

OFFICIAL NOTICE OF SALE AND BIDDING INSTRUCTIONS
BID FORM
AND
PRELIMINARY OFFICIAL STATEMENT

\$23,830,000*

**CITY OF BOERNE, TEXAS
(Kendall County, Texas)
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2021**

**Bids Due
Thursday, November 18, 2021
at 11:00 A.M., Central Time**

* Preliminary, subject to change. See "THE BONDS - Adjustment of Principal Amount and Maturity Schedule for the Bonds" herein.

This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Bonds described herein. The invitation for bids on such Bonds is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

**OFFICIAL NOTICE OF SALE
AND
BIDDING INSTRUCTIONS**

\$23,830,000*

CITY OF BOERNE, TEXAS

(A political subdivision of the State of Texas located in Kendall County, Texas)

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021

Sealed Bids Due on Thursday, November 18, 2021 at 11:00 A.M. Central Time

THE SALE

BONDS OFFERED FOR SALE AT COMPETITIVE BIDDING. The City of Boerne, Texas (the "City") is offering for sale at competitive bid its \$23,830,000* General Obligation Refunding Bonds, Series 2021 (the "Bonds").

PLACE AND TIME OF SALE. Bids for the purchase of the Bonds will be received until 11:00 A.M., Central Time, on Thursday, November 18, 2021 at the City Hall, 447 North Main Street, Boerne, Texas 78006. All bids received will be publicly opened and read at such time and place, and the results will be considered by an Authorized Official (as defined in the Preliminary Official Statement) designated in the Ordinance (defined herein), who shall evidence the selection of the winning bidder by executing an Approval Certificate (as defined in the Preliminary Official Statement) on Thursday, November 18, 2021.

BIDDING PROCEDURES. No later than 11:00 A.M., Central Time, on Thursday, November 18, 2021, bidders who wish to submit their bids electronically or by facsimile must provide two signed copies of the "Official Bid Form," and two signed copies of the "Issue Price Certificate," together with an envelope addressed to the Mayor, City of Boerne, 447 North Main Street, Boerne, Texas 78006, and plainly marked "Bid for Bonds," to Duane Westerman, SAMCO Capital Markets, Inc., 1020 N.E. Loop 410, Suite 640, San Antonio, Texas 78209.

Bidders must submit bids for the Bonds by one of the following methods:

- (1) Deliver bids directly to the City as described below in "Bids Delivered Directly to the City;"
- (2) Submit bids electronically as described below in "Electronic Bidding Procedure;" or
- (3) Submit bids by facsimile as described below in "Facsimile Bidding Procedure."

Bids Delivered Directly to the City . . . Bids delivered directly to the City, which must be submitted in duplicate on the Official Bid Form and plainly marked "Bid for Bonds," are to be addressed to the Mayor, 447 North Main Street, Boerne, Texas 78006. All such bids must be delivered at the above address no later than 11:00 A.M., Central Time, on Thursday, November 18, 2021.

Electronic Bidding Procedure . . . Interested bidders may, at their option, submit their bid by electronic media, as described below, by 11:00 A.M., Central Time, on Thursday, November 18, 2021.

Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of the Bidcomp/PARITY System ("PARITY"). Subscription to the Ipreo's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in the Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder. In the event of a malfunction in the electronic bidding process, bidders may submit their bids by facsimile as described below. Any bid received after the scheduled time for their receipt will not be accepted. If any provisions of the Official Notice of Sale shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Official Notice of Sale shall control. Further information about PARITY, including any fee charged, may be obtained from PARITY, at (212) 849-5021.

* Preliminary, subject to change (see "THE BONDS - Adjustment of Principal Amount and Maturity Schedule for the Bonds" and "CONDITIONS OF THE SALE - Basis of Award").

For purposes of both the written sealed bid process and the electronic bidding process, the time as maintained by PARITY shall constitute the official time for the receipt of bids. For information purposes only, bidders are requested to state in their electronic bids the net interest cost to the City, as described under “CONDITIONS OF THE SALE - Basis of Award” below. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, the Official Bid Form, and the Preliminary Official Statement.

Facsimile Bidding Procedure . . . Interested bidders may, at their option, submit their bid by facsimile as described below.

Mr. Westerman will accept bids by facsimile until 11:00 A.M., Central Time, on Thursday, November 18, 2021 at (210) 832-9794. Each bid received by facsimile will be attached to the corresponding signed Official Bid Form as mentioned above, after which Mr. Westerman will, on behalf of the bidders, submit such bids on the bid forms to the City in the manner provided above. Mr. Westerman will not be responsible for submitting bids received after the Thursday, November 18, 2021, 11:00 A.M., Central Time deadline.

Neither the City nor SAMCO Capital Markets, Inc. is responsible for any failure of their or the sender's facsimile machine, any failed delivery of a facsimile, any incomplete or ambiguous transmittals, or the disclosure of the bid to any persons prior to bid opening. If any portion of a facsimile bid is illegible, the City and SAMCO Capital Markets, Inc. may, at their option, either call any provided reference number for clarification or reject the bid. **Bidders who fax bids do so at their own risk. All such bids shall be binding on the bidder.**

AWARD OF BONDS. The City intends to award the Bonds on the basis of the lowest net interest cost bid. The interest cost of each bid will be computed by determining, at the rate or rates specified, the total dollar value of all interest on the Bonds to their respective stated maturities.

THE BONDS

DESCRIPTION. The Bonds will be dated December 1, 2021 (the “Dated Date”) with interest to accrue from the Dated Date and to be payable initially on March 1, 2022 and semiannually on September 1 and March 1 thereafter until stated maturity or prior redemption. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository (the “Securities Depository”). Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Bonds (“Beneficial Owners”) will not receive physical delivery of Bonds representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by Zions Bancorporation, National Association, Houston, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See “BOOK-ENTRY-ONLY SYSTEM” in the Preliminary Official Statement.) The Bonds will be stated to mature on March 1 in each of the following years in the following amounts:

<u>Stated Maturity March 1</u>	<u>Principal* Amount (\$)</u>	<u>Stated Maturity March 1</u>	<u>Principal* Amount (\$)</u>
2023	1,480,000	2032	1,555,000
2024	1,410,000	2033	1,635,000
2025	1,395,000	2034	915,000
2026	1,380,000	2035	945,000
2027	1,375,000	2036	975,000
2028	1,645,000	2037	1,000,000
2029	1,630,000	2038	1,035,000
2030	1,640,000	2039	1,065,000
2031	1,655,000	2040	1,095,000

* Preliminary, subject to change (see “THE BONDS - Adjustment of Principal Amount and Maturity Schedule for the Bonds” and “CONDITIONS OF THE SALE - Basis of Award”).

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS. After final computation of the bids, the City reserves the right in its sole discretion either to decrease or increase the principal amount of any stated maturity of the Bonds. The aggregate principal amount of the Bonds may be adjusted by no more than 10% of the proposed par amount by an Authorized Official. Such adjustment(s), if any, shall be made within four (4) hours of the initial award of the Bonds. The price at which such adjusted principal amount of Bonds will be sold will be the same price per \$1,000 of Bonds as the price per \$1,000 for the original par amount of Bonds bid. In order to calculate the yield on the Bonds for federal tax law purposes and as

a condition precedent to the award of the Bonds, bidders must disclose to the City in connection with their respective bids the price (or yield to stated maturity) at which each stated maturity of the Bonds will be reoffered and sold for (or expected to be sold) to the public.

In the event of any adjustment of the maturity schedule for the Bonds as described herein, no rebidding or recalculation of the proposals submitted will be required or permitted. Any such adjustment of the aggregate principal amount of the Bonds and/or the maturity schedule for the Bonds made by the City or its Financial Advisor shall be subsequent to the award of the Bonds to the winning bidder as determined pursuant to "CONDITIONS OF THE SALE - Basis of Award" herein and shall not affect such determination. The successful bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

There is no guarantee that adjustments and/or revisions will not be necessary in order to properly size the Bonds. Accordingly, the City reserves the right in its sole discretion to make adjustments as previously described above, even if the issue size of the Bonds does not change from the original par amount of Bonds. In the event of any such adjustment and or revision, no rebidding will be permitted, and the purchase price as may have been bid on the Bonds shall be adjusted accordingly.

Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's currently outstanding unlimited ad valorem tax-supported obligations, as identified in Schedule I attached hereto (the "Refunded Obligations"), for debt service savings, and (ii) to pay for professional services associated with the costs of issuance of the Bonds. See "PLAN OF FINANCING - Purpose" in the Preliminary Official Statement.

REDEMPTION. The City reserves the right to redeem the Bonds maturing on and after March 1, 2031 in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on March 1, 2030 or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. If two or more serial Bonds of consecutive maturity are combined into one or more "term" Bonds (the "Term Bonds") by the Purchaser, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Ordinance. (See "THE BONDS - Redemption Provisions of the Bonds" herein.)

SERIAL BONDS AND/OR TERM BONDS. Bidders may provide that all the Bonds be issued as serial bonds maturing in accordance with the Maturity Schedule shown above or may provide that any two or more consecutive annual principal amounts be combined into one or more Term Bonds provided that such Term Bonds shall be subject to mandatory sinking fund redemption in the amounts and in the years described in the Maturity Schedule above as if such Term Bonds remained serial bonds.

BOOK-ENTRY-ONLY SYSTEM. The City intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC") with respect to the issuance of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.)

PAYING AGENT/REGISTRAR. The initial Paying Agent/Registrar shall be Zions Bancorporation, National Association, Houston, Texas (see "REGISTRATION, TRANSFER AND EXCHANGE" in the Preliminary Official Statement). If the Paying Agent/Registrar becomes unable for any reason to act as Paying Agent/Registrar, the City has covenanted to appoint a successor Paying Agent/Registrar.

SECURITY FOR PAYMENT. The Bonds constitute direct obligations of the City payable from an annual ad valorem tax levied against all taxable property located therein, within the limitations prescribed by law.

PRELIMINARY OFFICIAL STATEMENT AND OTHER TERMS AND COVENANTS IN THE ORDINANCE. Further details regarding the Bonds and certain covenants of the City's contained in the Ordinance are set forth in the Preliminary Official Statement to which reference is made for all purposes.

CONDITIONS OF THE SALE

THE INITIAL BONDS AND DENOMINATIONS OF BONDS. The Bonds will be issued only as fully registered obligations in the denomination of \$5,000 or any integral multiple thereof within a maturity.

TYPES OF BIDS AND INTEREST RATES. The Bonds will be sold in one block on an "All or None" basis, and at a price of not less than 110.75% of their principal amount plus accrued interest from the Dated Date to the date of initial delivery of the Bonds to the Initial Purchaser (defined herein); provided, however, that any bid is subject to adjustment as described under the caption "THE BONDS - Adjustment of Principal Amount and Maturity Schedule for the Bonds," which adjustment could result in the price of the Bonds of the bidders premium to exceed the parameters provided above. Bidders are invited to name the rate or rates of interest the Bonds shall bear, provided that each rate bid must be stated in multiples of 1/8th of 1% or 1/20th of 1%, and the maximum rate bid must not exceed 5.00%. The highest rate bid may not exceed the lowest rate bid by more than 2.00% in rate. No limitation is imposed upon bidders as to the number of rates or changes that may be used, except that (i) all Bonds of one maturity must bear one and the same rate.

No bids with supplemental interest rates will be considered. Each bidder shall state in its bid the total interest cost in dollars and the net effective interest rate determined thereby, which shall be considered informative only and not a part of the bid.

BASIS OF AWARD. For the purpose of awarding sale of the Bonds, the interest cost of each bid will be computed by determining the total cost of all interest on the Bonds from the Dated Date to their respective stated maturities, using the table of Bond Years herein. Subject to the City's right to reject any or all bids and to waive irregularities, except time of filing, the Bonds will be awarded to the bidder (the "Initial Purchaser" or "Purchaser") whose bid, based on the above computation, produces the lowest net interest cost to the City. In case of a tie, the City reserves the right to determine which bidder will be awarded the Bonds in accordance with applicable Texas law.

After selecting the winning bid, the principal authorization schedule may be adjusted as determined by the City Council and its Financial Advisor in cooperation with the Purchaser in \$5,000 increments to reflect the actual interest rates and to create level debt service to the City. Such adjustments will not change the principal amounts due on the Bonds in any year by more than 10.00%. The City will, in good faith, attempt to communicate such adjustment to the Initial Purchaser within four (4) hours after the opening of the bids.

