,351	6,387,536
Supplies	1,883,197	1,756,747	1,707,753	1,345,139	1,960,551
Maintenance	2,065,571	1,682,756	1,649,899	1,394,900	1,302,742
Other Services and Charges	20,017,542	19,015,308	21,788,002	19,078,743	19,578,231
Total Operating Expense	<u>30,776,966</u>	<u>28,925,536</u>	<u>31,801,289</u>	<u>28,018,133</u>	<u>29,229,060</u>
Net Revenue	<u>6,725,920</u>	<u>8,970,832</u>	<u>9,056,869</u>	<u>6,662,803</u>	<u>5,669,267</u>
(1) Unaudited					
Water Customers	40,154	39,825	40,097	39,749	38,830
Sewer Customers	38,453	38,126	38,407	38,041	37,134

(1) Operating Expenses: excludes depreciation; includes all payments to the West Central Texas Municipal Water District and the Colorado River Municipal Water District.

Note: The City has no outstanding or authorized Waterworks and Sewer System Revenue Bonds, however, there is general obligation debt outstanding on which annual debt service is provided from revenues of the System (see "Table 10 - Computation of Self-Supporting Debt"). It is the City's policy and intention to maintain rates and charges for water and sewer service that will provide Net Revenues of the system that will fully provide for debt service on general obligation debt issued for Waterworks and Sewer System purposes over the life of the Waterworks and Sewer System general obligation debt and any additional Waterworks and Sewer general obligation debt issued in the future, including the Certificates. Monthly water rates were increased effective September 26, 2013 in implementation of this policy. See "Table 16 – Monthly Water Rates".

## TAX MATTERS

**OPINION . . .** On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the Issuer, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the Issuer will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix C - Form of Opinions of Bond Counsel.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the Issuer, including information and representations contained in the Issuer's federal tax certificate, and (b) covenants of the Issuer contained in the Certificate documents relating to certain matters, including arbitrage and the use of the proceeds of the Certificates. Failure by the Issuer to observe the aforementioned representations or covenants could cause the interest on the Certificates to become taxable retroactively to the date of issuance.

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

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

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Certificates or the property financed or refinanced with proceeds of the Certificates. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Certificateholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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

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

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

Under Existing Law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and

properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

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

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

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

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

Interest on the Certificates will be includable as an adjustment for “adjusted current earnings” to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

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

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such Certificates; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a Certificate issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

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

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

*(Remainder of Page Intentionally Left Blank)*

## CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the “MSRB”).

**ANNUAL REPORTS . . .** The City will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 23 and in Appendix B. The City will update and provide annual financial information appearing in the numbered tables described in the preceding sentence within six months after the end of each fiscal year ending in and after 2014 and, if not submitted as part of the annual financial information, the City will provide its audited annual financial report when and if available..

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Web site or filed with the United States Securities and Exchange Commission (the “SEC”), as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial information of the type described in the numbered tables in the preceding paragraph by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

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

**NOTICE OF CERTAIN EVENTS . . .** The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, 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 Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under “Annual Reports”.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under 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 Ordinances of a court or governmental authority, or the entry of an Ordinance 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.

**AVAILABILITY OF INFORMATION . . .** The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

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

The City may amend its continuing disclosure agreement 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, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein 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 (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

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

## **OTHER INFORMATION**

### **RATINGS**

The Certificates and the presently outstanding tax supported debt of the City are rated "[REDACTED]" by S&P and "[REDACTED]" by Fitch, without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of either or both of such ratings, may have an adverse effect on the market price of the Certificates.

### **LITIGATION**

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

At the time of the initial delivery of the Bonds, the City will provide the Underwriters with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Certificates or in any other manner questioning the issuance, sale or delivery of the Bonds.

### **REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE**

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

### **LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those



deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

#### **LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE**

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable under gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates will also be furnished. Though it may represent the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions or subcaptions "PLAN OF FINANCING" (exclusive of the subcaption "Sources and Uses of Proceeds"), "THE CERTIFICATES" (excluding the last two sentences of the subcaption "Tax Rate Limitations" and exclusive of the subcaptions "Book-Entry-Only System", "Certificateholders' Remedies" and "Use of Certificate Proceeds"), "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings"), "OTHER INFORMATION - Registration and Qualification of Certificates for Sale", "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas" and "OTHER INFORMATION - Legal Opinions and No-Litigation Certificate" (excluding the last sentence of the first paragraph thereof) in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, Fulbright & Jaworski LLP, Dallas, Texas, a member of Norton Rose Fulbright, whose legal fee is contingent upon the sale and delivery of the Bonds.

