

OFFICIAL STATEMENT

Dated April 26, 2016

Ratings:

Fitch: "AAA"

S&P: "AAA"

(See "OTHER INFORMATION-Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on corporations.

THE BONDS ARE NOT DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.



\$24,775,000  
CITY OF PLANO, TEXAS  
WATERWORKS AND SEWER SYSTEM  
REVENUE BONDS, SERIES 2016

Dated Date: April 15, 2016  
Interest to accrue from Delivery Date

Due: May 1, as shown below

**PAYMENT TERMS** . . . Interest on the \$24,775,000 City of Plano, Texas, Waterworks and Sewer System Revenue Bonds, Series 2016 (the "Bonds") will accrue from the Delivery Date (as defined below), will be payable November 1 and May 1 of each year, commencing November 1, 2016, until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds 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 Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof within a maturity. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds 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 Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Bonds are authorized and issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Texas Government Code, Chapters 1371 and 1502, as amended, and a bond ordinance adopted by the City Council of the City of Plano, Texas (the "City") on April 11, 2016 (the "Bond Ordinance"), in which the City Council delegated pricing of the Bonds and certain other matters to "Pricing Officers" who approved a "Pricing Certificate" for the Bonds which contained the final terms of sale and completed the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are jointly referred to as the "Ordinance"). The Bonds are payable, both as to principal and interest, solely from and secured by a first lien on and pledge of the Net Revenues (identified and defined in the Ordinance) of the City's combined waterworks and sewer system (the "System"). **The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "THE BONDS - Authority for Issuance" and "THE BONDS - Security and Source of Payment").

**PURPOSE** . . . Proceeds from the sale of the Bonds will be used for extending and improving the water and sanitary sewer system, including the acquisition of right-of-way therefor, and to pay certain costs incurred in connection with the issuance of the Bonds.

MATURITY SCHEDULE

CUSIP Prefix: 727227 <sup>(1)</sup>

Amount	Maturity	Initial Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>	Amount	Maturity	Initial Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>
\$ 930,000	2017	1.000%	0.50%	C65	\$ 1,240,000	2027	4.000%	2.08% <sup>(2)</sup>	D98
855,000	2018	3.000%	0.79%	C73	1,290,000	2028	4.000%	2.23% <sup>(2)</sup>	E27
880,000	2019	3.000%	0.93%	C81	1,340,000	2029	4.000%	2.37% <sup>(2)</sup>	E22
905,000	2020	4.000%	1.07%	C99	1,395,000	2030	4.000%	2.48% <sup>(2)</sup>	E30
945,000	2021	4.000%	1.22%	D23	1,450,000	2031	4.000%	2.57% <sup>(2)</sup>	E48
980,000	2022	4.000%	1.38%	D31	1,510,000	2032	4.000%	2.63% <sup>(2)</sup>	E55
1,020,000	2023	5.000%	1.52%	D49	1,570,000	2033	4.000%	2.69% <sup>(2)</sup>	E63
1,070,000	2024	5.000%	1.65%	D56	1,630,000	2034	4.000%	2.75% <sup>(2)</sup>	E71
1,125,000	2025	5.000%	1.79%	D64	1,695,000	2035	4.000%	2.81% <sup>(2)</sup>	E89
1,180,000	2026	5.000%	1.91%	D72	1,765,000	2036	4.000%	2.87% <sup>(2)</sup>	E97

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Financial Advisor nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield shown to first optional redemption date of May 1, 2026.

**OPTIONAL REDEMPTION** . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after May 1, 2027, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof within a maturity, on May 1, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

**LEGALITY** . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters of the Bonds and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel, (see APPENDIX B, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by Winstead PC, Dallas, Texas, Counsel for the Underwriters.

**DELIVERY** . . . It is expected that the Bonds will be available for delivery through DTC on June 1, 2016 (the "Delivery Date").

J.P. MORGAN

BAIRD

BOSC, INC.

A subsidiary of BOK Financial Corporation

*This Official Statement, which includes the cover page, Schedule 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 City, Financial Advisor or 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 herein. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.*

**NEITHER THE CITY, ITS FINANCIAL ADVISOR, NOR THE UNDERWRITERS MAKES 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 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

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

**THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENT.**

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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 Bonds 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 Plano, Texas (the "City"), is a political subdivision and home-rule municipal corporation of the State of Texas (the "State"), located in Collin and Denton Counties, Texas. The City covers approximately 72 square miles (see "INTRODUCTION - Description of City").
- THE BONDS**..... The City's \$24,775,000 City of Plano, Texas, Waterworks and Sewer System Revenue Bonds, Series 2016 are scheduled to mature on May 1 in each of the years 2017 through 2036 (see "THE BONDS - Description of the Bonds").
- PAYMENT OF INTEREST** ..... Interest on the Bonds accrues from the Delivery Date, calculated on the basis of a 360-day year consisting of twelve 30-day months, and is payable November 1, 2016, and each May 1 and November 1 thereafter until maturity or prior redemption (see "THE BONDS - Description of The Bonds "and "THE BONDS - Redemption").
- AUTHORITY FOR ISSUANCE**..... The Bonds are authorized and issued pursuant to the Constitution and general laws of the State, particularly Texas Government Code, Chapters 1371 and 1502, as amended, and a bond ordinance adopted by the City Council of the City on April 11, 2016 (the "Bond Ordinance"), in which the City Council delegated pricing of the Bonds and certain other matters to "Pricing Officers" who approved a "Pricing Certificate" for the Bonds which contained the final terms of sale and completed the sale of the Bonds (the Bond Ordinance and the Pricing Certificates are jointly referred to as the "Ordinance") (see "THE BONDS - Authority for Issuance").
- SECURITY AND SOURCE OF PAYMENT FOR THE BONDS**..... The Bonds constitute special obligations of the City, and are payable, both as to principal and interest, solely from and secured by a first lien on and pledge of the Net Revenues (identified and defined in the Ordinance) of the City's waterworks and sewer system (the "System"). **The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "THE BONDS - Security and Source of Payment").
- OPTIONAL REDEMPTION** ..... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after May 1, 2027, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on May 1, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").
- TAX EXEMPTION**..... In the opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel, the interest on the Bonds 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 Bonds will be used for extending and improving the water and sanitary sewer system, including the acquisition of right-of-way therefor, and to pay certain costs incurred in connection with the issuance of the Bonds.
- RATINGS** ..... The Bonds are rated "AAA" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "AAA" by Fitch Ratings ("Fitch") (see "OTHER INFORMATION - Ratings"). No rating is being sought from Moody's.
- BOOK-ENTRY-ONLY SYSTEM**..... The definitive Bonds 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 Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds 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 Bonds (see "THE BONDS - Book-Entry-Only System").
- PAYMENT RECORD** ..... The City has never defaulted on its revenue bonds.

**CITY OFFICIALS, STAFF, AND CONSULTANTS**

**ELECTED OFFICIALS**

<u>City Council</u>	<u>Term Expires</u>
Harry LaRosiliere Mayor, Place 6	May, 2017
Lissa Smith Mayor Pro Tem, Place 4	May, 2017
Ben Harris Deputy Mayor Pro Tem, Place 2	May, 2017
Angela Miner Councilmember, Place 1	May, 2019
Rick Grady Councilmember, Place 3	May, 2019
Ron Kelley Councilmember, Place 5	May, 2019
Tom Harrison Councilmember, Place 7	May, 2019
David Downs Councilmember, Place 8	May, 2017

**SELECTED ADMINISTRATIVE STAFF**

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>	<u>Total Governmental Service</u>
Bruce D. Glasscock	City Manager	5 Years	47 Years
Lisa C. Henderson	City Secretary	2 Years	13 Years
Denise Tacke	Director of Finance	8 Years	16 Years
Paige Mims	City Attorney	2 Years	20 Years

**CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS**

Auditors ..... KPMG LLP  
Dallas, Texas

Bond Counsel ..... Norton Rose Fulbright US LLP  
Dallas, Texas

Financial Advisor..... FirstSouthwest, a Division of Hilltop Securities Inc.  
Fort Worth, Texas

For additional information regarding the City, please contact:

Denise Tacke Director of Finance City of Plano P.O. Box 860358 Plano, TX 75086 (972) 941-5233	or	David K. Medanich Laura Alexander FirstSouthwest, a Division of Hilltop Securities Inc. 777 Main Street, Suite 1200 Fort Worth, TX 76102 (817) 332-9710
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**OFFICIAL STATEMENT**

**RELATING TO**

**\$24,775,000**

**CITY OF PLANO, TEXAS**

**WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2016**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$24,775,000 City of Plano, Texas, Waterworks and Sewer System Revenue Bonds, Series 2016 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Ordinance that was adopted by the City Council on April 11, 2016 in which the City delegated the pricing of the Bonds and certain other matters to designated officers (the "Pricing Officers") of the City to establish the terms and details of the Bonds and to effect the sale of the Bonds through the Pricing Officers' execution of a "Pricing Certificate" (the Bond Ordinance and the Pricing Certificate are jointly referred to as the "Ordinance").