GOOD FAITH DEPOSIT. A Good Faith Deposit, in the form of a Cashier's Check payable to "City of Boerne, Texas," in the amount of \$476,600.00* is required. The Good Faith Deposit of the Purchaser will be retained uncashed by the City until the Bonds are delivered. At that time, it will be returned to the Purchaser uncashed; however, should the Purchaser fail or refuse to take up and pay for the Bonds, said check is to be cashed by the City and the proceeds accepted as full and complete liquidated damages. The above-mentioned Good Faith Deposit may accompany the bid or it may be submitted separately. However, if submitted separately, it shall be made available to the City prior to the opening of the bids. It shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. Checks accompanying the bids of unsuccessful bidders will be returned immediately after the bids are opened and the award of the sale of the Bonds has been made.

ADDITIONAL CONDITION OF AWARD

DISCLOSURE OF INTERESTED PARTY FORM. *OBLIGATION OF THE CITY TO RECEIVE INFORMATION FROM WINNING BIDDER IF BIDDER IS NOT A PUBLICLY TRADED BUSINESS ENTITY (A "PRIVATELY HELD BIDDER").* Pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Bonds to a winning bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the City as prescribed by the Texas Ethics Commission ("TEC"). In the event that a Privately Held Bidder's bid for the Bonds is the best bid received, the City, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the City's conditional verbal acceptance of the bid and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the City to complete the award.

PROCESS FOR COMPLETING THE DISCLOSURE FORM. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 - name of the governmental entity (City of Boerne, Texas) and (b) item 3 - the identification number assigned to this contract by the City (Boerne GORBs 2021-Bid Form) and description of the goods or services (Purchase of the City of Boerne, Texas General Obligation Refunding Bonds, Series 2021). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require a non-publicly traded business entity contracting with the City to complete the Disclosure Form electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC's "electronic portal" to the City. The executed Disclosure Form must be sent by email, to the City's financial advisor at dwesterman@samcocapital.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the Disclosure Form with original signatures must be submitted by mail to Stephanie Leibe, c/o Norton Rose Fulbright US LLP, 98 San Jacinto Boulevard, Suite 1100, Austin, Texas 78205, along with a PDF executed version sent to stephanie.leibe@nortonrosefulbright.com.

PREPARATIONS FOR COMPLETION, AND THE SIGNIFICANCE OF, THE REPORTED INFORMATION. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder **MUST BE DECLARED BY AN AUTHORIZED AGENT OF THE WINNING PRIVATELY HELD BIDDER.** No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made "under penalty of perjury." Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party.

* Preliminary, subject to change (see "THE BONDS - Adjustment of Principal Amount and Maturity Schedule for the Bonds" and "CONDITIONS OF THE SALE - Basis of Award").

DISCLOSURE ACT, THE DISCLOSURE RULES AND THE DISCLOSURE FORM. Time will be of the essence in submitting the form to the City, and no final award will be made by the City regarding the sale of the Bonds until a completed Disclosure Form is received. If applicable, the City reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the City nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder's obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the City that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https://www.ethics.state.tx.us/whatsnew/elf_info_form_1295.htm.

VERIFICATION REGARDING ISRAEL BOYCOTT. Each bidder, through submittal of an executed Official Bid Form, represents that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent the Official Notice of Sale and Official Bid Form is a contract for goods or services, will not boycott Israel during the term of this agreement. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Texas or Federal law. As used in the foregoing verification, 'boycott Israel,' a term defined in Section 2271.001, Texas Government Code, by reference to Section 808.001(1), Texas Government Code, means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. Each bidder, through submittal of an executed Official Bid Form, understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

VERIFICATION REGARDING TERRORIST LIST. Each bidder, through submittal of an executed Official Bid Form, represents that neither it nor any parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>; <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>; or <https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Texas or Federal law and excludes our company and each parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. Each bidder, through submittal of an executed Official Bid Form, understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

VERIFICATION REGARDING ENERGY COMPANY BOYCOTTS. Each bidder, through submittal of an executed Official Bid Form, represents that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, will not boycott energy companies during the term of the agreement. The foregoing verification is made solely to comply with Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. As used in the foregoing verification, "boycott energy companies," a term defined in Section 2274.001(1), Texas Government Code (as enacted by such Senate Bill) by reference to Section 809.001, Texas Government Code (also as enacted by such Senate Bill), shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. Each bidder understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

VERIFICATION REGARDING DISCRIMINATION AGAINST FIREARM ENTITY OR TRADE ASSOCIATION. Each bidder, through submittal of an executed Official Bid Form, represents that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, (1) do not have a practice, policy, guidance or directive that discriminates against a firearm entity or firearm trade association, and (2) will not discriminate during the term of the agreement against a firearm entity or firearm trade association. The foregoing verification is made solely to comply with Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law.

As used in the foregoing verification and the following definitions,

- (a) 'discriminate against a firearm entity or firearm trade association,' a term defined in Section 2274.001(3), Texas Government Code (as enacted by such Senate Bill), (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm

entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company's refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity's or association's status as a firearm entity or firearm trade association,

- (b) 'firearm entity,' a term defined in Section 2274.001(6), Texas Government Code (as enacted by such Senate Bill), means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (defined in Section 2274.001(4), Texas Government Code, as enacted by such Senate Bill, as weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (defined in Section 2274.001(5), Texas Government Code, as enacted by such Senate Bill, as devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (defined in Section 2274.001(1), Texas Government Code, as enacted by such Senate Bill, as a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (defined in Section 250.001, Texas Local Government Code, as a business establishment, private club, or association that operates an area for the discharge or other use of firearms for silhouette, skeet, trap, black powder, target, self-defense, or similar recreational shooting), and
- (c) 'firearm trade association,' a term defined in Section 2274.001(7), Texas Government Code (as enacted by such Senate Bill), means any person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code.

Each bidder understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

In connection with approval of the Bonds, the Texas Attorney General may require confirmation of any or all of the foregoing verifications. The winning bidder must be able to provide such confirmation(s) in a form acceptable to the Texas Attorney General, if requested.

IMPACT OF BIDDING SYNDICATE ON AWARD: For purposes of contracting for the sale of the Bonds, the entity signing the Official Bid Form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL BOND. Initial delivery of the Bonds to the Purchaser (the "Initial Delivery") will be accomplished by the issuance of one Initial Bond (also called the "Bonds"), either in typed or printed form, in the aggregate principal amount of \$23,830,000.00,* payable in stated installments to the Purchaser, signed by manual or facsimile signature by the Mayor and City Secretary of the City Council of the City of Boerne, Texas, approved by the Texas Attorney General, and registered and manually signed by the Comptroller of Public Accounts. Initial Delivery of the Bonds will be at the designated office of the Paying Agent/Registrar. Upon delivery of the Initial Bonds, they shall be immediately canceled and one definitive Bond for each maturity payable to Cede & Co. will be exchanged therefore and delivered to DTC in connection with DTC's Book-Entry-Only System. Payment for the Bonds must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given seven (7) business days' notice of the time fixed for delivery of the Bonds. It is anticipated that delivery of the Initial Bond can be made on or about December 15, 2021. If for any reason the City is unable to make delivery by December 15, 2021, then the City shall immediately contact the Purchaser and offer to allow the Purchaser to extend for an additional up to ten (10) days its obligation to take up and pay for the Bonds. If the Purchaser does not so elect within six (6) days thereafter, then its Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Bonds, provided such failure is due to circumstances beyond the City's reasonable control.

* Preliminary, subject to change.

DTC DEFINITIVE BONDS. After delivery of the Initial Bond, the Bonds will be issued in Book-Entry-Only form. Cede & Co. is the nominee for DTC. All references herein to the registered owner of the Bonds shall mean Cede & Co. and not the Beneficial Owners of the Bonds. Purchasers of beneficial interests in the Bonds will be made in Book-Entry-Only form (without registered Bonds) in the denomination of \$5,000 principal amount or any integral multiple thereof. Under certain limited circumstances described herein, the City may determine to forego immobilization of the Bonds at DTC, or another securities depository, in which case such beneficial interests would become exchangeable for one or more fully registered obligations of like principal amount for the Bonds.

CUSIP NUMBERS. It is anticipated that CUSIP identification numbers will appear on the Bonds, but neither the failure to print or type such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the City; however, the CUSIP Service Bureau charge for the assignment of the numbers shall be paid by the Purchaser.

CONDITIONS OF DELIVERY. The Purchaser's obligation to take up and pay for the Bonds is subject to the issuance of an approving opinion of the Texas Attorney General, the Purchaser's acknowledgment of the receipt of the Initial Bond, the opinion and the Purchaser's receipt of the legal opinion of Bond Counsel (hereafter defined), the no-litigation certificate, and a certificate as to Official Statement, all as described in the Preliminary Official Statement.

In order to provide the City with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended (the "Code") relating to the exclusion of interest on the Bonds from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the City (on or before the date of Initial Delivery of the Bonds) a certification as to their "issue price" (the "Issue Price Certificate") in the form and to the effect attached hereto or accompanying this Official Notice of Sale, subject to the conditions set forth in "ESTABLISHMENT OF ISSUE PRICE" below.

ESTABLISHMENT OF ISSUE PRICE:

The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City by the date of Initial Delivery an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, such issue price certificate substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City, and Norton Rose Fulbright US LLP, the City's Bond Counsel (but not to the extent that would preclude the establishment of issue price of the Bonds under applicable federal regulations). All actions to be taken by the City under this Official Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City's Financial Advisor and any notice or report to be provided to the City may be provided to the City's Financial Advisor.

(a) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) the City shall disseminate this Official Notice of Sale to potential underwriters (defined below) in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

(b) In the event that the competitive sale requirements are not satisfied, the City shall so advise the winning bidder. In such event, the City intends to treat the initial offering price to the public (defined below) as of the sale date (defined below) of each maturity of the Bonds as the issue price of that maturity (the "hold-the-offering-price rule"). The City shall promptly advise the winning bidder, at or before the time of award of the Bonds if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Bonds. **Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies.** In the event that the competitive sale requirements are not satisfied, resulting in the application of the hold-the-offering price rule, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the City.

(c) By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(d) If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds, the winning bidder agrees to promptly report to the City the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the date of Initial Delivery has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold. The 10% test shall be considered satisfied with respect to a maturity when at least 10% of the Bonds of that maturity have been sold to the public at a particular price.

(e) The City acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail or other third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail or other third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(f) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail or other third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail or other third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail or other third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(g) Sales of any Bonds to any person that is a related party (defined below) to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this section of the Official Notice of Sale entitled "ESTABLISHMENT OF ISSUE PRICE":

- (1) "public" means any person other than an underwriter or a related party;
- (2) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Bonds to the public);

- (3) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and
- (4) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

LEGAL OPINIONS. The City will furnish to the representative of the Purchaser a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the approving legal opinion of the Attorney General of the State of Texas, that the Bonds are valid and legally binding obligations of the City and, based upon examination of such transcript of proceedings, the legal opinion of Norton Rose Fulbright US LLP, Austin, Texas ("Bond Counsel"). In addition, the City will receive an opinion from Bond Counsel to the effect that the interest on the Bonds, assuming continued compliance with the provisions of the Ordinance, (1) is excludable from the gross income of the owners thereof for federal income tax purposes under the law existing on the date of Initial Delivery of the Bonds, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The opinion of Bond Counsel will be attached to the Bonds delivered to DTC. (See "TAX MATTERS" in the Preliminary Official Statement.)

NO-LITIGATION CERTIFICATE. The City will furnish an executed certificate to the Purchaser to the effect that no litigation of any nature has been filed or is then pending to restrain or enjoin the issuance or delivery of the Bonds, or which would affect the provisions for their payment or security, or in any manner questioning the validity of said Bonds.

CERTIFICATION OF OFFICIAL STATEMENT. At the time of payment for, and initial delivery of, the Initial Bond, the City will execute and deliver to the Purchaser a certificate in the form set forth in the Preliminary Official Statement. (See "OTHER PERTINENT INFORMATION - Authorization of the Official Statement" in the Preliminary Official Statement.)

CHANGES IN TAX-EXEMPT STATUS. At any time before the Bonds are tendered for delivery, the Purchaser may withdraw his bid if the interest received by private holders from obligations of the same type and character shall be declared to be taxable income under present federal income tax laws, either by ruling of the Internal Revenue Service or by a decision of any federal court, or shall be declared taxable or be required to be taken into account in computing any federal income taxes, by the terms of any federal income tax law (other than as described in the Preliminary Official Statement under "TAX MATTERS").