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

#### **FINANCIAL ADVISOR**

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

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

#### **FIRST SOUTHWEST COMPANY / SOUTHWEST SECURITIES, INC.**

Effective November 30, 2012, the ultimate parent of First Southwest Company is Hilltop Holdings Inc. ("Hilltop"). Mr. Gerald J. Ford serves as the Chairman of the Board of Directors of Hilltop. On July 29, 2011, Hilltop has extended a \$50 million term loan to SWS Group, Inc. ("SWSG"), which is the parent company of Southwest Securities, Inc. In connection with the term loan, SWSG issued a warrant to Hilltop to purchase 8,695,652 shares of SWSG common stock (the "Warrant"), subject to anti-dilution adjustments, which if fully exercised, would represent approximately a 17% equity interest in SWSG, in addition to any shares of SWSG common stock purchased by Hilltop in open market and block transactions. Mr. Gerald J. Ford is a member of the Board of Directors of SWSG.

On January 9, 2014, Hilltop submitted an unsolicited written proposal to SWSG to acquire all of the outstanding shares of SWSG that it does not already own for a combination of cash and Hilltop common stock. On April 1, 2014, Hilltop and SWSG announced that they have entered into a definitive merger agreement providing for the merger of SWSG with and into Hilltop. The merger is subject to customary closing conditions, including regulatory approvals and approval of the shareholders of SWSG, and is expected to be completed prior to the end of 2014.

#### **UNDERWRITING**

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City, at an underwriting discount of \$\_\_\_\_\_. The Underwriters will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information

One of the Underwriters is BOSC, Inc., which is not a bank, and the Certificates are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

#### **FORWARD-LOOKING STATEMENTS DISCLAIMER**

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

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

#### **MISCELLANEOUS**

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

The Ordinance authorizing the issuance of the Certificates will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Underwriters.

ATTEST:

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Mayor  
City of Abilene, Texas

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City Secretary



## **APPENDIX A**

### GENERAL INFORMATION REGARDING THE CITY

## THE CITY

The City of Abilene, County Seat of Taylor County, Texas, is primarily located in northern Taylor County with a small portion of the City located in Jones County to the north. Located 150 miles west of Fort Worth and 180 miles west of Dallas, Abilene is the economic, medical, educational and cultural center of this West Central Texas area.

### POPULATION

	City of Abilene <sup>(1)</sup>	Taylor County <sup>(2)</sup>
1920 Census	10,274	24,081
1930 Census	23,175	41,023
1940 Census	26,612	44,147
1950 Census	45,570	63,370
1960 Census	90,368	101,078
1970 Census	89,653	97,853
1980 Census	98,315	110,932
1990 Census	106,707	119,655
2000 Census	115,930	126,555
2010 Census	117,179	127,683
2014 Estimated	118,117	134,117

(1) With the exception of U.S. Census figures, population estimates are provided by the City of Abilene, Texas.

(2) With the exception of U.S. Census figures, population estimates are provided by State and County Quick Facts, U.S. Census Bureau.

### BUSINESS AND INDUSTRY

Manufacturing plants in Abilene and its immediate vicinity produce such products as gas welding equipment, meat products, plumbing fixture, soft drinks and soft drink containers, bakery products, vegetable oil products, poultry and livestock feeds, tire retreading products, sprockets and gears, pressure vessels, ski boats, and signs.

### LABOR FORCE ESTIMATES

	Annual Averages				
	2014 <sup>(1)</sup>	2013	2012	2011	2010
<b>Abilene MSA</b>					
Civilian Labor Force	83,945	84,133	83,637	84,641	84,622
Total Employment	80,340	79,871	79,124	79,309	79,159
Unemployment	3,605	4,262	4,513	5,332	5,463
Percent Unemployment	4.3%	5.1%	5.4%	6.3%	6.5%
<b>Taylor County</b>					
Civilian Labor Force	69,127	69,257	68,874	69,550	69,415
Total Employment	66,215	65,829	65,213	65,251	64,989
Unemployment	2,912	3,428	3,661	4,299	4,426
Percent Unemployment	4.2%	4.9%	5.3%	6.2%	6.4%
<b>State of Texas</b>					
Civilian Labor Force	12,963,299	12,819,871	12,626,593	12,496,287	12,287,566
Total Employment	12,260,724	12,007,330	11,762,217	11,506,025	11,280,558
Unemployment	702,575	812,541	864,376	990,262	1,007,008
Percent Unemployment	5.4%	6.3%	6.8%	7.9%	8.2%

Source: Texas Workforce Commission; subject to revision.