There follows in this Official Statement descriptions of the Bonds 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, FirstSouthwest, a Division of Hilltop Securities Inc. ("FirstSouthwest"), Fort Worth, Texas.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see "OTHER INFORMATION – Forward-Looking Statements Disclaimer").

**DESCRIPTION OF THE CITY . . .** The City is a political subdivision and home rule municipal corporation of the State of Texas, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City first adopted its Charter on June 10, 1961, and operates under the Council/Manager form of government with a City Council comprised of the Mayor and seven Council Members. At an election held on November 8, 2011, City of Plano voters approved a charter amendment revising Council Member terms of office to four years and establishing staggered, odd-numbered year elections. Council Members in office at the time of the election were held over. The Mayor and three other Council Members' terms expire in 2017 and the other four Council Members' terms expire in 2019. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: police, fire and emergency medical services, including all facilities, equipment and personnel, highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 259,841 and the estimated 2016 population is 274,300. The City covers approximately 72 square miles.

**PLAN OF FINANCING**

**PURPOSE . . .** Proceeds from the sale of the Bonds will be used for extending and improving the water and sanitary sewer system, including the acquisition of right-of-way therefor, and to pay certain costs incurred in connection with the issuance of the Bonds.

**SOURCES AND USES OF PROCEEDS . . .** The proceeds from the sale of the Bonds will be applied as follows:

Sources:

Par Amount	\$ 24,775,000.00
Net Premium	<u>3,435,691.55</u>
Total Sources of Funds	\$ 28,210,691.55

Uses:

Deposit to the Construction Fund	\$ 27,975,000.00
Cost of Issuance <sup>(1)</sup>	<u>235,691.55</u>
Total Uses of Funds	<u>\$ 28,210,691.55</u>

(1) Including Underwriters' Discount.

## THE BONDS

**DESCRIPTION OF THE BONDS . . .** The Bonds are dated April 15, 2016, and mature on May 1 in each of the years and in the amounts shown on the cover page hereof. Interest will accrue from the date of their initial delivery to the Underwriters, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on November 1 and May 1 of each year, commencing November 1, 2016, until maturity or prior redemption. The definitive Bonds 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 Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds 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 Bonds. See "THE BONDS - Book-Entry-Only System" herein.

**AUTHORITY FOR ISSUANCE . . .** The Bonds are authorized and issued pursuant to the Constitution and general laws of the State, particularly Texas Government Code, Chapters 1371 and 1502, as amended, and the Ordinance.

**SECURITY AND SOURCE OF PAYMENT . . .** The Bonds are special obligations of the City, and are payable, both as to principal and interest, and secured by a first lien on and pledge of the Net Revenues (identified and defined in the Ordinance) of the City's combined waterworks and sewer system (the "System"). The City has reserved the right to issue additional obligations (the "Additional Bonds") on a parity with the Bonds payable from a first lien on and pledge of the Net Revenues (see "Selected Provisions of the Ordinance").

The Bonds are not a charge upon any other income or revenues of the City and shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City. The Ordinance does not create a lien or mortgage on the System, except the Net Revenues, and any judgment against the City may not be enforced by levy and execution against any property owned by the City. The City does not intend to create or fund a reserve fund for the Bonds (see "THE BONDS – Reserve Fund").

**RESERVE FUND . . .** The Bonds offered by this Official Statement will not be secured by a reserve fund. The City reserves the right in the future to fund a reserve fund for the benefit of the Bonds, or Additional Bonds that may be issued in the future, either with cash or with a credit facility such that the amount on deposit there is at least equal to the required reserve amount specified in the ordinance or resolution establishing any such reserve fund.

**NET REVENUES . . .** The Bonds are secured on a first lien upon the Net Revenues. The Net Revenues are further pledged to the establishment of maintenance of the debt service fund as provided in the Ordinance.

**RATES AND CHARGES . . .** In the Ordinance, the City covenants to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient: (i) to pay Maintenance and Operating Expenses, depreciation charges and replacement and betterment costs, and (ii) to produce Net Revenues sufficient to pay the principal of and interest on the Bonds to pay all other financial obligations of the System reasonably anticipated to be paid by Gross Revenues.

**ADDITIONAL BONDS . . .** In the Ordinance, the City retains the right to issue Additional Bonds which, together with the Bonds, shall be equally and ratably secured by parity lien on the Net Revenues of the System. Such Additional Bonds may be issued in such form and manner as now or hereafter authorized by the laws of the State of Texas for the issuance of evidences of indebtedness or other instruments, and should new methods or financing techniques be developed that differ from those now available and in normal use, the City reserves the right to employ the same in its financing arrangements provided only that the following conditions precedent for the authorization and issuance of the same are satisfied, to wit:

- (i) The Director of Finance (or other officer of the City then having the primary responsibility for the financial affairs of the City) must execute a certificate stating (a) that, to the best of such person's knowledge and belief, the City is not then in default as to any covenant, obligation or agreement contained in any ordinance or other proceeding relating to any obligations of the City payable from and secured by a lien on and pledge of the Net Revenues of the System that would materially affect the security or payment of such obligations and (b) either (i) payments into all special funds or accounts created and established for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the Net Revenues of the System have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein or (ii) the application of the proceeds of sale of such obligations then being issued will cure any such deficiency.
- (ii) The Additional Bonds must mature or be payable as to principal on May 1 or November 1 (or both) in each year the same are to be outstanding or during the term thereof.
- (iii) The City must secure a certificate or opinion of a certified public accountant to the effect that, according to the books and records of the City, the Net Earnings for the last completed Fiscal Year, or for 12 consecutive months out of the 15 months immediately preceding the month the ordinance authorizing the issuance of the Additional Parity Bonds is

adopted are at least equal to 1.25 times the Average Annual Debt Service for all obligations payable solely from and secured only by a lien on and pledge of the Net Revenues of the System, to be outstanding after giving effect to the issuance of the Additional Bonds then being issued. In making a determination of the Net Earnings, the accountant may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least sixty (60) days prior to the last day of the period for which Net Earnings are determined and, for purposes of satisfying the above Net Earnings test, make a pro forma determination of the Net Earnings of the System for the period of time covered by his or her certification or opinion based on such change in rates and charges being in effect for the entire period covered by the accountant's certificate or opinion.

As used above, the term "Net Earnings" means the Gross Revenues of the System after deducting the Maintenance and Operating Expenses of the System, but not depreciation charges or other expenditures which, under generally accepted accounting principles, are treated as capital expenditures (see "Selected Provisions of the Ordinance" herein for additional details regarding the City's authority to issue Additional Bonds).

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem the Bonds having stated maturities on and after May 1, 2027, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on May 1, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all of the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed.