GENERAL CONSIDERATIONS

FINANCIAL ADVISOR. SAMCO Capital Markets, Inc. is employed as Financial Advisor to the City in connection with the issuance of the Bonds and will not submit a bid. SAMCO Capital Markets, Inc. has also been designated as the City's independent registered municipal advisor. 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. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

NOT AN OFFER TO SELL. The Official Notice of Sale does not alone constitute an offer to sell, but is merely a Notice of Sale of Bonds as directed by the City Council of the City. The offer by the City Council of the City to sell the Bonds to the successful bidder is being made by means of the Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form. Prospective bidders are urged to examine the Preliminary Official Statement carefully to determine the investment quality of the Bonds.

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); and 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 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.

It is the obligation of the Purchaser to register or qualify the sale of the Bonds under the securities laws of any jurisdiction that so requires. The City agrees to cooperate, at the Purchaser's written request and expense, in registering or qualifying the Bonds, or in obtaining an exemption from registration or qualification in any state

where such action is necessary; provided, however, that the City shall not be required to consent to a general consent to service of process in any jurisdiction.

MUNICIPAL BOND RATING. The City has made applications to S&P Global Ratings ("S&P") for a contract rating on the Bonds. See "OTHER PERTINENT INFORMATION - Municipal Bond Ratings" in the Preliminary Official Statement. The results will be made available as soon as possible.

OFFICIAL STATEMENT

By accepting the winning bid, the City agrees to the following representations and covenants to assist the Purchaser in complying with Rule 15c2-12, as amended (the "Rule"), of the United States Securities and Exchange Commission ("SEC").

THE PRELIMINARY OFFICIAL STATEMENT AND COMPLIANCE WITH THE RULE. The City will approve and authorize the accompanying Preliminary Official Statement and, for the limited purpose of complying with the Rule, will deem such Preliminary Official Statement to be "final" as of its date within the meaning of the Rule for the purpose of review prior to bidding. To the best knowledge and belief of the City, the Preliminary Official Statement contains information, including financial information and operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Bonds. Representations made and to be made by the City concerning the absence of material misstatements and omissions in the Preliminary Official Statement are addressed elsewhere in this Official Notice of Sale and Bidding Instructions and in the Preliminary Official Statement.

The City will furnish to the Purchaser, acting through a designated senior representative, in accordance with instructions received from the Purchaser, within seven (7) business days after the sale date, an aggregate maximum of fifty (50) copies of the final Official Statement, together with information regarding interest rates and other terms relating to the reoffering of the Bonds. The City agrees to provide, or cause to be provided, to the Purchaser the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a designated electronic format (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board ("MSRB"). The City consents to the distribution of such documents in a designated electronic format. Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the MSRB Rule G-32. The Purchaser will be responsible for providing information concerning the City and the Bonds to subsequent purchasers of the Bonds, and the City will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The City's obligation to supplement the Official Statement to correct key representations determined to be omitted or materially misleading, after the date of the Official Statement, shall terminate 25 days after the sale date.

CONTINUING DISCLOSURE AGREEMENT. The City will agree in the Ordinance to provide certain periodic information and notices of specified events in accordance with the Rule, as described in the Preliminary Official Statement under "CONTINUING DISCLOSURE OF INFORMATION." The Purchaser's obligation to accept and pay for the Bonds is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

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

AUTHENTICITY OF FINANCIAL INFORMATION. The financial data and other information contained in the Preliminary Official Statement have been obtained from the City's records, audit reports and other sources which are believed to be reliable. Both the Official Notice of Sale and the Preliminary Official Statement, including the distribution thereof, will be approved by the City Council pursuant to the Ordinance.

The City Council has, in the Ordinance authorizing the issuance of the Bonds, confirmed its approval of the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorize its use in the reoffering of the Bonds by the Purchaser.

The City Council has authorized certain City officials to approve the form and content of the Official Notice of Sale, the Official Bid Form, and the Preliminary Official Statement and also has authorized the use thereof in its initial offering of the Bonds.

CITY OF BOERNE, TEXAS

/s/

Mayor

ATTEST:

/s/

City Secretary

November 10, 2021

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OFFICIAL BID FORM

November 18, 2021

The Honorable Mayor and
Members of the City Council
City of Boerne
447 N. Main Street
Boerne, Texas 78006

Members of the City Council:

Reference is made to your "Official Notice of Sale" and "Preliminary Official Statement" dated November 9, 2021, concerning \$23,830,000* CITY OF BOERNE, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021 (the "Bonds"), which are made a part hereof (the terms of which are hereto agreed as evidenced by our submission of this bid).

For your legally issued Bonds, as described in said "Official Notice of Sale" and "Preliminary Official Statement," we will pay a price of \$_____, plus accrued interest, for Bonds maturing on March 1 in the year and in the amount and interest rate shown below:

<u>Principal Amount(\$)*</u>	<u>Stated Maturity</u>	<u>Interest Rate(%)</u>	<u>Yield(%)</u>	<u>Principal Amount(\$)*</u>	<u>Stated Maturity</u>	<u>Interest Rate(%)</u>	<u>Yield(%)</u>
1,480,000	2023			1,555,000	2032		
1,410,000	2024			1,635,000	2033		
1,395,000	2025			915,000	2034		
1,380,000	2026			945,000	2035		
1,375,000	2027			975,000	2036		
1,645,000	2028			1,000,000	2037		
1,630,000	2029			1,035,000	2038		
1,640,000	2030			1,065,000	2039		
1,655,000	2031			1,095,000	2040		

As indicated below, Bidder has elected to bid one or more Term Bonds with each Term Bond consisting of two or more consecutive annual principal amounts accumulated from the maturity schedule above (subject to the District's ability to adjust the size of individual maturities) (the "Term Bonds"). For those years of the Bonds which have been combined into Term Bonds, the principal amounts shown in the maturity schedule above shall be redeemed in each such year except for the principal amounts shown in the year of the Term Bonds maturity date which shall be payable at maturity. The Term Bonds created are as follows:

<u>Term Bonds Maturity Date</u>	<u>Year of First Mandatory Redemption</u>	<u>Principal Amount of Term Bonds(\$)</u>	<u>Interest Rate(%)</u>
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Our calculation of the interest cost in accordance with the above bid is:

GROSS INTEREST COST	\$_____
LESS: DOLLAR AMOUNT OF PREMIUM	_____
NET INTEREST COST	\$_____
EFFECTIVE INTEREST RATE	_____%

* Preliminary, subject to change (see "THE BONDS - Adjustment of Principal Amount and Maturity Schedule for the Bonds" and "CONDITIONS OF THE SALE - Basis of Award").

A Cashier's Check of Frost Bank, in the amount \$476,600.00, which represents our Good Faith Deposit has been made available to you prior to the opening of this bid and is submitted in accordance with the terms as set forth in the Official

Notice of Sale. Upon delivery of the Bonds, said check is to be applied to the purchase price of the Bonds, or is to be returned as directed by us.

We agree to accept delivery of and make payment for the Bonds utilizing the book-entry-only system through DTC and make payment for the Initial Bonds in immediately available funds in the Corporate Trust Division, Zions Bancorporation, National Association, Houston, Texas, not later than 10:00 A.M., Central Time, on December 15, 2021, or thereafter on the date the Bonds are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale.

The "Initial Bond" shall be registered in the name of _____, which will, upon payment for the Bonds, be cancelled by the Paying Agent/Registrar. The Bonds will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the book-entry-only system.

The undersigned agrees to the provisions of the Official Notice of Sale under the heading "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS - ESTABLISHMENT OF ISSUE PRICE" and, as evidence thereof, agrees to complete, execute and deliver to the City by the date of Initial Delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the City (as provided under "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS - ESTABLISHMENT OF ISSUE PRICE").

Through submittal of this executed Official Bid Form, the undersigned verifies that, except to the extent otherwise required by applicable Texas or Federal law, it (1) does not and will not "boycott Israel", (2) is not a company on the Texas Comptroller's list concerning "foreign terrorist organizations" prepared and maintained thereby under applicable Texas law, (3) does not and will not "discriminate against a firearm entity or firearm trade association", and (4) does not and will not "boycott energy companies", all as more fully provided in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD".

It will be the obligation of the Purchaser of the Bonds to complete and file the DTC Eligibility Questionnaire.

For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Upon notification of conditional verbal acceptance, if required, the undersigned will submit an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed, and sent by email to the City's financial advisor at dwesterman@samcocapital.com and Bond Counsel at stephanie.leibe@nortonrosefulbright.com. The undersigned understands that the failure to provide the certified Disclosure Form, if required, will prohibit the City from providing final written award of the enclosed bid.

Respectfully submitted,

(Purchaser)

(Purchaser's Signature)

(Signature - Title)

(Telephone)

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ACCEPTED this ____ day of November 2021 by the City Council of the City of Boerne, Texas subject to and in accordance with the Official Notice of Sale and the Official Statement.

Title: _____

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PRELIMINARY OFFICIAL STATEMENT

Dated November 10, 2021

NEW ISSUE - BOOK-ENTRY-ONLY

Rating: Moody's - Applied For
(See "OTHER PERTINENT INFORMATION -
Municipal Bond Rating" herein)

In the opinion of Bond Counsel (defined herein), assuming continuing compliance by the City (defined herein) after the date of initial delivery of the Bonds (defined herein) with certain covenants contained in the Ordinance (defined herein) and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. See "TAX MATTERS" herein.

\$23,830,000*

CITY OF BOERNE, TEXAS

(A political subdivision of the State of Texas located in Kendall County)

GENERAL OBLIGATION REFUNDING BONDS,

SERIES 2021

Dated Date: December 1, 2021

Due: March 1, as shown on page -ii- herein

The \$23,830,000* City of Boerne, Texas (the "City" or the "Issuer") General Obligation Refunding Bonds, Series 2021 (the "Bonds") are being issued pursuant to the laws of the State of Texas, including Chapter 1207, as amended ("Chapter 1207"), Texas Government Code, an ordinance (the "Ordinance") adopted on October 26, 2021 by the City Council of the City (each an "Authorized Official"), and the City's Home Rule Charter. In the Ordinance, the City Council delegated to certain authorized officials of the City, pursuant to certain provisions of Chapter 1207, authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the sale will be included in an "Approval Certificate," which will complete the sale of the Bonds. See "THE BONDS - Authority for Issuance" herein.

The Bonds are direct obligations of the City payable from an annual ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City. See "THE BONDS - Authority for Issuance," "THE BONDS - Security for Payment," and "AD VALOREM PROPERTY TAXATION" herein.

Interest on the Bonds will accrue from the Dated Date as shown above, will be payable on March 1 and September 1 of each year, commencing March 1, 2022, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of Bonds representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by Zions Bancorporation, National Association, Houston, Texas, as the initial Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. See "THE BONDS - General Description" and "BOOK - ENTRY-ONLY SYSTEM" herein.

Proceeds from the sale of the Bonds will be used to (i) provide funds sufficient to refund a portion of the City's currently outstanding obligations, as identified in Schedule I attached hereto (the "Refunded Obligations") for debt service savings, and (ii) pay for the costs of issuing the Bonds. See "SOURCES AND USES OF FUNDS" and "PLAN OF FINANCING" herein.

**FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS,
AND REDEMPTION PROVISIONS FOR THE BONDS, SEE INSIDE PAGE OF THIS FRONT COVER**

The Bonds are offered for delivery when, as and if issued and received by the initial purchasers thereof named below (the "Purchasers") and are subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, Bond Counsel. See "LEGAL MATTERS" herein for a discussion of Bond Counsel's opinion. It is expected that the Bonds will be available for delivery through the services of DTC, New York, New York, on or about December 15, 2021.

BIDS DUE THURSDAY, NOVEMBER 18, 2021 11:00 A.M. CENTRAL TIME

* Preliminary, subject to change.

**STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES,
INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS**

\$23,830,000*
CITY OF BOERNE, TEXAS
(A political subdivision of the State of Texas located in Kendall County)
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2021

CUSIP NO. PREFIX⁽¹⁾: 097041

MATURITY SCHEDULE

Principal Amount(\$)	Stated Maturity (March 1)	Interest Rate (%)	Initial Yield (%)	CUSIP No. Suffix ⁽¹⁾
1,480,000	2023			
1,410,000	2024			
1,395,000	2025			
1,380,000	2026			
1,375,000	2027			
1,645,000	2028			
1,630,000	2029			
1,640,000	2030			
1,655,000	2031			
1,555,000	2032			
1,635,000	2033			
915,000	2034			
945,000	2035			
975,000	2036			
1,000,000	2037			
1,035,000	2038			
1,065,000	2039			
1,095,000	2040			

(Interest to accrue from Dated Date)

Optional Redemption

The Bonds stated to mature on or after March 1, 2031 are subject to optional redemption prior to their scheduled maturities at the option of the City, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2030 or any date thereafter, at a price of par plus accrued interest to the date fixed for redemption. If two or more serial bonds of consecutive maturity are combined into one or more "term" Bonds (the "Term Bonds") by the Purchasers, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Ordinance. See "THE BONDS - Redemption Provisions of the Bonds" herein.