(1) Data through August 2014.

## ECONOMIC INDICES, CITY OF ABILENE

Calendar Year	Building Permits	Water Utility Connections
2010	\$ 154,960,832	38,924
2011	89,404,985	39,154
2012	111,231,721	39,720
2013	128,490,380	40,100
2014 <sup>(1)</sup>	154,911,753	40,397

Source: The City.

(1) Figures as of August 31, 2014.

### CITY OF ABILENE BUILDING PERMITS BY CLASSIFICATION

Year	Residential (Single-Family)		Business	Schools	Miscellaneous,	Total
	Number of Units	Value	Industrial and Apartments	and Churches	Alterations and Repairs	
2010	194	\$ 34,724,319	\$ 42,040,661	\$ 22,201,360	\$ 55,994,492	\$ 154,960,832
2011	163	30,095,437	35,221,083	14,010,158	10,078,307	89,404,985
2012	229	43,091,296	33,198,106	21,799,214	13,143,105	111,231,721
2013	274	51,799,233	52,048,104	13,196,922	11,446,121	128,490,380
2014 <sup>(1)</sup>	261	54,610,353	70,214,929	9,939,897	20,146,574	154,911,753

(1) Figures as of August 31, 2014.

### TOP 25 EMPLOYERS

Company	Type of Business	Estimated Employees 2014
Dyess Air Force Base	Defense (Military/Civ)	5,051
Hendrick Health System	Hospital	2,869
Abilene ISD	Public School	2,450
Abilene State Supported Living Center	School For Disabled	1,400
City of Abilene	Municipal Government	1,200
TX Dept. of Criminal Justice	Correctional Facility	1,190
BlueCross BlueShield of TX	Claims Center	1,050
Abilene Christian University	University	850
Abilene Regional Med. Center	Hospital	750
Teleperformance USA	Telemarketing	600
Taylor County	County Government	550
Eagle Aviation Services, Inc.	Aviation Maintenance	450
Petrosmith	Oilfield Supply/Manufacturer	435
First Financial Bankshares	Financial Institution	405
Wylie ISD	Public School	400
Coca-Cola Refreshments USA, Inc.	Soft Drinks	350
Hardin-Simmons University	University	345
Cisco College	College	340
Rentech Boiler Systems, Inc.	Industrial Boilers	325
Fehr Foods	Cookie Manufacturer	325

Source: Abilene Industrial Foundation (2014)

### INDUSTRIAL/COMMERCIAL DEVELOPMENT

During the past several years, industrial and commercial development has consisted mostly of expansion of existing operations in the community.

To improve traffic flow and traffic control in the I-20/Highway 351/Enterprise Dr. development area, the Development Corporation Of Abilene (“DCOA”) collaborated with TxDOT on an extension of Enterprise Dr. from Highway 351 to East Lowden Rd. In late 2013, DCOA purchased 1.86 acres of land from Region 14 Education Service Center and finished road construction in June 2014. TxDOT is in the process of conducting a traffic study to model the corridor and consider different traffic flow scenarios, which may include a new traffic signal at the Enterprise Dr. intersection. This shortens the route Coca Cola Refreshments USA’s trucks drive between the manufacturing plant on Enterprise Dr. and its warehouse on the I-20 access road, thereby improving the company’s efficiency and reducing operating costs.

Fehr Foods, Inc. continues to expand its operations, producing and merchandising cookies through its platforms in Texas and Oklahoma which are sold in 43 U.S. states, Mexico, and Panama. During 2013, Fehr Foods made facility improvements, upgraded equipment and purchased additional manufacturing equipment at a total capital cost of \$2.4 million. Fehr Foods currently employs 321 in Abilene and 97 in Marietta, OK. The company competed corporate-wide and was approved for a major expansion into cracker production. Rather than construct an addition to its manufacturing plant on North 1st Street, the company purchased the former Sam’s Club facility on South 1st Street. This new project will increase employment by 105 jobs, over and above the existing Abilene employment level. The company will invest a total of \$30 million for purchase, capital improvements, and equipment. Fehr Foods also recently expanded into more warehouse space in the DCOA-owned complex at 4109 Vine St. to accommodate its growth.