**NOTICE OF REDEMPTION . . .** Not less than 30 days prior to a redemption date for the Bonds, 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 Bonds 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, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

**BOOK-ENTRY-ONLY SYSTEM . . .** *This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds 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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

*The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, 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 Bonds), 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.*

DTC will act as securities depository for the Bonds. The Bonds 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 Bond certificate will be issued for each maturity and series of the Bonds, 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 Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing 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) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 Bonds shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on 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, 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 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 Bonds 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, obligation 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, Bond certificates 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 Bonds 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 Bonds, 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 Bonds is discontinued, printed certificates will be issued to the DTC Participants or the holder, as the case may be, and such Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., 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 Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, financial institution or trust company or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds affected by the changes 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, Bond certificates will be printed and delivered to the registered owners thereof and thereafter 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. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds 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 Bonds issued in an exchange or transfer of Bonds 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 Bonds 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 Bonds 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 and series as the Bonds 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 Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

**RECORD DATE FOR INTEREST PAYMENT . . .** The record date ("Record Date") for the interest payable on the Bonds 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 (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 Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**REMEDIES . . .** The Ordinance does not specify events of default with respect to the Bonds. If the City defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set for in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is governed by equitable principles, and within the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. No assurance can be given that a mandamus or other legal action to enforce a default under the Ordinance would be successful. Some Texas case law suggests that mandamus relief may not be available to enforce a non-legislatively mandated contract. The opinion of Bond Counsel will state that all opinions relative to the enforceability of the Bonds are qualified with respect to customary rights of debtors relative to their creditors. See "APPENDIX B – Form of Opinion of Bond Counsel." The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders 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. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia* 197 S.W.3rd 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, bondholders may not be able to bring such a

suit against the City for breach of the Bonds or the covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. 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 bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

**DEFEASANCE . . .** The Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds 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, maturing 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 Bonds being defeased. The Ordinance provides that "Government Securities" means (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 purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has additionally reserved 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. Upon making such deposit in the manner described, such Bonds shall no longer be deemed outstanding obligations secured by the Ordinance, but will be payable only from the funds and Government Securities deposited in escrow and will not be considered 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. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Government Securities will be maintained at any particular rating category. Furthermore, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds 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 Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds 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.

**AMENDMENTS . . .** The City may amend the Ordinance without the consent of or notice to any registered owners of the Bonds in any manner not detrimental to the interests of such registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the consent of the registered owners of a majority in aggregate principal amount of the Bonds then Outstanding, amend, add to, or rescind any of the provisions of the Ordinance; provided that, without the consent of all registered owners of Outstanding Bonds, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount, the redemption price, or the rate of interest, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by registered owners of such Bonds for consent to any such amendment, addition, or rescission of the Ordinance.

## THE SYSTEM

**WATER SYSTEM . . .** The City owns and operates a complete water distribution system adequate to provide retail water service to all retail water customers within its corporate boundaries. The distribution system consists of more than 1,467 miles of water mains, 17.5 million gallons of elevated storage and 68 million gallons of ground storage reservoirs having a combined capacity in excess of 85 million gallons. The system served 80,371 customers on September 30, 2015, and delivered in excess of 16 billion gallons of water for the 12-month period then ended.

**WATER SUPPLY . . .** The City is a member of, and purchases treated water from, the North Texas Municipal Water District, a conservation and reclamation district created under the laws and constitution of the State of Texas (the "District") under terms of a contract which obligates the City to pay its proportionate share of debt service on the District's bonds issued for approved system projects while any of such revenue bonds are outstanding and unpaid, and to pay an operating charge for District facilities used by the City through the useful life of such facilities. Both the debt service and operating components of the City's contract payment are maintenance expenses of the City's waterworks and sewer system, payable prior to the payment of the City's debt service on the Bonds, but the City is not obligated to make any contract payments from monies received from City ad valorem taxes. In September 1988, the City approved an amendatory contract to the original water supply contract entered into in December 1953 between the City and the District. Provisions of the contract include extension of the original term, recalculation of the maximum daily rate of treated water delivery, and revised financing for construction projects. Under the terms of the contract, the City is obligated to take or pay for a minimum annual amount of system treated water based upon the maximum amount taken during any previous year, with that consumption also establishing a new minimum amount for the next following year and any subsequent year until that amount is exceeded. The City has agreed to indemnify and hold harmless the District for any claim or liability arising from the District's ownership or operation of its water facilities.

**TABLE 1 - HISTORICAL WATER CONSUMPTION (GALLONS) <sup>(1)</sup>**

Fiscal Year Ended 9/30	Total Water Purchased (Gallons)	Water Usage		
		Average Day Usage (Gallons)	Peak Day Usage (Gallons)	Total Usage (Gallons)
2011	23,256,000,000	61,740,731	118,732,000	21,025,000,000
2012	21,273,000,000	80,284,182	118,893,000	18,914,000,000
2013	19,338,000,000	80,928,294	128,703,000	17,040,000,000
2014	17,518,000,000	73,200,000	106,393,000	14,786,000,000
2015	20,275,000,000	49,676,000	135,023,000	16,949,000,000

(1) Source: City of Plano.

**TABLE 2 - TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED) <sup>(1)</sup>**

Customer	Type of Industry	2014/15 Water Usage (in gallons)	% of Total Water Usage	Water Revenue
City of Plano	City	313,401,030	1.94%	\$ 2,308,313
Plano Independent School District	School	265,084,920	1.64%	1,579,403
City of The Colony	City	151,199,700	0.93%	337,993
Oaks of Collin Creek	Apartment	69,732,900	0.43%	231,121
Medical Center of Plano	Hospital	58,513,700	0.36%	236,098
Dell Marketing LP c/o Ecova	Commercial	57,875,000	0.36%	363,251
Baylor Hospital	Hospital	57,583,450	0.36%	133,811
JCPenney Company	Commercial	57,476,720	0.35%	259,203
WSG Parent Golf IV LP	Golf Course	56,316,100	0.35%	65,373
Presbyterian Hospital of Plano	Hospital	53,229,050	0.33%	225,217
		<u>1,140,412,570</u>	<u>7.04%</u>	<u>\$ 5,739,784</u>

(1) Source: City of Plano.

**TABLE 3 - MONTHLY WATER RATES (EFFECTIVE NOVEMBER 1, 2015) <sup>(1)</sup>**

All Residential Meter Charges				Residential Consumption Charges		
Meter Size	Rate	Meter Size	Rate	First	1,000 Gallons	Included in Minimum Meter Charge
up to 3/4"	\$ 20.48	1 1/2"	\$ 90.65		1,001 - 5,000 Gallons	\$0.60 per 1,000 Gallons
1"	20.48	2"	143.07		5,001 - 20,000 Gallons	\$3.10 per 1,000 Gallons
					20,001 - 40,000 Gallons	\$6.19 per 1,000 Gallons
					All over 40,000 Gallons	\$7.50 per 1,000 Gallons

  

All Non-Residential and Separately Metered Irrigation Use Consumption Charges				All Non-Residential and Separately Metered Irrigation Use Consumption Charges		
Meter Size	Rate	Meter Size	Rate	First	1,000 Gallons	Included in Minimum Meter Charge
up to 3/4"	\$ 20.48	4"	\$ 440.18		1,001 - 5,000 Gallons	\$0.60 per 1,000 Gallons
1"	46.27	6"	877.09		5,001 - 20,000 Gallons	\$3.10 per 1,000 Gallons
1 1/2"	90.65	8"	1,401.38		All over 20,001 Gallons*	\$6.19 per 1,000 Gallons
2"	143.07	10"	2,013.21			
3"	282.81					

\* Rate applies only to separately metered irrigation use

(1) Source: City of Plano.

**SEWER SYSTEM . . .** The City owns and operates a complete sewage collection system adequate and necessary to collect and transport sewage to wastewater treatment facilities.

**WASTEWATER TREATMENT FACILITIES . . .** On October 1, 1975, the City entered into a contract with the District for wastewater treatment services whereby the District provides facilities necessary to receive, transport, treat and dispose of the City's wastewater. The District has been designated by the Texas Water Commission as the regional agency to provide and develop a regional system for wastewater treatment in the general area of the East Fork of the Trinity River, which includes the City and other cities located in Collin, Dallas, Kaufman and Rockwall Counties, Texas. Relative thereto, the Cities of Plano, Richardson and Mesquite, have entered into a wastewater system contract with the District which provides for the establishment, operation and maintenance of a regional wastewater system for the purpose of providing facilities to adequately receive, transport, treat and dispose of wastewater for said cities. In order to provide said services, the contract provides that: (a) the District will acquire, design, construct and complete the system, as generally described in the Engineering Report with respect to Mesquite and Plano, and will operate and maintain the system and from time to time enlarge, repair, replace and/or extend the system to provide service to Plano and Mesquite and to additional member cities; (b) in consideration of payments to be made under the contract, each of the Cities shall have the right to discharge all its wastewater from its sewage system into the District's system, subject to certain quality requirements set forth in the contract; (c) the District will issue its bonds, in amounts and at times determined by the District, to provide for the wastewater treatment facilities; (d) for services to be rendered, each member city agrees to pay its proportionate share of the annual requirement sufficient to pay or provide for the payment of an "Operation and Maintenance Component" and a "Bond Service Component" (collectively, the "Annual Requirement"); (e) each member city's proportionate share of the Annual Requirement shall be a percentage obtained by dividing such member city's estimated contributing flow to the system by the total estimated contributing flow to the system by all member cities during such Fiscal Year and (1) each member city has agreed to indemnify and hold harmless the District for any claim or liability arising from the District's ownership or operation of the facilities. The City is obligated to pay its Bond Service Component during such times as the District's bonds issued for an approved project are outstanding and is obligated to pay its Operation and Maintenance Component throughout the useful life of the project. The City's Annual Requirement is an operating expense of the City's waterworks and sewer system, payable prior to the payment of debt service on the City's revenue bonds, but the City is not obligated to make any payment under the contract out of monies raised from City ad valorem taxes.