* Preliminary, subject to change.

⁽¹⁾ CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Markets Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Purchasers, the City, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

CITY OF BOERNE, TEXAS
447 N. Main Street
Boerne, Texas 78006

CITY COUNCIL

Name	Position	Years of Service	Term Expires May	Occupation
Tim Handren	Mayor	3	2023	CEO Santikos
Ty Wolosin	Mayor Pro Tem	3	2022	Brewer
Nina Woolard	Council Member	10	2023	Tax Consulting
Quinten Scott	Council Member	2	2022	Finance & Publisher
Bryce Boddie	Council Member	1	2023	Social Worker
Joseph Macaluso	Council Member	2	2022	Retired Physician/Surgeon

ADMINISTRATION

Name	Position	Length of Service With City
Ben Thatcher	City Manager	1.5 Years
Kristy Stark	Assistant City Manager	3 Mos.
Danny Zincke	Assistant City Manager	10 Years
Sandra L. Mattick	Director of Finance	17 Years
Lori Carroll	City Secretary	19 Years
Barbara Quirk	City Attorney	2 Years

* Sandra L. Mattick recently announced her retirement, to be effective in January, 2022. Sarah Buckelew has been appointed as the new Director of Finance for the City.

CONSULTANTS AND ADVISORS

ABIP, PC
San Antonio, Texas

Certified Public Accountants

Norton Rose Fulbright US LLP
Austin and San Antonio, Texas

Bond Counsel

SAMCO Capital Markets, Inc.
San Antonio, Texas

Financial Advisor

For Additional Information Contact:

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Allen R. Westerman, Managing Director
SAMCO Capital Markets, Inc.
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San Antonio, Texas 78209
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Fax (210) 832-9794
Email: dwesterman@samcocapital.com
Email: nwesterman@samcocapital.com

Or

Ben Thatcher, City Manager
Sarah Buckelew, Director of Finance
City of Boerne
Post Office Box 1677 (447 N. Main Street)
Boerne, Texas 78006-1677
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Email: bthatcher@ci.boerne.tx.us
Email: sbuckelew@ci.boerne.tx.us

USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the "Rule") and in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the City with respect to the Bonds that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by the Rule.

No dealer, broker, salesman, or other person has been authorized by the City to give any information or to make any representation with respect to the Bonds, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing.

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Purchasers.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

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

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES 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 JURISDICTIONS IN WHICH THESE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION FOR THE PURCHASE THEREOF.

IN CONNECTION WITH THIS OFFERING, THE PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THIS ISSUE AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

None of the City, the Financial Advisor, or the Purchasers 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."

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

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

OFFICIAL STATEMENT SUMMARY INFORMATION

The following information is qualified in its entirety by more detailed information and financial statements appearing elsewhere 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 page from this Official Statement or to otherwise use it without the entire Official Statement.

THE ISSUER	The City of Boerne, Texas (the "City") is a political subdivision and municipal corporation of the State of Texas, operating pursuant to its Home Rule Charter, located in Kendall County, Texas. The Home Rule Charter was amended on November 3, 2020. The City covers approximately 11.92 square miles and is the county seat of Kendall County. See "APPENDIX B - "General Information Regarding the City of Boerne, Texas and its Economy."
THE BONDS	<p>The Bonds are issued as "City of Boerne, Texas General Obligation Refunding Bonds, Series 2021." Semi-annual interest payments begin on March 1, 2022 and continue on each September 1 and March 1 thereafter until stated maturity or prior redemption. The Bonds are being issued in the principal amount of \$23,830,000.* See THE BONDS - General Description" herein.</p> <p>The Bonds will mature on the dates indicated on page -ii- herein.</p>
DATED DATE	December 1, 2021.
AUTHORITY FOR ISSUANCE	The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, as amended, Texas Government Code ("Chapter 1207"), an ordinance (the "Ordinance") passed by the City Council of the City on October 26, 2021, and the City's Home Rule Charter. In the Ordinance, the City Council delegated to certain authorized officials of the City (each, an "Authorized Official") pursuant to certain provisions of Chapter 1207, authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the sale are included in an "Approval Certificate," which will complete the sale of the Bonds and will be executed by an Authorized Official on November 18, 2021. See "THE BONDS - Authority for Issuance" herein.
SECURITY FOR THE BONDS	The Bonds are direct obligations of the City, payable from a levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City. See "THE BONDS - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.
REDEMPTION	The Bonds stated to mature on and after March 1, 2031 are subject to optional redemption on March 1, 2030, or any date thereafter, at a price of par plus accrued interest to the date fixed for redemption. See "THE BONDS - Redemption Provisions of the Bonds" herein.
PAYING AGENT/REGISTRAR	The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Houston, Texas.
BOOK-ENTRY-ONLY SYSTEM	The City intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment as to principal and interest. See "BOOK-ENTRY-ONLY SYSTEM" herein.
TAX EXEMPTION	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under the caption "TAX MATTERS" herein.
USE OF PROCEEDS	The proceeds of the Bonds will be used to (i) provide funds sufficient to refund a portion of the City's currently outstanding obligations, as identified in Schedule I attached hereto (the "Refunded Obligations"), for debt service savings, and (ii) pay the costs related to the issuance of the Bonds. See "PLAN OF FINANCING - Purpose" herein.
BOND RATING	The City has made application to Moody's Investors Service, Inc. ("Moody's") for a contract rating on the Bonds. The results will be made available as soon as possible. See "OTHER PERTINENT INFORMATION - Municipal Bond Rating" herein.
FUTURE BOND ISSUES	The City, in its long-range planning process, has identified additional capital improvement projects which may be funded through debt financings in the next twelve to fourteen months.
PAYMENT RECORD	The City has never defaulted on the payment of its bonded indebtedness.
DELIVERY	When issued, anticipated on or about December 15, 2021.
LEGALITY	The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, Bond Counsel. See "APPENDIX D - Form of Opinion of Bond Counsel" herein.

* Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT

\$23,830,000*

CITY OF BOERNE, TEXAS

(A political subdivision of the State of Texas located in Kendall County, Texas)

**GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2021**

INTRODUCTION

This Official Statement, which includes the cover page, schedule, and the appendices hereto, provides certain information in connection with the issuance by the City of Boerne, Texas (the "City" or the "Issuer") of its General Obligation Refunding Bonds, Series 2021 (the "Bonds") in the aggregate principal amount of \$23,830,000.* Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance authorizing the issuance of the Bonds (the "Ordinance"), except as otherwise indicated herein.

This Official Statement contains descriptions of the Bonds and certain other information about 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 upon request from the City and, during the offering period, from the City's Financial Advisor, SAMCO Capital Markets, Inc., 1020 N. E. Loop 410, Suite 640, San Antonio, Texas 78209, upon request by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of this Official Statement pertaining to the Bonds will be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis. Capitalized terms used, but not defined herein, shall have the meanings ascribed thereto in the Ordinance.

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency (including TEA) that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness, mitigation, and phased reopening of the State. However, on July 29, 2021, the Governor issued Executive Order GA-38, which supersedes all pre-existing executive orders relating to COVID-19 and rescinds them in their entirety, except for Executive Order G-13 (relating to detention in county and municipal jails) and Executive Order GA-37 (related to migrant transport). Executive Order GA-38 combines several previous executive orders into one order and continues the prohibition against governmental entities in Texas, including counties, cities, school districts, public health authorities, and government officials from requiring or mandating any person to wear a face covering and subjects a governmental entity or official to a fine of up to \$1,000 for noncompliance. It also prohibits governmental entities from (i) compelling any individual to receive a COVID-19 vaccine administered under emergency use authorization, and (ii) enforcing any requirements to show proof of vaccination before receiving a service or entering any place (other than nursing homes, hospitals, and similar facilities) if the public or private entity that has adopted such requirement receives public funds through any means. Executive Order GA-38 remains in effect until amended, rescinded, or superceded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <http://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the City. It is unclear at this time what effect, if any, COVID-19 and resulting economic disruption may have on future assessed values or the collection of taxes, either because of delinquencies or

* Preliminary, subject to change.

collection and valuation relief resulting from the declared emergency. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the City's share of operations and maintenance expenses payable from ad valorem taxes.

The City collects a sales and use tax on all taxable transactions within the City's boundaries and other excise taxes and fees that depend on business activity. Actions taken to slow the Pandemic are expected to continue to reduce economic activity within the City on which the City collects taxes, charges, and fees. A reduction in the collection of sales or other excise taxes and other fees and charges may negatively impact the City's operating budget and overall financial condition. In addition, the Pandemic has resulted in volatility of the value of investments in pension funds. Any prolonged continuation of the Pandemic could further weaken asset values or slow or prevent their recovery, which could require increased City contributions to fund or pay retirement and other post-employment benefits in the future.

The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition, and the effect could be material.

Convening of the Texas Legislature

On January 12, 2021, the 87th Texas Legislature convened in general session which adjourned on May 31, 2021. The Texas Governor called a first special session which began July 8, 2021, and concluded on August 6, 2021. The Governor called a second special session which began on August 7, 2021 and concluded on September 2, 2021. The Governor called a third special session which convened on September 20, 2021 and concluded on October 19, 2021. The Texas Governor may call one or more additional special sessions. While in session, the Texas Legislature may enact laws that materially change current law as it relates to the City and the financial condition of the City. The City makes no representation regarding any actions the Texas Legislature may take but intends to monitor proposed and final legislation for any developments applicable to the City.

PLAN OF FINANCING

Purpose

The Bonds are being issued to: (i) refund a portion of the City's currently outstanding debt, identified on Schedule I attached hereto (the "Refunded Obligations"), for debt service savings, and (ii) pay the costs associated with the issuance of the Bonds. See Schedule I for a detailed listing of the Refunded Obligations and their call date at par.

Refunded Obligations

The Refunded Obligations, and interest due thereon, are to be paid on the scheduled maturity and redemption dates from funds to be deposited with Zions Bancorporation, National Association, Houston, Texas (the "Escrow Agent") pursuant to an Escrow Deposit Letter dated as of October 26, 2021 (the "Escrow Agreement") between the City and the Escrow Agent.

The Ordinance provides that the City will deposit certain proceeds of the sale of the Bonds, along with other lawfully available funds of the City (if any), with the Escrow Agent in the amount necessary and sufficient to accomplish the discharge and final payment of the Refunded Obligations at their scheduled date of early redemption (the "Redemption Date"). Such funds shall be held by the Escrow Agent in an escrow fund (the "Escrow Fund") irrevocably pledged to the payment of principal of and interest on the Refunded Obligations. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor to the City, will certify as to the sufficiency of the amount initially deposited to the Escrow Fund, without regard to investment (if any), to pay the principal of and interest on the Refunded Obligations, when due, on the Redemption Date (the "Sufficiency Certificate"). Amounts on deposit in the Escrow Fund shall, until such time as needed for their intended purpose, be (i) held uninvested in cash and/or (ii) invested in certain direct, noncallable obligations of the United States of America (including obligations unconditionally guaranteed by the United States of America) that were, on the date the Ordinance was adopted, rated as to investment quality by a nationally recognized rating firm of not less than "AAA". Cash and investments, if any, held in the Escrow Fund shall not be available to pay debt service requirements on the Bonds.

Prior to, or simultaneously with the issuance of the Bonds, the City will give irrevocable instructions to provide notice to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Obligations from money held under the Escrow Agreement.

By the deposit of the cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all of the Refunded Obligations in accordance with the law. It is the opinion of Bond Counsel, in reliance upon the Sufficiency Certificate provided by SAMCO Capital Markets, Inc., that as a result of such defeasance the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrow Fund held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes nor for the purpose of applying any limitation on the issuance of debt. The City has covenanted

in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Obligations, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund be insufficient to make such payment.