The Five Points Business Park located in far west Abilene is an important asset for Abilene’s industrial development and a useful tool in the DCOA’s arsenal for recruitment of new and expansion of existing industry. The Park’s location on I-20 with rail service available could potentially become very desirable. On the east side of the Park, at the corner of Marigold St. and Wall St., are about 25 acres of developable land, which was recently cleared to make it readily available to prospects on a short-time fuse for purchase and development. Tucker Energy Services purchased 11.5 acres of land on the west side of the Park and constructed a facility for its expansion into Abilene, offering oilfield services. If the Cline Shale play is as prolific as hoped, the company will quickly expand into phase 2 purchase of 23 more acres of land and construction of several more structures, plus installation of a rail spur.

Because there is a severe lack of rail-served industrial properties in Abilene, the DCOA is in the process of developing a master plan for expansion of rail service, which includes the construction of Polaris Dr. extending northward from Five Points Parkway to Marigold St. The grading required for construction has opened up two more lots in the Park that otherwise were not developable due to their location and topography. Construction will be completed in October 2014.

CarbonLITE Recycling is the U.S. leader in recycling of PET bottles into food-grade pellets that can be made into new, 100% post-consumer bottles. The company recently signed an agreement to occupy the 100,000 sq ft industrial shell building in Five Points Business Park known as “Spec 3”. A local architectural firm is working on plans for finish-out of the structure to CarbonLITE’s specifications. Construction began in August 2014 and includes the addition of a 100,000 sq ft warehouse and 8,500 sq ft free-standing office space, all to be occupied by the company. Construction and design fees will cost \$11.8 million, and the DCOA is pursuing funding assistance via New Markets Tax Credits. CarbonLITE will invest \$35 to \$40 million in equipment and create 90 or more new jobs.

The DCOA began its relationship with Eagle Aviation Services, Inc. (EASI) in June 1994 to establish its aircraft maintenance operation for American Eagle Airline’s ATR fleet. EASI originally committed to 100 aircraft maintenance jobs and now operates American Eagles’ largest maintenance base, employing over 400 in Abilene. The company occupies 5 hangars for 5 dock lines and ancillary services, and a separate building for records and parts storage. In the wake of American Airlines’ bankruptcy and pending merger with US Airways, American Eagle was renamed Envoy. The forecast for new aircraft orders by regional airlines is for larger planes with taller tail sections that won’t fit inside any of the hangars currently occupied by EASI. Seventy (70) new, larger aircraft have been ordered by Envoy and the need for heavy-check maintenance work will follow in about 2 years. The DCOA recently contracted with Lansford Company from Lampasas, TX to modify Hangar 1 by adding 40’ to the front of the hangar and installing 40’ tall sliding doors on new tracks with new concrete paving at a cost of \$2.64 million. Discussions concerning the expansion of Hangars 0 and 3 will follow completion of Hangar 1 in late 2014.

In 2006, the DCOA assisted in the development of a pilot program for intensive welder training by partnering with Cisco College and the Workforce Center of West Central Texas (Workforce Center) in an attempt to address the local manufacturing sector’s need for qualified welders. A 5-week training program was offered three times with class size limited to 14 whereby applicants were screened then tested (both skills and drug), and trained in “soft” skills (making a job application, interviewing, etc.). Following that, the participants underwent 120 hours of training. The program was a success, and sessions were extended 12 more times with a total of 190 trained. In 2012, the program was lengthened by one week to 6 weeks to allow sufficient time for trainees to obtain four welding certifications, as requested by employers. The recent oil and gas “boom” is pulling welders out of Abilene, causing another shortage. The DCOA approved \$248,462 to extend the program two more sessions in 2014 and train 40 new welders.

## **AGRICULTURE**

Abilene is the center of a well-developed agricultural area. The major source of agricultural income is production and marketing of livestock. Principal crops are grain sorghums, wheat and cotton.