**TABLE 4 - SEWER SYSTEM USAGE (GALLONS) <sup>(1)</sup>**

Fiscal Year Ended 9/30	Daily Average	Monthly Average	Total Usage	Total Revenues
2011	25,868,679	786,839,000	9,442,068,000	\$ 128,194,016
2012	25,959,515	789,601,917	9,475,223,000	116,658,646
2013	24,890,134	757,074,917	9,084,899,000	121,138,652
2014	24,030,696	730,933,667	8,771,204,000	114,227,181
2015	28,084,186	854,227,333	10,250,728,000	130,637,222

(1) Source: City of Plano.

**TABLE 5 - TEN LARGEST SEWER SYSTEM CUSTOMERS (BASED ON GALLONS CONSUMED) <sup>(1)</sup>**

Customer	Type of Industry	2014/15 Wastewater Revenue	% of Total Wastewater Revenue
Plano Independent School District	School	\$ 481,033	0.93%
City of Plano	City	342,573	0.66%
Oaks of Collin Creek	Apartment	316,899	0.61%
Medical Center of Plano	Hospital	185,226	0.36%
Presbyterian Hospital of Plano	Hospital	132,988	0.26%
Baylor Hospital	Hospital	90,150	0.17%
JCPenney Company	Commercial	85,462	0.16%
Frito Lay	Commercial	61,199	0.12%
Dell Marketing LP c/o Ecova	Commercial	54,584	0.11%
Prestonwood Baptist Church	Church	44,277	0.10%
		<u>\$ 1,794,391</u>	<u>3.47%</u>

(1) Source: City of Plano.

**TABLE 6 - MONTHLY SEWER SYSTEM RATES (EFFECTIVE NOVEMBER 1, 2015) <sup>(1)</sup>**

All Residential Consumption Charges			
Minimum Meter Charge		\$12.55	
First 1,000 Gallons		Included in Minimum Meter Charge	
All over 1,000 Gallons		\$4.97 per 1,000 Gallons	
All Non-Residential Consumption Charges			
First 1,000 Gallons		Included in Minimum Meter Charge	
All over 1,000 Gallons		\$4.97 per 1,000 Gallons	
All Non-Residential Meter Charges			
Meter Size	Rate	Meter Size	Rate
up to 3/4"	\$ 12.55	4"	\$ 202.79
1"	24.48	6"	400.97
1 1/2"	44.27	8"	596.66
2"	68.08	10"	916.21
3"	131.49		

(1) Source: City of Plano.

**DEBT INFORMATION**

**TABLE 7 – DEBT SERVICE REQUIREMENTS**

Fiscal Year Ended 9/30	The Bonds <sup>(1)</sup>			% of Principal Retired
	Principal	Interest	Total	
2016	\$ -	\$ -	\$ -	
2017	930,000	907,225	1,837,225	
2018	855,000	980,400	1,835,400	
2019	880,000	954,750	1,834,750	
2020	905,000	928,350	1,833,350	14.41%
2021	945,000	892,150	1,837,150	
2022	980,000	854,350	1,834,350	
2023	1,020,000	815,150	1,835,150	
2024	1,070,000	764,150	1,834,150	
2025	1,125,000	710,650	1,835,650	35.16%
2026	1,180,000	654,400	1,834,400	
2027	1,240,000	595,400	1,835,400	
2028	1,290,000	545,800	1,835,800	
2029	1,340,000	494,200	1,834,200	
2030	1,395,000	440,600	1,835,600	61.17%
2031	1,450,000	384,800	1,834,800	
2032	1,510,000	326,800	1,836,800	
2033	1,570,000	266,400	1,836,400	
2034	1,630,000	203,600	1,833,600	
2035	1,695,000	138,400	1,833,400	92.88%
2036	1,765,000	70,600	1,835,600	100.00%
<b>Total</b>	<b>\$ 24,775,000</b>	<b>\$ 11,928,175</b>	<b>\$ 36,703,175</b>	

(1) Average life of the issue – 11.729 years. Interest on the Bonds has been calculated at the rates stated on the cover page hereof.

**ANTICIPATED ISSUANCE OF ADDITIONAL REVENUE BONDS . . .** The City does not anticipate issuing additional Waterworks and Sewer System Revenue Bonds in the next twelve months.

**PENSION FUND . . .** Texas Municipal Retirement System ("TMRS") provides retirement, disability and death benefits for city employees. Benefit provisions are adopted by the City Council, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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 or her 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)	2:1
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 years of service and age 60 or 20 years of service and any age.

As of the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	942
Inactive Employees Entitled to But Not Yet Receiving Benefits	777
Active Employees	<u>2,200</u>
	3,919

*Contribution* . . . The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rate for the City was 18.11% in 2015. The City's contributions to TMRS for fiscal year 2015, were \$25,309,703, and were equal to the required contributions. The City also contributed an additional \$3,000,000 in fiscal year 2015 to TMRS which was transferred from the Health Claims Fund.

*Net Pension Liability* . . . The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

The TPL in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

*Discount Rate* . . . The discount rate used to measure the TPL was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute, and was projected over a period of 100 years. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

The following table presents the sensitivity of the NPL to changes in the discount rate when calculated at 1-percentage-point-lower (6%) and 1-percentage-point-higher (8%).

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's Net Pension Liability	\$212,744,999	\$88,922,373	\$(12,715,174)

**OTHER POST-EMPLOYMENT BENEFITS** . . . The City offers its retired employees under age 65 health insurance coverage under the same plan as the active employees and Medicare supplementary insurance for retirees 65 and older. The number of retired participants receiving health insurance coverage for 2015 was 387, of which 208 were on the same plan as the active employees and 179 were on Medicare supplementary insurance. Premiums are paid by the retired employees and claims are processed by the City's agent and paid through the Health Claims Fund. Expenditures for postretirement health care benefits are recognized as retirees report claims. Claims paid for retired employees for 2015 were \$3,264,005.

On March 1, 2008, the City established a Section 115 Trust (the "Trust") to comply with the requirements of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions ("OPEB"), for the purpose of funding and providing certain benefits to its eligible retirees. The plan was created by City ordinance and is administered by the Risk Pool Trustees, consisting of five City employees appointed by the City, who meet four times a year. The Trust issues a separate publicly available financial report that includes financial statements and required supplementary information at the Trust's fiscal year end which is December 31. Those financial reports may be obtained by request to the City's Human Resources Department, 1520 Avenue K, Suite 130, Plano, Texas 75074.

The City delivers to the Section 115 Trustee the amounts of money that are contributed to the Trust Fund by the City and, if applicable, by participants. Contributions by the City are established as part of the City budget process and are based on amounts determined in the actuarial study prepared biennially. For fiscal year ending September 30, 2015 the City contributed \$5,192,408 million to the Trust which represents approximately 102.8% of the annual required contribution of the employer (ARC). In addition, retirees contributed \$1,042,959 million to the Trust.

As of the October 1, 2013 biennial actuarial valuation, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$73,844,336, and the Trust's actuarial value of assets as of such date was \$60,478,815, giving the Trust a "funded ratio" of 81.9%. As of September 30, 2015 the City had a net OPEB asset in the amount of \$21,224,129 in the Trust.

For more detailed information concerning the City's Employee Benefit Plans, see Appendix A, "Excerpts from the City's Annual Financial Report" - Note IV.5.