SOURCES AND USES OF FUNDS

Sources of Funds:

Par Amount of Bonds	\$ _____
[Net] Reoffering Premium	
City's Cash Contribution	
Accrued Interest	
Total	\$ _____

Uses of Funds:

Deposit to Escrow Fund	\$ _____
Costs of Issuance	
Purchaser's Discount	
Deposit to Bond Fund	
Contingency	
Total	\$ _____

THE BONDS

Authority for Issuance

The Bonds are being issued pursuant to the laws of the State of Texas, including Chapter 1207, as amended, Texas Government Code ("Chapter 1207"), the Ordinance, and the City's Home Rule Charter. In the Ordinance, the City Council delegated to certain authorized officials of the City (each, an "Authorized Official"), pursuant to certain provisions of Chapter 1207, authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds.

General Description

The Bonds are dated December 1, 2021 (the "Dated Date") and will accrue interest from the Dated Date, with such interest being payable on March 1 and September 1 in each year, commencing March 1, 2022, until stated maturity or prior redemption. The Bonds will mature on the dates, in the principal amounts and will bear interest at the rates set forth on the inside cover page of this Official Statement.

Interest on the Bonds is payable to the registered owners appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at maturity or redemption, upon their presentation and surrender to the Paying Agent/Registrar. The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 principal for any one maturity.

Initially the Bonds will be 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.** Notwithstanding the foregoing, as long as the Bonds are held in the Book-Entry-Only System, 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 "BOOK-ENTRY-ONLY SYSTEM" herein.

Security for Payment

The Bonds constitute direct obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, as provided in the Ordinance. See "AD VALOREM PROPERTY TAXATION" herein.

Payment Record

The City has never defaulted on the payment of its bonded indebtedness.

Legality

The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, Bond Counsel. The legal opinion

of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the Bonds. A form of the legal opinion of Bond Counsel appears in APPENDIX D attached hereto.

Delivery

When issued; anticipated to occur on or about December 15, 2021.

Future Issues

The City, in its long-range planning process, has identified additional capital improvement projects which may be funded through debt financing in the next twelve to fourteen months.

Redemption Provisions of the Bonds

The City reserves the right to redeem the Bonds maturing on and after March 1, 2031 in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on March 1, 2030 or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. The years of maturity of the Bonds called for redemption shall be selected by the City. If two or more serial bonds of consecutive maturity are combined into one or more "term" Bonds (the "Term Bonds") by the Purchasers, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Ordinance.

Selection of Bonds for Redemption

If less than all of the Bonds are redeemed within a stated maturity at any time, the Bonds to be redeemed shall be selected by the Paying Agent/Registrar at random and by lot or other customary method in multiples of \$5,000 within any stated maturity.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Bonds or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Bond or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same stated maturity and interest rate for the unredeemed portion of the principal. In the event of redemption of less than all of the Bonds of a particular stated maturity, the Paying Agent/Registrar is required to select the Bonds of such stated maturity to be redeemed by such random method as it deems fair and appropriate and which may provide for the selection for redemption of portions (equal to any authorized denomination) of the Bonds of a denomination larger than \$5,000.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer or the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with

respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

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 a paying agent, in trust (1) money sufficient to make such payment, (2) Government Obligations (defined below), certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, or (3) a combination of money and Government Obligations together so certified sufficient to make such payment. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right in the Ordinance, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Obligations for the Government Obligations originally deposited, to reinvest the uninvested money on deposit for such defeasance and to withdraw for the benefit of the City money in excess of the amount required for such defeasance. The Ordinance provides that "Government Obligations" 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 the governing body of the City authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. City officials are permitted to limit the universe of Government Obligations in connection with the sale of the Bonds. There is no assurance that the ratings for United States Treasury securities acquired to defease any Bonds, or those for any other Government Obligations, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Bonds will no longer be regarded to be outstanding obligations for purposes of applying any limitation on indebtedness or for purposes of taxation. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, 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 City's right to redeem Bonds defeased to stated maturity is not extinguished if the City has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their stated maturity date, 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 in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of all of the registered owners of the Bonds then outstanding, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of, or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the percentage of the aggregate principal amount of Bonds required to be held for consent to any amendment, addition, or waiver.

Defaults and Remedies

If the City defaults in the payment of principal or 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 forth 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 controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the 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. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Furthermore, Tooke, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In *Wasson Interests, Ltd., v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson") the Court addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary at the time of conception of the contractual relationship.

Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

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 and by general principles of equity which permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Houston, Texas. The Bonds will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. If the Bonds are not held in the Book-Entry-Only System, interest on the Bonds will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books on the Record Date (see "REGISTRATION, TRANSFER AND EXCHANGE - Record Date" herein) or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner, and principal of the Bonds will be paid to the registered owner at stated maturity or earlier redemption upon presentation to the Paying Agent/Registrar.

Successor Paying Agent/Registrar

The City covenants that until the Bonds are paid it will at all times maintain and provide a Paying Agent/Registrar. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the City shall be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City will promptly cause a notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall give the address of the new Paying Agent/Registrar.

Record Date

The record date ("Record Date") for determining the person entitled to the payment of interest on a Bond is the fifteenth day of the month next preceding each interest payment date.

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

Special Record Date for Interest Payment

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. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the 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.

Registration, Transferability and Exchange

In the event the Book-Entry-Only System shall be discontinued, printed bonds will be issued to the registered owners of the Bonds and thereafter the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer 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 and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or 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 registered mail to the new registered owner at the registered owner's request, risk and expense. 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 (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer 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 denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and at the same maturity or maturities as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Limitation on Transferability of Bonds Called for Redemption

Neither the City nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Bond redeemed in part.

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond of like kind and in the same amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen, or lost, such new Bond will be delivered only (a) upon filing with the City and the Paying Agent/Registrar evidence satisfactory to establish to the City and the Paying Agent/Registrar that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the City and the Paying Agent/Registrar with Bond or indemnity satisfactory to them. The person requesting the authentication and delivery of a

new Bond must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOOK-ENTRY-ONLY SYSTEM

The following 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 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, the Financial Advisor and the Purchasers believe the source of such information to be reliable, but take 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 United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the 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 security certificate will be issued for each maturity 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 corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission (the "SEC"). More information about DTC can be found at www.dtcc.com.

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-Only 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 registrar and request that copies of notices be provided directly to them.

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

Redemption proceeds and 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 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 price and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC (or its nominee), and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's Book-Entry System has been obtained from sources that the City believes to be reliable, but the City, the Financial Advisors, and the Purchasers take no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of This Official Statement

In reading this Official Statement it should be understood that while the 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.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates will be issued to the respective holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under the caption "REGISTRATION, TRANSFER AND EXCHANGE" above.

INVESTMENT POLICIES

Investments

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

Legal Investments

Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations 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 issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates;

(8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The City may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the City may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the City may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the City is not required to liquidate the investment unless it no longer carries a required rating, in which case the City is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

Investment Policies

Under State law, the City is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The City is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the City's investments 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." The City is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

Current Investments*

As of September 30, 2021, the following percentages of the City's investable funds from its General Fund were invested as indicated below:

<u>Category of Investments</u>	<u>Amount</u>	<u>Percentage</u>	<u>Term of Investments</u>
Investment Pools	\$ 8,093,967	53%	N/A
Certificates of Deposit	3,044,444	20%	21 to 34 months
Municipal Bonds	2,116,232	14%	16 to 33 months
Commercial Paper	<u>2,000,000</u>	<u>13%</u>	9 months
Total	\$15,254,643	100%	

As of such date, the "fair" value of such investments (as determined by the City by reference to published quotations, dealer bids, and comparable information) was approximately 100% their book "balance." No funds of the City are invested in derivative securities, *i.e.*, securities whose rate of return is determined by reference to some other instrument, index, or commodity.

* *Unaudited.*

PENSION FUND AND OTHER POST-EMPLOYMENT BENEFITS

The City provides certain post-retirement benefits to retired employees that fall within the scope of Governmental Accounting Standards Board's Statement of General Accounting Standards No. 45 ("GASB 45"), Accounting by Employers for Other Post-Employment Benefits ("OPEB").

GASB 45, which sets forth standards for the measurement, recognition, and display of post-employment benefits other than pensions (such as health and life insurance for current and future retirees), applies to the City and requires implementation by the City for the fiscal year that began October 1, 2008. GASB 45 requires the City to: (i) measure the cost of benefits, and recognize other post-employment benefits expense, on the accrual basis of accounting over the working lifetime of the employees; (ii) provide information about the actuarial liabilities for promised benefits associated with past services and whether, or to what extent, the future costs of those benefits have been funded; and provide information useful in assessing potential demands on the employer's future cash flows. The employer's contributions to OPEB costs that are less than an actuarially determined annual required contribution will result in a net OPEB cost, which under GASB 45 must be recorded as a liability in the employer's financial statements.

See NOTES TO FINANCIAL STATEMENTS, Note V.C. - Other Post-Employment Benefits and Note V.D. - Employee Retirement Systems and Pension Plans, in the audited financial statements of the City for the year ended September 30, 2020 as set forth in APPENDIX C hereto.

AD VALOREM PROPERTY TAXATION

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

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The Kendall Appraisal District (the "Appraisal District") is primarily responsible for appraising property within the City generally as of January 1 of each year. Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

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

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

Local Option Freeze for the Elderly and Disabled

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

Personal Property

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

Freeport and Goods-in-Transit Exemptions

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

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

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

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

Tax Increment Reinvestment Zones

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

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the City, see "CITY'S APPLICATION OF PROPERTY TAX CODE" herein.

City and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

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

Public Hearing and Maintenance and Operations Tax Rate Limitations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Debt Tax Rate Limitations

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

CITY'S APPLICATION OF THE PROPERTY TAX CODE

The City grants an optional exemption of \$10,000 to the market value of the residence homestead of persons 65 years of age or older and the disabled.

The City does not grant an additional exemption of up to 20% for residence homesteads.

The City taxes business personal property.

The Kendall County Tax Collector collects property taxes for the City.

The City does not permit discounts or split payments, except in the case of persons over 65 or disabled who are permitted to pay taxes on homesteads in four installments. The first installment is due on February 1 of each year and the final installment is due on August 1.

The City grants the Article VIII, Section 1-j property ("freeport property") exemption but currently has no property in this category.

The City currently does not have any active abatement agreements.

The City currently does not have any tax increment reinvestment zones.

The City currently does not have any public improvement districts but is in the process of considering one.

The City has entered into 20 Chapter 380 agreements regarding developments in the City. Of those, nine are still active.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof 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. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion appears in APPENDIX D hereto.

In rendering the foregoing opinions, Bond Counsel will rely upon the Sufficiency Certificate and the representations and certifications of the City made in certificates 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.

Except as described above, Bond Counsel will express 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. 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 municipal 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.

Tax Changes

Existing law may change to reduce or eliminate the benefit to Bond holders 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 purchaser of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

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, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust ("FASIT"), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit 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.

Tax Accounting Treatment of Discount Bonds

The initial public offering price to be paid for certain Bonds may be less than the amount payable on such Bonds at maturity (the "Discount Bonds"). 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 Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Bonds. 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 his taxable year.

However, such accrued interest may be required to be taken into account in determining 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, property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, 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.

In the event of the sale or other taxable disposition of a Discount Bond 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 for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

Tax Accounting Treatment of Premium Bonds

The initial public offering price to be paid for certain Bonds may be greater than the stated redemption price on such Bonds at maturity (the "Premium Bonds"). 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 its stated redemption price 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 certificate premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable certificate premium with respect to the Premium Bonds. 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 certificate 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

The City in the Ordinance 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 for so long as it remains obligated to advance funds to pay the 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 to the public free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information from MSRB."

Annual Reports

Under Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the City must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must maintain each audit report within 180 days after the close of the City's fiscal year. The City's fiscal records and audit reports are available for public inspection during the regular business hours, and the City is required to provide a copy of the City's audit reports to any bondholder or other member of the public within a reasonable time on request upon payment of charges prescribed by the Texas General Services Commission.

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated with respect to the City includes all quantitative financial information and operating data of the general type included in this Official Statement. Specifically, the information is of the type included in APPENDIX A, exclusive of the table reflecting "Direct and Estimated Overlapping Funded Debt Payable from Ad Valorem Taxes," "Estimated Interest & Sinking Fund Management Index 2020/21," "Estimated Interest & Sinking Fund Management Index 2022/23," and in APPENDIX C. The City will update and provide this information within six months after the end of each of its fiscal years ending in and after 2021.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if it commissions an audit and the audit is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements at such time and later provide audited financial statements when and if the audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX C or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

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

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, as the case may be; (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; (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, if material; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City will adopt policies and procedures to ensure timely compliance of its continuing disclosure undertakings. 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." Neither the Bonds nor the Ordinance make provision for credit enhancement, liquidity enhancement, or debt service reserves.