## MINERAL PRODUCTION

Oil and natural gas are produced in an 18 county area surrounding Abilene.

### Taylor County Statewide Onshore Oil & Gas Production Annual Totals, Jan 2010 - July 2014

Date	Oil (BBL)	Casinghead (MCF)	GW Gas (MCF)	Condensate (BBL)
2010	409,441	182,608	102,124	345
2011	413,952	144,219	79,179	302
2012	393,589	139,605	71,635	228
2013	412,005	109,277	46,512	30
2014	236,974	54,107	20,742	-

(1) Source: Texas Railroad Commission. Data through July, 2014.

## HIGHER EDUCATION - UNIVERSITIES AND COLLEGES

Abilene is home of three co-educational, liberal arts universities, and has extension campuses for Cisco Junior College and Texas State Technical College. Abilene Christian University, established in 1906, is closely affiliated with the Church of Christ and has an estimated enrollment of 4,600. The University is located on a campus of 208 acres, with an additional 500 acre experimental farm.

Hardin-Simmons University, originally established as Abilene Baptist College in 1891, is a coeducational, liberal arts university; the University is a church-related institution affiliated with the Baptist General Convention of Texas with estimated enrollment of over 2,200 each semester.

McMurry University is a coeducational, liberal arts college founded in 1923 by the Northwest Texas Conference of the Methodist Church and is now jointly owned and operated by the Northwest Texas and New Mexico Conferences of the United Methodist Church. The University enrolls an estimated 1,400 students each semester.

The Abilene Educational Center of Cisco Junior College, a State funded off-campus center of Cisco College District, Cisco, Texas, offers core academic programs at the junior college level leading to an associate degree and vocational-technical courses and maintains enrollment of approximately 3,000.

Texas State Technical College - Abilene Center is a State funded branch of the Texas State Technical College's Sweetwater, Texas, main campus. The college offers occupationally oriented programs in technical and vocational areas such as machining, automated office skills, electronics servicing, information management skills, drafting and design technology and others. Estimated enrollment per semester is 340.

The Anita Thigpen Perry Texas Tech School of Nursing and the Texas Tech School of Pharmacy have recently been located in the city as branches of the Texas Tech University Health Sciences Center.

## OTHER EDUCATIONAL INFORMATION

Abilene Independent School District, which includes approximately 90% of the City of Abilene, has a current enrollment of 17,275 and 2,443 employees including professional and other personnel.

## GOVERNMENT AND MILITARY

Abilene is the location of more than 50 State and Federal offices and facilities including Dyess Air Force Base.

**DYESS AIR FORCE BASE...** Located in and adjacent to Abilene, is a 6,430 acre permanent base of the Air Combat Command. In 2014, there were an estimated 5,051 military & civilian personnel stationed at the base. Dyess is the home base for the 7th Wing of the Air Combat Command and the home base of the 317<sup>th</sup> Airlift Group. The Wing flies the B-1 bomber and the C-130. Annual economic impact on Abilene is in excess of \$435 million. As the primary training base for the B-1 bomber, Dyess was not affected by the base closure program of the Department of Defense.

**STATE PRISON...** The Texas Department of Criminal Justice operates a maximum security State prison in Abilene. Designated the French Robertson Unit - Abilene, the prison, located in north Abilene on a 314 acre site donated by the City, opened in November, 1992. The prison has four 432-bed housing groups clustered around a central support core of administration, medical, education, laundry and food service facilities. A garment factory provides approximately 270 inmate jobs and produces inmate uniforms for

State prison system use. The Unit has 2,746 inmates (max capacity at 2,984) and has an estimated 1,190 employees with an annual payroll in excess of \$21 million. The City of Abilene provides water, sewer and sanitation services for the Unit at regular City commercial rates.

**STATE TRANSFER FACILITY...**The Texas Department of Criminal Justice operates a 2,128 inmate capacity transfer center on a site immediately east of the Robertson Unit. Designated the John W. Middleton Unit - Abilene, this transfer facility is designed to alleviate overcrowding of Texas county jails and serves as temporary housing for State inmates being processed into State prisons; inmates may be housed at a State transfer facility for not over 12 months before being moved to a State prison. The facility has an estimated 527 employees with 378 employees utilized for security. The City of Abilene provides water, sewer and sanitation services for the facility at regular City commercial rates.