**FINANCIAL INFORMATION**

**TABLE 8 - CONDENSED SCHEDULE OF OPERATIONS**

	Fiscal Year Ended September 30,				
	2015	2014	2013	2012	2011
Revenues	\$ 132,436,606	\$ 114,879,264	\$ 121,261,370	\$ 114,880,685	\$ 128,630,054
<u>Expenditures</u> <sup>(1)</sup>					
Water Purchased	\$ 50,579,800	\$ 46,060,145	\$ 43,476,849	\$ 37,660,182	\$ 35,437,094
Sewer Contract	24,639,784	23,934,521	22,729,196	22,155,664	21,704,872
Other	29,136,782	28,661,726	28,412,199	35,394,587	31,080,978
	\$ 104,356,366	\$ 98,656,392	\$ 94,618,244	\$ 95,210,433	\$ 88,222,944
Net Available for Debt Service	\$ 28,080,240	\$ 16,222,872	\$ 26,643,126	\$ 19,670,252	\$ 40,407,110
Water Customers	80,371	79,139	78,534	78,144	77,720
Sewer Customers	77,591	77,439	77,267	76,116	75,492

(1) Excludes depreciation and bonded debt amortization.

**TABLE 9 - COVERAGE** <sup>(1)</sup>

Average Annual Principal and Interest Requirements, 2016 - 2036 . . . . .	\$ 1,747,770
Coverage of Average Annual Requirements by 9/30/15 Net Available . . . . .	16.07x
Maximum Principal and Interest Requirements, 2017. . . . .	\$ 1,837,225
Coverage of Maximum Requirements by 9/30/15 Net Available . . . . .	15.28x
Water and Sewer System Revenue Bonds Outstanding . . . . .	\$ 24,775,000

(1) Projected, includes the Bonds being offered herein.

**TABLE 10 - VALUE OF THE SYSTEM**

	Fiscal Year Ended September 30,				
	2015	2014	2013	2012	2011
Land	\$ 3,391,539	\$ 3,388,639	\$ 3,369,250	\$ 3,369,250	\$ 4,886,870
Buildings	2,748,029	2,748,029	2,748,029	2,748,029	2,744,295
Improvements Other Than Buildings	573,989,195	567,076,740	557,554,393	547,883,767	523,570,364
Equipment	129,045	7,320,722	12,915,707	12,940,398	12,940,398
Furniture and Fixtures	129,460	133,712	208,643	208,643	208,643
Rolling Equipment	2,417	2,417	114,195	114,195	114,195
Construction in Progress	19,879,957	4,837,302	3,857,459	1,079,106	10,913,483
Value of Plant	\$ 600,269,642	\$ 585,507,561	\$ 580,767,676	\$ 568,343,388	\$ 555,378,248
Less Accumulated Depreciation	(253,053,131)	(246,405,671)	(238,327,965)	(224,375,338)	(210,690,448)
Net Total Value	\$ 347,216,511	\$ 339,101,890	\$ 342,439,711	\$ 343,968,050	\$ 344,687,800

## FINANCIAL POLICIES

Basis of Accounting . . . The accounting policies of the City conform to generally accepted accounting principles for governmental entities as promulgated by the Government Accounting Standards Board. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and pension trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the combined balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary and trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined statement of net assets. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in total net assets.

The modified accrual basis of accounting is used by all governmental funds types, pension trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recorded when the related fund liability is incurred. However, principal of and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Major revenue sources which have been treated as susceptible to accrual under the modified basis of accounting include property taxes, charges for services, intergovernmental revenues, and investment of available funds.

The accrual basis of accounting is utilized by proprietary and trust funds. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred.

The City reports unearned revenue on its combined balance sheet. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualified expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Deferred outflows of resources are used to report consumptions of net position by the City that are applicable to a future reporting period. Deferred inflows of resources are used to report acquisitions of net assets by the City that are applicable to future reporting periods. The deferred inflow is reclassified to revenue on the government-wide financial statements.

Fund Balances . . . It is the City's practice regarding the General Fund and Enterprise Funds that working capital resources should be maintained at 30 days of the Funds' operating expenses. The City maintains its various debt service funds in accordance with the covenants of applicable bond ordinances.

Budgetary Procedures . . . The City's Home Rule Charter establishes the fiscal year as the twelve-month period beginning each October 1. Each year by the middle of June, the City Manager, after review, submits a budget of estimated revenues and expenditures to the City Council. Subsequently, the City Council will hold work sessions to discuss and amend the budget to coincide with their direction of the City. Various public hearings may be held to comply with state and local statutes. The City Council will adopt a budget prior to October 1 through passage of an ordinance. If the Council fails to adopt a budget then the prior year budget remains in effect.

During the fiscal year, budgetary control is maintained by the monthly review by department heads of departmental appropriation balances. Actual operations are compared to the amounts set forth in the budget. Departmental appropriations that have not been expended lapse at the end of the fiscal year. Therefore, funds that were budgeted and not used by the departments during the fiscal year are not available for their use unless appropriated in the ensuing fiscal year's budget.

## INVESTMENTS

The City invests its investable funds in investments authorized by Texas law and 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, including specifically the Public Funds Investment Act Texas Government Code, Chapter 2256, as amended, (the "PFIA"), 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, insured, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) bonds issued, assumed, or guaranteed by the State of Israel, (7) certificates of deposit and share certificates (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 Corporation, its successor, or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations 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 an investing entity through a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by the PFIA or a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the investing entity appoints the depository institution selected under subdivision (a), a custodian as described by Texas Government Code, Section 2257.041(d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) above which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer 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 meeting the requirements of the PFIA and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or AAA-m or at an equivalent rating. Texas law also permits the City to invest bond proceeds in a guaranteed investment contract, subject to limitations as set forth in 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. 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, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. 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, the ending market value and the fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the 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 Council.

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

**TABLE 11 - CURRENT INVESTMENTS <sup>(1)</sup>**

As of March 1, 2016, the City's investable funds were invested in the following categories:

<u>Description</u>	<u>Percent</u>	<u>Book Value</u>
Local Government Investment Pools	15.79%	\$ 84,209,749
Agency Debt	28.21%	150,446,389
NOW Account	11.73%	62,546,105
Certificates of Deposit	7.56%	40,315,850
Municipal Debt	36.71%	195,825,284
	<u>100.00%</u>	<u>\$ 533,343,377</u>

(1) Source: City Officials.

## SELECTED PROVISIONS OF THE BOND ORDINANCE

The following are selected provisions of the Bond Ordinance. These excerpts should be qualified by reference to the exact terms of the Bond Ordinance. Unless otherwise indicated, any references to sections listed below are to sections contained in the Bond Ordinance and section headings contained in the following excerpts are to sections contained in the Bond Ordinance.

SECTION X. Definitions. For purposes of this Ordinance and in particular for clarity with respect to the issuance of the Bonds herein authorized and the pledge and appropriation of revenues therefor, the following definitions are provided:

- (a) The term "Additional Bonds" shall mean the additional parity revenue obligations which the City reserves the right to issue in this Ordinance.
- (b) The term "Bonds" shall mean the waterworks and sewer system revenue bonds authorized by this Ordinance and designated as "City of Plano, Texas, Waterworks and Sewer System Revenue Bonds, Series 2016."
- (c) The term "Bonds Similarly Secured" means the Bonds and Additional Bonds.
- (d) The term "Fiscal Year" shall mean the twelve months' period ending September 30 of each year, unless otherwise designated by the City.
- (e) The term "Net Revenues" shall mean the gross revenues of the System less the expense of operation and maintenance, all salaries, labor, materials, repairs, and extensions necessary to render efficient service, provided, however, that only such expenses for repairs and extensions as in the judgment of the City, reasonably and fairly exercised, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition that would otherwise impair any obligations payable from the net revenues of the System, shall be deducted in determining "Net Revenues." Contractual payments for the purchase of water or the treatment of sewage shall be a maintenance and operating expense of the System to the extent provided in any contract therefor and as may be authorized by law. Depreciation shall never be considered as an expense of operation and maintenance.
- (f) The term "Ordinance" means this Ordinance under which the Bonds are authorized.
- (g) The terms "Outstanding" and "outstanding", when used in this Ordinance with respect to Bonds or Additional Bonds means, as of the date of determination, all bonds theretofore issued and delivered, except:
  - (1) those bonds theretofore canceled by the paying agent/registrar or delivered to the paying agent/registrar for cancellation;
  - (2) those bonds for which payment has been duly provided by the City by the irrevocable deposit with the paying agent/registrar, or an authorized escrow agent, of money, or government securities, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to maturity or redemption, as the case may be, provided that, if such bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to the ordinance authorizing such bonds or irrevocably provided to be given to the satisfaction of the paying agent/registrar, or waived;
  - (3) those bonds that have been mutilated, destroyed, lost or stolen and replacement bonds have been registered and delivered in lieu thereof as provided in the ordinance authorizing such bonds.
- (h) The term "System" shall mean the City's combined Waterworks and Sewer System, including all present and future additions, extensions, replacements, and improvements thereto.