For these purposes, (a) any event described in clause (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, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018

Limitations and Amendments

The City has agreed to update information and to provide notices of 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 or beneficial owners of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The City may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the City amends its agreement, 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 past five years, the City has complied in all material respects with continuing disclosure agreements made by it in accordance with the Rule.

LEGAL MATTERS

The City will furnish the Purchasers with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, ("Bond Counsel"), to the effect that the Bonds are valid and legally binding obligations of the City and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. Bond Counsel has been engaged by and only represents the City. A form of Bond Counsel's opinion appears in APPENDIX D attached hereto. Bond Counsel was not requested to participate, and did not take part, in the preparation of this Official Statement except as hereinafter noted and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in their capacity as Bond Counsel, such firm has reviewed the information under the captions "PLAN OF FINANCING - Refunded Obligations," "THE BONDS" (except under the subcaptions "Payment Record," "Delivery," "Future Issues," and "Defaults and Remedies," as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE," "TAX MATTERS," "LEGAL MATTERS" (except for the last sentence of the first paragraph thereof, as to which no opinion is expressed), "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "OTHER PERTINENT INFORMATION - Registration and Qualification of Bonds for Sale," and "CONTINUING DISCLOSURE OF INFORMATION" (except matters discussed under the subcaption "Compliance with Prior Undertakings," as to which no opinion is expressed) 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 the legal issues addressed therein and, with respect to the Bonds, such information conforms to the Ordinance. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on definitive bonds in the event of discontinuance of the Book-Entry-Only System.

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 out of the transaction.

LITIGATION

In the opinion of certain officials of the City, the City is not a party to any litigation or other proceedings pending or, to its knowledge, threatened, in 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 statements of the City.

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION - Municipal Bond Rating" herein. 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 Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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 for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

OTHER PERTINENT INFORMATION

Authenticity of Financial Data and Other Information

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

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); and 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 act of any other 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.

Municipal Bond Rating

The City has made application to Moody's Investors Service, Inc. ("Moody's") for a contract rating on the Bonds. The results will be made available as soon as possible.

An explanation of the significance of such rating may be obtained from Moody's. The rating of the Bonds by Moody's reflects only the view of the company at the time the rating is given, 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 the rating will not be revised downward or withdrawn entirely by Moody's, if, in the judgment of Moody's, circumstances so

warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Financial Advisor

SAMCO Capital Markets, Inc. (the "Financial Advisor") is employed as the 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. In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the City for the investment of bond proceeds or other funds of the City upon the request of the City. SAMCO Capital Markets, Inc., 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 bond documentation with respect to the federal income tax status of the Bonds.

Initial Purchaser

After requesting bids for the Bonds, the City accepted the bid of _____ (the "Purchaser") to purchase the Bonds at the interest rates shown on page ii of the Official Statement at a price of \$_____, which is exclusive of a Purchaser's discount of \$_____, plus accrued interest from their dated date through their date of initial delivery. The City can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Forward Looking Statements

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.

It is important to note that 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 would prove to be accurate.

Certification of the Official Statement

At the time of payment for and delivery of the Bonds, the Purchasers will be furnished a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the description and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, and on the date of the initial delivery of the Bonds, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of circumstances under which they are made, not misleading; (c) insofar as the description and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and that the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since September 30, 2020 the date of the last audited financial statements of the City.

Information from External Sources

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

Authorization of the Official Statement

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City.

This Official Statement has been approved by the City Council of the City for distribution in accordance with provisions of the United States Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c-12, as amended.

The Ordinance also 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 Purchasers.

CITY OF BOERNE, TEXAS

/s/ _____
Mayor

ATTEST:

/s/ _____
City Secretary

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SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS*

<u>Series</u>	<u>Principal Amount (\$)</u>	<u>Maturities</u>	<u>Interest Rates (%)</u>	<u>Redemption Date and Price</u>
City of Boerne, Texas General Obligation Refunding Bonds, Series 2014	815,000	3-1-2023	4.000	3-1-2022 @ 100.00%
	805,000	3-1-2024	3.000	3-1-2022 @ 100.00%
	785,000	3-1-2025	3.000	3-1-2022 @ 100.00%
	770,000	3-1-2026	3.000	3-1-2022 @ 100.00%
	750,000	3-1-2027	3.000	3-1-2022 @ 100.00%
	735,000	3-1-2028	3.000	3-1-2022 @ 100.00%
	720,000	3-1-2029	3.000	3-1-2022 @ 100.00%
	725,000	3-1-2030	3.000	3-1-2022 @ 100.00%
	715,000	3-1-2031	3.125	3-1-2022 @ 100.00%
City of Boerne, Texas Tax Notes, Series 2017	9,080,000	3-1-2023	2.000	3-1-2022 @ 100.00%
	9,300,000	3-1-2024	2.000	3-1-2022 @ 100.00%

* Preliminary, subject to change.

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APPENDIX A
SELECTED FINANCIAL INFORMATION
OF THE CITY OF BOERNE, TEXAS

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VALUATION AND DEBT DATA

Valuation, Exemptions and Debt Obligations

2021 Total Appraised Valuation ⁽¹⁾		\$2,505,957,491
Exemptions and Exclusions:		
100% Disabled Veterans Homestead	\$59,876,279	
Disabled/Deceased Veterans	2,429,000	
Abatement Value	0	
Productivity Loss	28,869,910	
Freeport	13,181,864	
10% HO Cap Loss	36,641,494	
Other	<u>384,600</u>	<u>141,383,147</u>
2021 Certified Taxable Valuation as of 10/1/21 ⁽¹⁾⁽²⁾		\$2,364,574,344

⁽¹⁾ Source: Kendall Appraisal District.

⁽²⁾ Represents approved certified values only; does not include values still under review.

Outstanding Debt By Issues

**Amount
Outstanding
At 10-01-2021 ⁽¹⁾**

General Obligation Debt (as of 10-1-2021)

General Obligation Refunding Bonds, Series 2014	\$ 795,000 ⁽⁴⁾
General Obligation Refunding Bonds, Series 2016 ⁽²⁾	14,150,000
Tax Notes, Series 2017	790,000 ⁽⁴⁾
General Obligation Refunding Bonds, Series 2017 ⁽³⁾	24,945,000
General Obligation Bonds, Series 2019	1,610,000
General Obligation Refunding Bonds, Series 2021 (the "Bonds")	23,830,000 ⁽⁴⁾
Total General Obligation Debt	66,120,000 ⁽⁴⁾
Less: Self Supporting Debt (supported by utility system revenues)	32,020,000
Total Tax Supported Debt	34,100,000
Less: Interest & Sinking Fund Balance (as of 10-01-2021)	<u>618,009</u>
Net General Obligation Debt Outstanding	\$33,481,991 ⁽⁴⁾
Ratio Total Tax Supported Debt to 2021 Taxable Assessed Valuation	1.44%
Ratio Net General Obligation Debt to 2021 Taxable Assessed Valuation	1.42%

⁽¹⁾ Unaudited.

⁽²⁾ This series is approximately 50.00% supported by Utility System revenues.

⁽³⁾ This series is 100.00% supported by Utility System revenues.

⁽⁴⁾ Preliminary, subject to change.

2020 U.S. Census Population - 18,065
Per Capita 2020 Net Assessed Valuation - \$130,892.57
Per Capita Total Tax Supported Debt - \$1,887.63
Per Capita Net General Obligation Debt - \$1,853.42

Non-Funded Debt

The City has no non-funded debt.

General Obligation Bonds Authorized but Unissued

The City has no authorized and unissued general obligation voted authority from any bond election; however, the City may from time to time and without an election, issue debt obligations payable from its collection of ad valorem taxes, including (but not limited to) certificates of obligation, public property finance contractual obligations, certain types of capital leases, and tax notes.

TAXATION DATA

Ad Valorem Tax Rate Distribution

<u>Tax Year</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Local Maintenance	\$0.3936	\$0.3869	\$0.3869	\$0.3651	\$0.3585
Interest & Sinking Fund	<u>.0784</u>	<u>.0851</u>	<u>.0851</u>	<u>.1069</u>	<u>.1135</u>
Totals	\$0.4720	\$0.4720	\$0.4720	\$0.4720	\$0.4720

Schedule of Delinquent Taxes Receivable (Unaudited)⁽¹⁾

<u>Fiscal Year</u>	<u>Ending Balance</u>
<u>9/30</u>	<u>9/30/2020</u>
2011 and prior	\$ 3,159
2012	0
2013	0
2014	0
2015	0
2016	4,920
2017	56,121
2018	0
2019	28,695
2020	<u>70,399</u>
Total	\$163,294

⁽¹⁾ Source: Kendall Appraisal District.

Tax Collection Data

Taxes are due October 1 and become delinquent after January 31. No split payments or discounts are allowed. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of twenty percent (20%) of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

<u>Tax Year</u>	<u>Taxable Assessed Valuation *</u>	<u>Tax Rate</u>	<u>% Collections</u>		<u>Year Ending</u>
			<u>Current</u>	<u>Total</u>	
2010	\$1,078,626,995	.4422	98.92%	100.12%	9-30-11
2011	1,125,195,422	.4520	98.78%	100.03%	9-30-12
2012	1,202,969,130	.4720	98.52%	100.06%	9-30-13
2013	1,269,687,474	.4720	98.64%	99.65%	9-30-14
2014	1,340,150,935	.4720	99.21%	100.36%	9-30-15
2015	1,429,334,413	.4720	98.89%	100.00%	9-30-16
2016	1,552,510,596	.4720	99.35%	100.62%	9-30-17
2017	1,622,572,641	.4720	99.40%	99.52%	9-30-18
2018	1,810,017,186	.4720	99.32%	99.85%	9-30-19
2019	2,019,408,311	.4720	99.24%	99.89%	9-30-20
2020	2,173,360,602	.4720	99.51%	100.08%	9-30-21
2021	2,364,574,344	.4720	(In process of collection)		9-30-22

* 2010-2020 - City's Comprehensive Annual Financial Report; 2021 City's Director of Finance.

Municipal Sales Taxes

The City has adopted the Municipal Sales and Use Tax Act, VATCS, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1.0% Local Sales and Use Tax within the City, the proceeds of which are credited to the General Fund and are not pledged to the payment of the Bonds. Collection and enforcement are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. In addition to this 1.0% sales tax, the City collects a one-half percent (1/2 of 1%) sales and use tax to be used to reduce the property tax rate. Kendall County collects the remaining one-half percent (1/2 of 1%) sales tax to reduce the County's property tax rate.

Fiscal Year	Rate ⁽¹⁾	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2010	1.50%	4,135,773	87.00%	0.38
2011	1.50%	4,447,723	93.51%	0.41
2012	1.50%	4,765,341	95.77%	0.43
2013	1.50%	5,243,148	95.14%	0.42
2014	1.50%	5,420,528	92.83%	0.43
2015	1.50%	5,876,279	95.07%	0.44
2016	1.50%	7,143,387	107.86%	0.50
2017	1.50%	6,628,822	91.75%	0.43
2018	1.50%	7,021,498	82.19%	0.39
2019	1.50%	7,912,673	94.47%	0.43
2020	1.50%	8,432,288	90.33%	0.42
2021	1.50%	9,374,934 ⁽²⁾	87.69%	0.40

Source: Texas Comptroller of Public Accounts - Local Sales and Use Tax.

⁽¹⁾ 1.00% City sales tax; 0.5% to be used by the City to reduce property taxes.

⁽²⁾ Preliminary.

Top 10 Taxpayers and Their 2021 Valuations

Name	Nature of Property	Total Taxable 2021 Valuation	% of 2021 Total Taxable Assessed Valuation
Zylstra Holdings at Boerne LLC	Apartment Complex	\$16,968,640	0.72%
Albany Engineered Composites	Manufacturing	16,849,960	0.71%
CT 17 Herff Apartments LP	Apartment Complex	14,580,020	0.62%
VBM Acquisitions LLC	Automobile Dealership	13,453,160	0.57%
Boerne Hotel LTD	Hotel	12,362,670	0.52%
HEB Grocery Company LP	Commercial Real Estate	10,867,380	0.46%
MBP Carrington LLC	Apartments	9,705,380	0.41%
Wal-Mart Real Estate Business Trust	Real Estate	9,669,640	0.42%
FOB1 LLC	Real Estate	8,768,470	0.37%
Jet Specialty	Distribution Center	<u>8,326,740</u>	<u>0.35%</u>
Total		\$121,552,060	5.14%

Source: Kendall Appraisal District.