#### **HOSPITALS AND MEDICAL CARE**

There are two public hospitals in Abilene with a total of 753 licensed beds; Hendrick Medical Center is licensed for 522 beds and Abilene Regional Medical Center is licensed for 231 beds. Hendrick Medical Center operates an accredited nursing school. Hendrick Medical Center is the health services provider to the two State Department of Criminal Justice Units in Abilene.

Abilene has over 288 practicing physicians and surgeons (M.D.) and over 57 dentists. A radiology center for the treatment of malignant diseases is located in the City. West Texas Rehabilitation Center, a non-profit organization offering diagnostic, neurological and rehabilitation services to the handicapped, is located in Abilene.

#### **RECREATION AND ENTERTAINMENT**

The City of Abilene maintains numerous developed parks and one 18-hole Municipal Golf Course. There are 2 country clubs with 18-hole golf courses and a private 18-hole course. The City of Abilene Civic Center and Taylor County Coliseum provide areas for community events, concerts, conventions, fairs and livestock shows. Also available to residents are Abilene Christian University, Hardin-Simmons University and McMurry University programs and events, the Morgan Jones Planetarium (owned and operated by the Abilene Independent School District), Abilene Symphony Orchestra, Abilene Community Theatre, Museums of Abilene, the Paramount Theater, City of Abilene Zoo, City of Abilene Library, the annual West Texas Fair and sporting events. Additionally available to residents and tourists is Frontier Texas!, The Grace Museum (Art Museum, History Museum, and Children's Museum), National Center for Children's Illustrated Literature (NCCIL), The Center for Contemporary Arts, Elks Arts Center, 12th Armored Division Memorial Museum, Dyess Air Force Base, Buffalo Gap Historical Village, Abilene State Park, Abilene Skate Park, Abilene Speedway, Abilene Ballet Theatre, Abilene Opera Association, Abilene Classical Chorus and Classical Youth Chorus, Texas Forts and Trail Visitor Center, Fort Phantom Hill, and Prime Time Entertainment (includes laser tag, miniature golf, electric go-carts, bumper cars, climbing wall, bowling lanes, arcade, and a coffee bar).

Abilene State Park, located 19 miles southwest of Abilene, contains 621 acres. Maintained and operated by the State of Texas, the park provides recreational and camping facilities.

#### **CHURCHES**

Abilene has over 100 churches representing all major denominations.

#### **MEDIA**

One daily newspaper.

Television and Radio - 4 network channels; cable provides multi-channel access including the Public Broadcasting System. There are several AM and FM radio stations.

#### **UTILITY SERVICES**

Water and Sewer - City of Abilene.

Electric - West Texas Utilities Retail Energy or alternatives.

Natural Gas - Atmos Energy

#### **TRANSPORTATION**

Abilene and Taylor County have a highway system which includes U.S. Interstate Highway 20, three U.S. highways, two State highways and a network of paved farm-to-market roads.

Rail transportation is furnished by the Union Pacific Railroad and the Atchison, Topeka and Santa Fe Railway Company, with daily freight schedules, including transcontinental schedules, and the Burlington Northern, Inc.

Airline transportation is furnished at Abilene Regional Airport with non-stop service provided primarily by American Eagle. Passenger enplanements for 2012 were 82,872. Airport facilities include a recently remodeled terminal, two lighted runways of 7,200' each suitable for jet aircraft and a 3,685' crosswind runway, complete taxiway system, a FAA control tower and

instrument landing system and extensive general aviation services. Other major airport tenants include: Abilene Aero, which provides full service fixed base operator services including aircraft fueling and maintenance and Polasek Helicopter Services, which specializes in helicopter flight training and helicopter flying lessons. Texas State Technical College utilizes a renovated 34,000 square foot hangar at the Airport for teaching aviation maintenance technology and flight instruction. Eagle Aviation Services, Inc., a subsidiary of American Eagle, operates a major aircraft maintenance facility at the Airport. The City continues to make improvements to the airport to meet the demands of its growth.



**APPENDIX B**

EXCERPTS FROM THE  
CITY OF ABILENE, TEXAS  
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2013

The information contained in this Appendix consists of excerpts from the City of Abilene, Texas Annual Financial Report for the Year Ended September 30, 2013, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

## **APPENDIX C**

### **FORM OF BOND COUNSEL'S OPINION**