SECTION XI. Pledge of Revenues. That the City hereby covenants and agrees that the Net Revenues of the System, with the exception of those in excess of the amounts required for the payment and security of the Bonds Similarly Secured, are hereby irrevocably pledged to the payment and security of the Bonds Similarly Secured, including the establishment and maintenance of the special funds created and established for the payment and security thereof, all as hereinafter provided, and it is hereby ordained that the Bonds Similarly Secured, and the interest thereon, shall constitute a lien on the Net Revenues of the System and be valid and binding without any filing or recording except for the filing of this Ordinance in the records of the City.

Texas Government Code, Chapter 1208, as amended, applies to the issuance of the Bonds and the pledge of the revenues granted by the City under this Section of this Ordinance, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are Outstanding and unpaid such that the pledge of the revenues granted by the City under this Section of this Ordinance is to be subject to the filing requirements of Texas Business and Commerce Code, Chapter 9, as amended, then in order to preserve to the Holders of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur.

SECTION XII. Rates and Charges. For the benefit of the original purchasers as well as the ultimate owners of the Bonds and the Bonds Similarly Secured, and, in addition to all provisions and covenants in the laws of the State of Texas and in this Ordinance, it is expressly stipulated that the City shall, at all times while any of the Bonds Similarly Secured are Outstanding and unpaid, maintain rates and collect charges for the facilities and services afforded by the System, as required by Texas Government Code, Section 1502.057, as amended, which will provide revenues sufficient at all times to:

- (a) Pay for all operation, maintenance, depreciation, replacement, and betterment charges of said System;
- (b) Produce Net Revenues each year in an amount reasonably estimated to be not less than the annual principal and interest requirements of the Bonds Similarly Secured scheduled to come due and mature in each year;
- (c) Maintain the Reserve Fund, if any, provided and established for the benefit and security of the Bonds Similarly Secured; and
- (d) Pay all other outstanding indebtedness against said System as and when the same becomes due.

SECTION XIII. Revenue Fund. The City covenants that it will deposit, as collected, all revenues of every nature derived from the operation of the System into a separate account known as the "City of Plano, Texas, Waterworks and Sewer System Revenue Fund (herein called the "Revenue Fund") which is hereby established which shall be maintained and kept separate and apart from all other funds of the City, and, further, that said Revenue Fund shall be pledged and appropriated to the following uses and in the order of precedence shown:

First: To the payment of all necessary and reasonable maintenance and operation expenses of the System as said expenses are defined by law;

Second: To the payment, equally and ratably, of the amounts required to be deposited in the Interest and Sinking Fund created and established for the payment of principal of and interest on the Bonds Similarly Secured as the same becomes due and payable;

Third: To the payment of the amounts required, if any, to be deposited to any Reserve Fund to accumulate and maintain therein the Required Reserve Amount, if any, in accordance with the provisions of Section XV hereof;

Fourth: To the payment of any other indebtedness payable from and secured, in whole or in part, by a lien on and claim against the Net Revenues of the System; and

Fifth: Any Net Revenues remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provisions for the payment thereof, may be appropriated and used for any other purpose now or hereafter permitted by law.

SECTION XIV. Interest and Sinking Fund. There is hereby established and the City agrees to maintain the "City of Plano, Texas, Series Waterworks and Sewer System Interest and Sinking Fund" (the "Interest and Sinking Fund"). The City covenants that from the funds in the Revenue Fund, the City shall pay into the Interest and Sinking Fund during each year in which any of the Bonds Similarly Secured are outstanding, an amount equal to one hundred percent (100%) of the amount required to meet the principal and interest payments falling due on or before the next interest payment, maturity or redemption date of the Bonds Similarly Secured, such payments to be made in substantially equal monthly installments. If the revenues of the System in any month, after deductions for maintenance and operation expenses, are then insufficient to make the required payments into the Interest and Sinking Fund, then the amount of any deficiency in the payment shall be added to the amount otherwise required to be paid into the Interest and Sinking Fund in the next month. All moneys paid into the Interest and Sinking Fund shall be deposited in a City depository bank, and the Mayor, Mayor Pro Tem, City Manager, Director of Finance or City Secretary, any one or more of said officials of the City, shall cause the depository bank, not later than any principal or interest payment date, to transfer the amount then to become due to the paying agent.

SECTION XV. Reserve Fund.

- (a) Establishment. A Reserve Fund shall not be required to be established or maintained by the City for the payment of the Bonds or any other Bonds Similarly Secured so long as the Net Revenues of the System for a Fiscal Year equal or exceed one hundred fifty per cent (150%) of the annual debt service requirements of Bonds Similarly Secured due and payable in such Fiscal Year. If for any Fiscal Year such Net Revenues do not exceed 150% of the annual debt service requirements of the Bonds Similarly Secured, the City shall be obligated to establish and maintain on the books of the City a separate fund or account designated as the "City of Plano, Texas, Waterworks and Sewer System Reserve Fund" (the "Reserve Fund"). Upon being established and except as provided in below, the amount on deposit to the credit of the Reserve Fund shall be maintained for the benefit of the owners of the Bonds Similarly Secured. The amounts deposited to the credit of the Reserve Fund shall be in a special fund maintained at a depository of the City. Monies or investments held in the Reserve Fund shall be used for the purpose of retiring the last of the Bonds Similarly Secured as they become due or paying principal of and interest on the Bonds Similarly Secured when and to the extent the amounts in the Interest and Sinking Fund are insufficient for such purpose.

When a Reserve Fund is required to be established as noted above and while the same is required to be maintained, the Required Reserve Amount (the "Required Reserve Amount") to be accumulated and maintained in the Reserve Fund shall be determined and re-determined as follows:

- (1) ten per cent (10%) of the average annual debt service requirement for all Bonds Similarly Secured if the Net Revenues for the previous Fiscal Year were less than 150% of the annual debt service requirement for such Fiscal Year;
- (2) twenty per cent (20%) of the average annual debt service requirement for all Bonds Similarly Secured if the Net Revenues for the previous Fiscal Year were less than 140% of the annual debt service requirement for such Fiscal Year, but greater than or equal to 130% of the annual debt service requirement for such Fiscal Year;
- (3) thirty per cent (30%) of the average annual debt service requirement for all Bonds Similarly Secured then Outstanding if the Net Revenues for the previous Fiscal Year were less than 130% of the annual debt service requirement for such Fiscal Year, but greater than or equal to 120% of the annual debt service requirement for such Fiscal Year;
- (4) forty per cent (40%) of the average annual debt service requirement for all Bonds Similarly Secured if the Net Revenues for the previous Fiscal Year were less than 120% of the annual debt service requirement for such Fiscal Year, but greater than or equal to 110% of the annual debt service requirement for such Fiscal Year; and
- (5) fifty per cent (50%) of the average annual debt service requirement for all Bonds Similarly Secured if the Net Revenues for the previous Fiscal Year were less than 110% of the annual debt service requirement for such Fiscal Year.

The City shall review the amount, if any, on deposit in the Reserve Fund within thirty (30) days of the receipt of the audited financial statements applicable to the System for the preceding Fiscal Year to determine compliance with the provisions of subparagraph (1), (2), (3), (4) and (5) of subsection (a) of this Section. If at any time the City is required to fund the Required Reserve Amount, or to increase the Required Reserve Amount, the Required Reserve Amount or increase in the Required Reserve Amount, as applicable, shall be funded as provided in subsection (b) of this Section in not more than sixty (60) substantially equal consecutive monthly deposits commencing not later than the month following the receipt of audited financial statements for the System for the preceding Fiscal Year.

- (b) Funding. The Required Reserve Amount, if required, shall be established and maintained with Net Revenues of the System, transfer(s) of funds from refunded obligations, proceeds of sale of Bonds Similarly Secured, or by depositing to the credit of the Reserve Fund, to the extent permitted by law, one or more surety bonds or insurance policies issued by a company or institution which at the time of such deposit has a rating in one of the two highest rating categories by two nationally recognized rating agencies or services, or any combination thereof. The City hereby covenants and agrees to accumulate in the Reserve Fund the Required Reserve Amount either by depositing, from Net Revenues, in not more than sixty (60) substantially equal monthly payments, which initial fractional payment thereof shall be made on or before the fifteenth (15th) day of the month next following the determination that additional amounts need to be accumulated in the Reserve Fund to satisfy the Required Reserve Amount or by funding the Reserve Fund in the Required Reserve Amount from funds received from the transfer of funds from refunded obligations, from proceeds of sale of Bonds Similarly Secured, or by depositing one or more surety bonds or insurance policies issued by a company or companies meeting the aforesaid criteria, or any combination of the foregoing.