Taxpayers by Classification

<u>Classification</u>	<u>2021 Assessed Valuation</u>	<u>Percent Of Total</u>	<u>2020 Assessed Valuation</u>	<u>Percent Of Total</u>	<u>2019 Assessed Valuation</u>	<u>Percent Of Total</u>
Single Family Residential	\$1,656,516,880	66.10%	\$1,452,613,196	63.51%	\$1,329,231,456	62.07%
Multi-Family Residential	101,141,811	4.04%	87,984,441	3.85%	95,044,721	4.44%
Vacant Lots	57,081,550	2.28%	56,933,410	2.49%	55,629,760	2.60%
Rural Real Property (Taxable)	35,509,610	1.42%	33,686,860	1.47%	32,857,270	1.52%
Commercial & Industrial Real	428,342,670	17.09%	426,175,771	18.63%	404,836,470	18.91%
Oil, Gas, Minerals	-0-	0.00%	-0-	0.00%	-0-	0.00%
Utilities	9,222,860	0.37%	9,031,810	0.39%	6,963,050	0.33%
Commercial Personal	106,221,030	4.24%	107,736,490	4.71%	101,623,540	4.75%
Industrial Personal	38,877,540	1.55%	38,261,930	1.67%	38,837,580	1.81%
Mobile Homes	174,960	0.00%	174,960	0.01%	164,780	0.01%
Residential Inventory	29,549,000	1.18%	32,212,200	1.41%	39,304,440	1.84%
Special Inventory	<u>43,319,580</u>	<u>1.73%</u>	<u>42,577,850</u>	<u>1.86%</u>	<u>36,902,260</u>	<u>1.72%</u>
Total Appraised Valuation	\$2,505,957,491	100.00%	\$2,287,388,918	100.00%	\$2,141,395,327	100.00%
Less Exemptions & Exclusions	<u>141,383,147</u>		<u>114,028,316</u>		<u>121,987,016</u>	
Net Taxable Assessed Valuation	<u>\$2,364,574,344</u>		<u>\$2,173,360,602</u>		<u>\$2,019,408,311</u>	

Source: Kendall Appraisal District.

Direct and Estimated Gross Overlapping Funded Debt Payable from Ad Valorem Taxes

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

<u>Political Subdivision</u>	<u>Gross Debt</u>		<u>Percent Overlapping</u>	<u>Amount Overlapping</u>
	<u>Amount</u>	<u>As Of</u>		
Boerne ISD	\$302,723,908	10-1-2021	26.10%	\$ 79,010,940
Kendall County	21,135,000	10-1-2021	33.61%	<u>7,103,474</u>
Total Estimated Overlapping Debt				86,114,414
Boerne, City of	34,100,000 ⁽¹⁾⁽²⁾	11-1-2021	100.00%	<u>34,100,000</u> ⁽¹⁾⁽²⁾
Total Direct and Estimated Overlapping Debt				\$120,214,414 ⁽¹⁾
Ratio Total Direct and Estimated Overlapping Debt to 2021 Net Taxable Assessed Valuation				5.08%
Total Direct and Estimated Overlapping Debt Per Capita (18,065)				\$6,654.55

⁽¹⁾ Preliminary, subject to change.

⁽²⁾ Excludes the City's self-supporting debt.

ESTIMATED INTEREST & SINKING FUND MANAGEMENT INDEX 2020/21*

Interest and Sinking Fund Balance at 9-30-2020	\$ 701,236
Estimated Income from \$0.0851 I&S Tax Collected Using 2020 Taxable Assessed Valuation of \$2,364,574,344 at 95% Collections	1,757,053
Estimated Interest and Other Income	<u>1,390,318</u>
Estimated Total Funds Available	3,838,607
2021 Debt Service Requirement	<u>3,041,521</u>
Estimated Interest and Sinking Fund Balance at 9-30-2021	\$ 808,086

* Unaudited.

CONSOLIDATED DEBT SERVICE REQUIREMENTS

FISCAL YEAR 30-Sep	CURRENTLY OUTSTANDING DEBT SERVICE REQUIREMENTS	LESS REFUNDED DEBT SERVICE	THE BONDS				GRAND TOTAL OF ALL DEBT SERVICE	LESS SELF SUPPORTING UTILITY SYSTEM	NET GENERAL OBLIGATION DEBT SERVICE
			PRINCIPAL DUE 3/1	INTEREST DUE 3/1	INTEREST DUE 9/1	TOTAL			
2022	\$ 5,911,945.45	\$ 581,243.76	\$ 1,480,000	\$ 150,923.33	\$ 357,450.00	\$ 508,373.33	\$ 5,839,075.02	\$ (2,869,475.00)	\$ 2,969,600.02
2023	14,102,659.80	10,369,143.76	1,410,000	357,450.00	335,250.00	2,172,700.00	5,906,216.04	(2,866,125.00)	3,040,091.04
2024	14,143,182.18	10,366,968.76	1,395,000	335,250.00	314,100.00	2,059,350.00	5,835,563.42	(2,866,725.00)	2,968,838.42
2025	4,744,562.60	930,118.76	1,380,000	314,100.00	293,175.00	2,002,275.00	5,816,718.84	(2,863,975.00)	2,952,743.84
2026	4,745,640.95	891,793.76	1,375,000	293,175.00	272,475.00	1,945,650.00	5,799,497.19	(2,863,175.00)	2,936,322.19
2027	4,119,200.95	848,993.76	1,645,000	272,475.00	251,850.00	1,899,325.00	5,169,532.19	(2,246,950.00)	2,922,582.19
2028	3,833,143.75	811,718.76	1,630,000	251,850.00	227,175.00	2,124,025.00	5,145,449.99	(2,241,675.00)	2,903,774.99
2029	3,835,593.75	774,893.76	1,640,000	227,175.00	202,725.00	2,059,900.00	5,120,599.99	(2,243,500.00)	2,877,099.99
2030	3,843,393.75	758,218.76	1,655,000	202,725.00	178,125.00	2,020,850.00	5,106,024.99	(2,245,775.00)	2,860,249.99
2031	3,825,546.88	726,171.88	1,555,000	178,125.00	153,300.00	1,986,425.00	5,085,800.00	(2,239,775.00)	2,846,025.00
2032	3,235,750.00		1,635,000	153,300.00	129,975.00	1,838,275.00	5,074,025.00	(2,245,250.00)	2,828,775.00
2033	3,180,375.00		915,000	129,975.00	105,450.00	1,870,425.00	5,050,800.00	(2,241,975.00)	2,808,825.00
2034	2,244,825.00		945,000	105,450.00	91,725.00	1,112,175.00	3,357,000.00	(2,244,825.00)	1,112,175.00
2035	2,197,125.00		975,000	91,725.00	77,550.00	1,114,275.00	3,311,400.00	(2,197,125.00)	1,114,275.00
2036	2,204,062.50		1,000,000	77,550.00	62,925.00	1,115,475.00	3,319,537.50	(2,204,062.50)	1,115,475.00
2037	2,203,000.00		1,035,000	62,925.00	47,925.00	1,110,850.00	3,313,850.00	(2,203,000.00)	1,110,850.00
2038	2,204,500.00		1,065,000	47,925.00	32,400.00	1,115,325.00	3,319,825.00	(2,204,500.00)	1,115,325.00
2039	2,208,000.00		1,095,000	32,400.00	16,425.00	1,113,825.00	3,321,825.00	(2,208,000.00)	1,113,825.00
2040	2,203,200.00		1,480,000	16,425.00	-	1,111,425.00	3,314,625.00	(2,203,200.00)	1,111,425.00
<u>\$84,985,707.56</u> <u>\$27,059,265.72</u>			<u>\$23,830,000</u>	<u>\$3,300,923.33</u>	<u>\$3,150,000.00</u>	<u>\$30,280,923.33</u>	<u>\$88,207,365.17</u>	<u>\$(45,499,087.50)</u>	<u>\$42,708,277.67</u>

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

ESTIMATED INTEREST & SINKING FUND MANAGEMENT INDEX 2021/22*

Estimated Interest and Sinking Fund Balance at 9-30-2021	\$ 807,086
Estimated Income from \$0.0784 I&S Tax Collected Using 2022 Estimated Taxable Assessed Valuation of \$2,173,360,602 at 95% Collections	1,761,135
Other Revenue	<u>1,277,609</u>
Estimated Total Funds Available	3,845,830
2022 Debt Service Requirement	<u>2,969,600</u>
Estimated Interest and Sinking Fund Balance at 9-30-2022	\$ 876,230

* Unaudited.

**COMPARATIVE CONDENSED STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN GENERAL FUND BALANCE**

The following statements reflect the historical operations of the City. Such summary has been prepared for inclusion herein based upon information obtained from the City's audited financial statements and records. Reference is made to such statements for further and complete information.

	Fiscal Year Ended September 30				
	2020	2019	2018	2017	2016
Revenues:					
Ad Valorem Taxes	\$ 4,611,110	\$3,834,218	\$ 2,576,942	\$ 2,228,832	\$ 2,388,394
Sales Tax	8,432,288	7,912,673	7,021,498	6,628,822	7,143,387
Licenses and Permits	1,152,585	1,278,906	1,139,600	1,071,546	940,051
Fines	216,500	301,768	286,082	346,143	367,768
Rents	-	-	-	-	15,331
Street Rental Fee/Franchise Fees	2,599,006	2,765,491	2,764,266	2,539,941	2,454,521
Grants	934,689	13,227	30,407	11,185	156,191
Contributions and Donations	2,700,856	2,513,703	2,192,834	2,222,308	1,972,540
Interest Earned and Misc.	969,725	588,772	350,092	362,148	598,090
Total Revenues	\$21,616,759	\$19,208,758	\$16,361,721	\$15,410,925	\$16,036,273
Expenditures:					
Administrative	\$ 3,472,048	\$ 3,286,710	\$ 2,305,107	\$ 2,083,015	\$ 2,118,685
Streets	1,575,084	1,723,818	1,506,474	1,524,170	1,471,268
Fire Department	2,524,074	2,299,311	2,084,996	1,736,178	1,585,082
Law Enforcement	5,461,126	5,287,152	4,734,298	4,471,196	4,154,269
Municipal Court	324,636	316,067	304,736	299,087	286,290
Fire Marshall/Emergency/Risk Mgmt	-	-	-	249,112	705,942
Code Enforcement	469,100	435,304	415,520	877,608	851,578
Planning	735,236	753,936	517,045	-	-
Animal Control	347,976	318,438	286,174	248,128	198,713
Convention/Community Center	-	-	-	-	90,342
Communications/Information Tech.	2,206,462	1,959,702	1,849,535	1,818,683	1,701,343
Capital Outlay	672,014	1,079,610	786,556	1,250,772	1,608,899
Total Expenditures	\$17,787,756	\$17,460,048	\$14,790,441	\$14,557,949	\$14,772,411
Excess of Revenues Over (Under) Expenditures	3,829,003	1,748,710	1,571,280	852,976	1,263,862
Total Other Financing Sources (Uses)	(1,779,513)	(665,882)	(1,085,257)	184,508	606,959
Excess (Deficiency) of Revenues Other Sources Over (Under) Expenditures and Other Uses	2,049,490	1,082,828	486,023	1,037,484	1,870,821
Fund Balance - October 1	12,348,782	11,265,954	10,779,931	9,742,447	7,871,626
Change in Fund Balance					
Fund Balance - September 30⁽¹⁾	\$14,398,272	\$12,348,782	\$11,265,954	\$10,779,931	\$ 9,742,447

Source: City's Comprehensive Annual Financial Reports.

⁽¹⁾ The City estimates the General Fund balance for its fiscal year ending September 30, 2021 to be approximately \$15,798,000 (unaudited).

**Condensed Debt Service Fund
Comparative Statements of Revenues and Expenditures**

	Fiscal Year Ended September 30				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Fund Balance - Beginning of Year (October 1)	\$ 782,309	\$ 778,973	\$ 791,089	\$ 698,449	\$ 838,134
Total Revenue	1,718,293	1,943,866	1,876,572	2,005,731	2,059,956
Total Expenditures	<u>3,037,751</u>	<u>3,256,394</u>	<u>3,239,760</u>	<u>2,142,684</u>	<u>2,217,692</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,319,458)	(1,312,528)	(1,363,188)	(136,953)	(157,736)
Transfer from other Funds	<u>1,238,385</u>	<u>1,315,864</u>	<u>1,351,072</u>	<u>229,593</u>	<u>18,051</u>
Fund Balance - End of Year (September 30)	\$ 701,239	\$ 782,309	\$ 778,973	\$ 791,089	\$ 698,449

Source: City's Comprehensive Annual Financial Reports

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF BOERNE, TEXAS AND ITS ECONOMY

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This Appendix contains a brief discussion of certain economic and demographic characteristics of Kendall County and the City of Boerne. Information in this Appendix has been obtained from the sources noted. They are believed to be reliable, although no investigation has been made to verify the accuracy of such information. Much of the information was obtained from the Texas Almanac, the Municipal Advisory Council of Texas, Kendall County, and the City of Boerne.