Concurrently with the delivery of a series of Additional Bonds, the appropriate City officials shall determine the Required Reserve Amount as well as the amount then held in the Reserve Fund, and the amount of such difference shall be deposited in the said Reserve Fund (i) by depositing to the credit of the Reserve Fund (concurrently with the delivery of the then proposed Additional Bonds) cash or an additional surety bond or insurance policy or revised surety bond or revised insurance policy with coverage in an amount sufficient to provide for the new Required Reserve to be fully or partially funded, or (ii) at the option of the City, in not more than sixty (60) substantially equal consecutive monthly payments, cash, the initial payment to be made on or before the fifteenth (15th) day of the month next following the month in which such Additional Bonds are delivered (or 1/60th of the balance of the additional amount not deposited immediately in cash or provided by a surety bond or insurance policy).

When and so long as the cash and investments in the Reserve Fund and/or coverage afforded by a surety bond or insurance policy held for the account of the Reserve Fund total not less than the Required Reserve Amount, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve Amount (or so much thereof as shall then be required to be contained therein if Additional Bonds have been issued and the City has elected to accumulate all or a portion of the Required Reserve Amount with Net Revenues), the City covenants and agrees to cause monthly deposits to be made to the Reserve Fund on or before the fifteenth (15th) day of each month (beginning the month next following the month the deficiency in the Required Reserve Amount occurred) from Net Revenues of the System in an amount equal to either (i) one-sixtieth (1/60th) of the Required Reserve Amount until the total Required Reserve Amount then required to be maintained in said Fund has been fully restored or (ii) the amounts to pay

principal of and interest on Bonds Similarly Secured held by an insurer, or evidenced by an instrument of assignment entitling an insurer to payment of principal of and interest on Bonds Similarly Secured, as a result of payments or draws made on a surety bond or insurance policy held for the account of the Reserve Fund, and such payments will result in (x) the principal of and/or interest on such Bonds Similarly Secured to be paid and (y) the restoration and replenishment of the surety bond or insurance policy coverage representing all or a portion of the Required Reserve Amount.

During such time as the Reserve Fund contains the total Required Reserve Amount, the City may, at its option, withdraw all surplus in the Reserve Fund over the Required Reserve Amount and deposit such surplus in the System Fund. Any such amount to be withdrawn that is allocated to proceeds of Bonds Similarly Secured shall be deposited to the Interest and Sinking Fund or otherwise used for only such purposes as other bond proceeds may be used.

If the Reserve Fund is required to be established as provided in (a) above, and for two consecutive Fiscal Years, the Net Revenues of the System for a Fiscal Year equal or exceed one hundred fifty per cent (150%) of the annual debt service requirements of Bonds Similarly Secured due and payable in such Fiscal Year, then the Reserve Fund does not need to be maintained and the amounts in the Reserve Fund may be deposited to the Interest and Sinking Fund or otherwise used for only such purposes as bond proceeds or other revenues of the System, as applicable, may be used.

SECTION XVI. Investment of Certain Funds. The Interest and Sinking Fund may be invested in investments authorized by the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended, and the City's investment policy. All moneys resulting from the investment of said fund shall be transferred to the Revenue Fund as received.

SECTION XVII. Further Covenants. The City further covenants and agrees by and through this Ordinance as follows:

- (a) That the Bonds shall be special obligations of the City, and the registered owners thereof shall never have the right to demand payment out of any funds raised or to be raised by taxation.
- (b) That it has the lawful power to pledge the revenues supporting the Bonds and has lawfully exercised said power under the Constitution and laws of the State of Texas, and that the Bonds issued under this Ordinance shall be ratably secured in such manner that no one Bond shall have preference over any other Bond or Bonds or Bonds Similarly Secured.
- (c) That other than for the payment of the Bonds, the Net Revenues have not been in any manner pledged to the payment of any debt or obligation of the City or the System, other than debt or obligations which have a lien on or pledge of the Net Revenues subordinate to the lien on and pledge of such Net Revenues to the Bonds Similarly Secured.

SECTION XVIII. Issuance of Additional Bonds.

- (a) That, in addition to the right to issue bonds of inferior lien as authorized by law, the City reserves the right to issue Additional Bonds, for the purpose of improving, extending, equipping and repairing the System and for the purpose of refunding in any lawful manner, any part or all of the Bonds Similarly Secured or other obligations of the City eligible to be refunded under the laws of the State of Texas as such laws now or hereafter may exist. The Additional Bonds shall be secured by and payable from a lien on and pledge of the Net Revenues in the same manner and to the same extent as any then Outstanding Bonds Similarly Secured, and the Additional Bonds then proposed to be issued shall in all respects be on a parity and of equal dignity as to lien and right. Additional Bonds may be issued in one or more installments; provided, however, that none of the Additional Bonds shall be issued unless and until the following conditions have been met, to wit:
  - (i) The City is not then in default as to any covenant, condition, or obligation contained in this Ordinance or the ordinances authorizing the issuance of the Bonds Similarly Secured.
  - (ii) Each of the special funds created for the payment and security of the Bonds Similarly Secured contains the amount of money then required to be on deposit therein.
  - (iii) The City has secured from a certified public accountant a certificate or opinion showing that the Net Earnings of the System for either the completed Fiscal Year next preceding the date of the Additional Bonds or a consecutive twelve month period out of the last fifteen (15) months next preceding the date of the Additional Bonds is equal to the lessor of (i) at least 1.25 times the average annual principal and interest requirements (calculated on a Fiscal Year basis at the time of the issuance of the Additional Bonds) of all Bonds Similarly Secured that will be Outstanding after the issuance of the proposed Additional Bonds or (ii) at least 1.10 times the maximum annual principal and interest requirements (calculated on a Fiscal Year basis at the time of the issuance of the Additional Bonds) of all Bonds Similarly Secured that will be Outstanding after the issuance of the proposed Additional Bonds. However, (A) should the certificate of the accountant certify that the Net Earnings of the System for the period covered thereby were less than required above, and (B) a change in the rates and charges for services afforded by the System became effective at least 60 days prior to the last day of the period covered by the accountant's certificate, and (C) the accountant's certificate may state that, had such change in rates and charges been effective for the entire period covered by the accountant's certificate, the Net Earnings covered by the accountant's certificate would have been, in his or their opinion, equal to the lessor of (i) at least 1.25 times the average annual principal and interest requirements (calculated on a Fiscal Year basis) of the Outstanding Bonds Similarly Secured or (ii) at least 1.10 times the maximum annual principal and interest requirements (calculated on a Fiscal Year basis at the time of the issuance of the Additional Bonds) after giving effect

to the issuance of the Bonds, and Additional Bonds, then, in such event, the coverage specified in the first sentence of this paragraph (iii) shall not be required for the period specified, and such accountant's certificate will be sufficient if accompanied by an engineer's certificate to the above effect.

- (iv) The ordinance authorizing the Additional Bonds requires that deposits shall be made into the Interest and Sinking Fund in amounts adequate to pay the principal and interest requirements of the Additional Bonds as the same become due.
- (v) The Additional Bonds are made to mature on May 1 or November 1 (or both) of each of the years in which they are scheduled to mature or become due.
- (b) The term "Net Earnings," as used in this Ordinance shall mean all income, revenues, and receipts derived from the operation or by reason of the ownership of the System, including grants, gifts, contributions in aid of construction (but excluding meter deposits), interest earned on invested moneys in the special Funds created therein for the payment and security of Bonds Similarly Secured, after deduction of maintenance and operation expenses but not deducting depreciation, and other expenditures which, under standard accounting practice, should be classified as capital expenditures.
- (c) Wherever, in this Ordinance, the City reserves the right to issue Additional Bonds, such term shall also include, mean and refer to any other forms or types of obligations, whether now existing or hereafter authorized, which may be made lawfully payable from and secured by the Net Revenues.

SECTION XIX. Maintenance and Operation - Insurance. The City shall maintain the System in good condition and operate the same in an efficient manner and at reasonable cost. So long as any Bonds are outstanding, the City agrees to maintain insurance for the benefit of the holder or holders thereof on the System of a kind, including but not limited to self-insurance to the extent and in the manner deemed advisable by the City, and in an amount which usually would be carried by private companies engaged in a similar type of business. Nothing in this Ordinance shall be construed as requiring the City to expend any funds derived from sources other than the operation of the System, but nothing therein shall be construed as preventing the City from doing so.

SECTION XX. Records - Accounts - Accounting Reports. The City covenants and agrees that so long as any Bonds, or any interest thereon, remain outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the operation of its System separate and apart from all other records and accounts; complete and correct entries shall be made of all transactions relating to the System, in accordance with generally accepted accounting principles except as provided by Texas Government Code, Chapter 1502, as amended; and registered owners shall have the right at all reasonable times to inspect all such records, accounts and data relating thereto, and to inspect the System and all properties comprising same. The City further agrees that following the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants of national reputation. Each such audit, in addition to whatever other matters may be thought proper by the accountant, shall particularly include the following:

- (a) A detailed statement of the income and expenditures of the System for such Fiscal Year.
- (b) A balance sheet as of the end of such Fiscal Year.
- (c) The accountant's comments regarding the manner in which the City has carried out the requirements of this Ordinance and his recommendations for any changes or improvements in the operation, records and accounts of the System.

Expenses incurred in making the audits referred to hereinabove are to be regarded as maintenance and operation expenses and paid as such. Copies of the aforesaid annual audit shall be immediately furnished, upon request, to the original purchaser or any subsequent owner of the Bonds.

SECTION XXI. Excess Revenues. As provided in Section XIII hereof, all revenues in excess of those required to establish and maintain the Interest and Sinking Fund as required, may be used for any proper City purpose now or heretofore permitted by law.

SECTION XXII. Security of Funds. All funds for which provision is made by the Ordinance shall be secured in the manner and to the fullest extent permitted by law for the security of public funds and the funds created by the Ordinance shall be used only for the purposes therein specified.

SECTION XXIII. Remedy in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in payments to be made to the Interest and Sinking Fund as required by this Ordinance, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, registered owner or owners of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed in this Ordinance. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

The specific remedy provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

SECTION XXIV. Bonds are Special Obligations. The Bonds are and shall be special obligations of the City payable from the pledged Net Revenues, and the holder or holders thereof shall never have the right to demand payment of the Bonds out of funds raised or to be raised by taxation.

SECTION XXV. Bonds are Negotiable Instruments. Each of the Bonds authorized shall be deemed and construed to be a "Security" and as such a negotiable instrument within the meaning of Chapter 8 of the Texas Business and Commerce Code, as amended.

SECTION XXVI. Competition - Sale of System. So far as it legally may, the City covenants and agrees, for the protection and security of the Bonds, and the registered owner or owners thereof from time to time, that it will not grant a franchise for the operation of any competing system in the City until all Bonds shall have been retired. Neither the System, nor a substantial part thereof, shall be sold while the Bonds are outstanding, but nothing in this Ordinance shall prevent the sale or disposal of properties constituting a part of the System which are no longer useful or needed in connection with the operation thereof.

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

Bonds or any principal amount(s) thereof shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Bonds or the principal amount(s) thereof at maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with moneys deposited therewith, if any, to pay when due the principal of and interest on such Bonds, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. The City covenants that no deposit of moneys or Government Securities will be made under this Section and no use made of any such deposit which would cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), or regulations adopted pursuant thereto.

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

The term "Government Securities," as used herein, means (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and, 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, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date 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 (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under the then applicable laws of the State of Texas.

SECTION XXVIII. Ordinance to Constitute Contract - Amendment. This Ordinance shall constitute a contract with the Holder of any Bond from time to time, be binding on the City, and shall not be amended or repealed by the City so long as any Bond remains Outstanding except as permitted in this Section and in Section XLIV hereof. The City, may, without the consent of or notice to any Holders of Bonds, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Holders of any Bond, including the curing of any ambiguity, inconsistency or formal defect or omission herein. In addition, the City may, with the written consent of the Holders of Bonds owning a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to or rescind any of the provisions of this Ordinance; provided that, without the consent of all Holders of Outstanding Bonds, no such amendment, addition or rescission shall (a) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor or the rate of interest thereon or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (b) give any preference to any Bond over any other Bond or (c) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition or rescission.

## TAX MATTERS

**TAX EXEMPTION . . .** The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. A form of Bond Counsel's opinion is reproduced in Appendix B. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

Interest on the Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Bonds. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future change in tax law.

**TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN BONDS . . .** The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

## **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 Bonds. The City is required to observe the agreement while it remains obligated to advance funds to pay such Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at [www.emma.msrb.org](http://www.emma.msrb.org).

**ANNUAL REPORTS** . . . The City will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the Tables numbered 1 through 11 and in Appendix A. The City will update and provide this information in the numbered tables within six months after the end of each fiscal year ending in or after 2016 and audited financial statements within 12 months after the end of each fiscal year ending in or after 2016. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. 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 City's current fiscal year end is September 30. Accordingly, updated unaudited information included in the above-referenced tables must be provided by March 31 in each year, and audited financial statements must be provided by September 30 of each year, unless the City changes its fiscal year. If the City 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 City otherwise would be required to provide financial information and operating data.

**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 orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

**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's continuing disclosure agreements for the Bonds may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Bonds in the primary offering of such Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of such Bonds. The City may also amend or repeal the provisions of the continuing disclosure agreements 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 the Bonds in the primary offering of such Bonds. If the City amends its agreements, it must 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 information and data provided.

**COMPLIANCE WITH PRIOR UNDERTAKINGS . . .** During the last five years the City believes it has complied in all material respects with its previous continuing disclosure undertakings entered into pursuant to SEC Rule 15c2-12.

## **OTHER INFORMATION**

### **RATINGS**

The Bonds are rated "AAA" by S&P and "AAA" by Fitch. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of the organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the company, if in the judgment of company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. No rating is being sought from Moody's.

### **LITIGATION**

In the opinion of City officials the City is not a party to any litigation or other proceeding pending or to their knowledge threatened, in or before any court, agency or other administrative body (either state or federal) which, if decided adversely to the City, would have a material adverse effect on the financial condition of the City.

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

The sale of the Bonds 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). The Bonds have not been approved or disapproved by the Securities and Exchange Commission, nor has the Securities and Exchange Commission passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds 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**

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Bonds (i) are negotiable instruments, (ii) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (iii) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before the Bonds are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds to any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. 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**

The City will furnish a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds 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 Bonds will be excludable from 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. 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 "PLAN OF FINANCING" (except under the subcaption "Sources and Uses of Proceeds"), "THE BONDS" (exclusive of the subcaptions "Book-Entry-Only System" and "Remedies" and the last sentence under "Tax Rate Limitation"), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings") and the subcaptions "Legal Opinions" (except for the last sentence of the first paragraph thereof), "Registration and Qualification of Bonds for Sale," and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER INFORMATION" in the Official Statement, and such firm is of the opinion that the information relating to the Bonds 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 Bonds, such information conforms to the Ordinance. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by Winstead PC, Dallas, Texas Counsel to the Underwriters, whose legal fees are contingent upon the sale and delivery of the Bonds.

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

#### **AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION**

The financial data and other information contained herein have been obtained from City records, audited and unaudited 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 Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents and Ordinance. 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.

#### **FINANCIAL ADVISOR**

FirstSouthwest, a Division of Hilltop Securities Inc. ("FirstSouthwest") is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. FirstSouthwest, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and 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 Bonds, 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.

#### **UNDERWRITING**

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City at an underwriting discount of \$117,134.50 from the initial prices to the public as shown on the cover page hereof. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, if applicable to this transaction, each of CS&Co. and LPL will purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

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

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 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.

**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 Pricing Certificate authorized the issuance of the Bonds and approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Underwriters.

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DENISE TACKE  
PRICING OFFICER  
City of Plano, Texas

**APPENDIX A**

EXCERPTS FROM THE  
CITY OF PLANO, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2015

The information contained in this Appendix consists of excerpts from the City of Plano, Texas Comprehensive Annual Financial Report for the Year Ended September 30, 2015, 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 B**

**FORM OF BOND COUNSEL'S OPINION**