CITY AND COUNTY ECONOMIC AND DEMOGRAPHIC CHARACTERISTICS

Location

Kendall County, Texas (the "County"), organized in 1862, contains 662.9 square miles and is located in south central Texas.

The City of Boerne, Texas (the "City") is the county seat of Kendall County and a commercial center. The City is located in south central Texas, approximately 30 miles north of downtown San Antonio on Interstate Highway 10 (U.S. Highway 87). The City of Fair Oaks Ranch (2010 census population - 5,986, 2020 population - 9,833), partially located in Kendall, Bexar and Comal counties, is the only other incorporated city in Kendall County. The township of Comfort (2010 census population - 2,363; 2020 population - 3,717;) lies to the north of Boerne.

Population

<u>Census Report</u>	<u>City of Boerne</u>	<u>Kendall County</u>
1970	2,432	6,964
1980	3,229	10,635
1990	4,274	14,589
2000	6,178	23,743
2010	10,471	33,410
2020	17,850	49,259

Economy

The area economy is diversified by light manufacturing, agribusiness, tourism, and outdoor recreation. Principal manufacturing industries include aerospace, oil field hydraulic motors, medical devices and pharmaceuticals, hunting equipment, food processing and aquatic filtration systems. Approximately 10% of the area workforce support these manufacturing businesses. Agricultural and ranching businesses in the area include cattle, sheep, goats, hay and other grains. Tourism is a primary economic generator in the City due to the close proximity to San Antonio, the nation's 7th largest city, and the availability of hunting, fishing, shopping, sports and recreation activities.

A new addition to the City's economic landscape is a twenty-four hour emergency facility, the Boerne Methodist Emergency Center, and medical professional building. On the horizon is the construction of a new higher education campus within 5 miles of the City estimated to provide 200-300 additional jobs for City area residents. Construction of commercial buildings and residential units, single and multifamily, continues to bring new residents to the City. Being only 30 miles from the San Antonio metropolitan area affords many Boerne residents the opportunity to work at major businesses such as the nationally recognized South Texas Medical Center and related medical research facilities, financial and insurance companies such as USAA, and local and federal government agencies.

Major Employers in the Greater Boerne Area

<u>Name</u>	<u>Type of Property</u>	<u>Employment</u>
Boerne Independent School District	Public School	997
H E Butt Grocery Store	Grocery Store	347
Kendall County	Public Entity	237
City of Boerne	Public Entity	233
Albany Engineered Composites	Manufacturing	238
Mission Pharmacal	Manufacturing	249
WalMart Stores	Discount Store	225
Toyota of Boerne	Automobile Sales	201
The Home Depot	Retail Store	134
Mercedes Benz of Boerne	Automobile Sales	117

Source: Boerne Kendall County Economic Development Corporation.

Labor Force Statistics - Kendall County

Annual Average	Annual Average				
	2020	2019	2018	2017	2016
Civilian Labor Force	22,123	22,132	21,497	21,117	19,565
Total Employed	<u>21,007</u>	<u>21,533</u>	<u>20,863</u>	<u>20,467</u>	<u>18,934</u>
Total Unemployed	1,116	599	628	650	631
% Unemployed	5.0%	2.7%	2.9%	3.1%	3.2%
% Unemployed (Texas)	7.6%	3.5%	3.9%	4.3%	4.6%
% Unemployed (United States)	8.1%	3.7%	3.9%	4.4%	4.9%

Source: US Department of Labor - Bureau of Labor Statistics

Employment and Wages by Industry - Kendall County

	Number of Employees				
	4th Quarter 2020	4th Quarter 2019	4th Quarter 2018	4th Quarter 2017	4th Quarter 2016
Natural Resources and Mining	203	270	174	446	253
Construction	2,100	2,315	2,051	1,830	1,703
Manufacturing	1,058	1,134	1,064	970	926
Trade, Transportation and Utilities	3,832	3,849	3,735	3,575	3,499
Information	100	108	123	123	123
Financial Activities	992	1,072	1,182	1,093	957
Professional and Business Services	1,666	1,766	1,767	1,592	1,575
Education and Health Services	1,982	2,275	2,054	1,941	1,701
Leisure and Hospitality	1,983	2,116	1,849	1,918	1,802
Other Services	590	656	627	641	12
Non-classifiable	20	15	12	13	13
State Government	49	47	49	41	45
Local Government	2,212	2,195	1,848	1,669	1,670
Federal Government	<u>134</u>	<u>119</u>	<u>88</u>	<u>63</u>	<u>60</u>
Total Employment	16,922	17,938	16,623	15,915	14,838
Total Wages	\$246,675,316	\$238,482,814	\$219,240,632	\$210,507,345	\$187,538,914

Source: Texas Workforce Commission - Labor Market and Career Information Department.

Transportation

Interstate Highway 10 runs through Boerne, carrying heavy traffic from San Antonio to points east to Houston, and points west to El Paso. State Highway 46 runs east to west connecting Boerne with Bandera and New Braunfels. Other adequate state and county roads give access to the City and the surrounding area. San Antonio International Airport is about 35 miles from Boerne on interstate routes. In addition, an airport with a 3400-foot hard surface strip, hangers, fuel, maintenance, storage, instruction and rental facilities is located five miles southwest of Boerne.

Agriculture

Agriculture contributes an important source of income to the area. The *Texas Almanac* reports that most income is derived from cattle, sheep, Angora goats, swine, and poultry; some wheat, oats, hay, and other grains.

Educational Facilities

In addition to public schools afforded within the County, higher educational facilities located nearby include The University of Texas at San Antonio, located just off Interstate Highway 10 on Loop 1604 approximately 17 miles from Boerne with an enrollment of almost 30,000 students making it the third largest university in the University of Texas system. Other colleges located nearby are San Antonio College, St. Philips College, Northwest Vista College, University of Incarnate Word, Trinity University, Palo Alto College, all in San Antonio, and Schreiner University in Kerrville, 20 miles northwest of Boerne.

Recreation

Boerne has 11 public parks, and a public swimming pool. Other facilities include softball and soccer fields, 8 lighted tennis courts, and general recreation areas in the Boerne City Park. Boerne Lake supports fishing, sail boating and lakeside parks. Guadalupe River State Park, located 12 miles east of Boerne, provides for canoeing, tube floating and other whitewater sports. Cascade Caverns, 5 miles southeast of Boerne, offers camp sites and cave visits.

Six Flags Fiesta Texas Theme Park opened in March 1992. The 200-acre park, located in San Antonio off Loop 1604 and Interstate Highway 10 approximately 17 miles south of Boerne, highlights Texas culture and music.

Community Service

The newly constructed Boerne Methodist Emergency Center is a 24/7 freestanding, full service emergency center with 15 treatment rooms. Also, there are plans for Boerne Methodist Hospital, a 50-bed hospital with continued growth up to a 150-bed hospital, to be built next to the Emergency Center.

The South Texas Medical Center is located about 30 miles from Boerne on Fredericksburg Road just off Interstate Highway 10. In addition to numerous clinics and other facilities, major hospitals include University Hospital, Southwest Methodist Hospital, St. Luke's Lutheran Hospital, Audie Murphy Veterans Hospital, and the University of Texas Health Science Center, including its medical, dental and nursing schools. Hotel and motel facilities are available to the Boerne area. Over 400 total hotel/motel rooms are available. Additionally, others are easily accessible in nearby San Antonio. Boerne has a library, radio station and two weekly newspapers. A San Antonio newspaper, numerous radio stations, five commercial television stations and cable television serve the Boerne area. Churches representing most religious denominations are available in the Boerne area. Those not represented generally are available in nearby San Antonio. Annual celebrations include Kendall County Fair and Berges Fest (Hill Country Festival).

Other Growth Indices

Year	City of Boerne, Texas Utility Connections			
	Electric	Water	Gas	Sewer
2010	4,727	4,500	1,328	4,313
2011	4,807	4,612	1,386	4,403
2012	4,909	4,780	1,440	4,548
2013	4,984	4,947	1,508	4,696
2014	5,074	5,136	1,587	4,862
2015	5,202	5,390	1,587	5,056
2016	5,301	5,638	1,867	5,302
2017	5,394	5,943	2,088	5,465
2018	5,498	6,209	2,376	5,797
2019	5,628	6,680	2,699	6,047
2020	5,940	7,115	3,027	6,342
2021	6,194	7,598	3,290	6,715

Source: City of Boerne Finance Office.

Annexation

Total acreage annexed:	2012	410.141 acres
	2013	61.135 acres
	2014	136.351 acres
	2015	39.611 acres
	2016	166.816 acres
	2017	56.695 acres
	2018	34.740 acres
	2019	197.656 acres
	2020	8.869 acres

The citizens of the City voted on and approved the City of Boerne Home Rule Charter in late 1995 thus becoming a Home Rule City under Texas law. In the late 1990's, the City unilaterally annexed properties that were receiving water service from the City that had been encapsulated. The City also made several strategic annexations to secure areas that the City anticipated would be developed for commercial purposes in the future. Since those original annexations, most annexations have been at the request of property owners whose land was contiguous to the City limits. The City has a policy of not providing water and wastewater treatment service to those areas that are not in the City limits. The Electric System service area is determined by a Certificate of Convenience and Necessity issued by the Public Utility Commission of Texas. This service area is not likely to change.

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APPENDIX C

AUDITED FINANCIAL STATEMENTS

The information contained in this appendix consists of the City of Boerne Comprehensive Annual Financial Report (the "Report") for the fiscal year ended September 30, 2020.

The information presented represents only a part of the Report and does not purport to be a complete statement of the City's financial condition. Reference is made to the complete Annual Audit Report for additional information.

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City of Boerne, Texas

Comprehensive Annual Financial Report
Fiscal Year Ended
September 30, 2020

Prepared by the Finance Department

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INTRODUCTORY SECTION



*P.O. Box 1677 • 447 N. Main
Boerne, Texas 78006*

March 9, 2021

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Boerne, Texas:

State law requires that all municipalities be audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby include the auditors' report in this comprehensive annual financial report of the City of Boerne (The City) for the fiscal year ended September 30, 2020.

This report consists of management's representations concerning the finances of the City of Boerne. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Boerne has established an internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Boerne's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the City of Boerne's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Boerne's financial statements have been audited by ABIP, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Boerne for the fiscal year ended September 30, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Boerne's financial statements for the fiscal year ended September 30, 2020, are fairly presented in conformity with accounting principles generally

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accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report. Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Boerne's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Boerne, Texas, incorporated in 1909, is located in the south-central part of the state just west of the San Antonio metroplex, the Nation's seventh largest city and recognized internationally as the top tourist destination in Texas. The City acts as the service center for the surrounding community, providing retail, recreation, and food service to a population of 47,431 people. Similarly, the City serves as the County Seat for Kendall County. The City of Boerne currently occupies a land area of 11.89 square miles with a population of 18,065. The City of Boerne is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when requested by property owners in the areas adjacent to the City and approved by City Council. The City has operated under the council-manager form of government since 1995. Policy-making and legislative authority are vested in a governing council consisting of the mayor and five other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for the hiring and firing of employees. The council is elected on a non-partisan basis. Council members serve two-year staggered terms, with three council members elected every year.

The City of Boerne provides a full range of services, including:

Animal Control	Municipal Court
Cemetery	Parks and Recreation
Code Enforcement	Planning and Community Development
Dispatch/Communications	Police Protection
Emergency Operations	Street Construction and Maintenance
Fire Protection	Visitor Information Center
Library	

In addition, the City provides electric, water, wastewater, reclaimed water, gas and solid waste collection and recycling services to its citizens.

The annual budget serves as the foundation for the City of Boerne's financial planning and control. All departments of the City of Boerne are required to submit requests for appropriation to the Budget Officer early in the budget process each year. The

Budget Officer uses these requests as the starting point for developing a proposed budget. The council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than September 20, near the close of the City of Boerne's fiscal year. The appropriated budget is prepared by fund, function, and department. The City Manager and Budget Officer may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General fund, this comparison is presented as part of the required supplementary information section of this report. For all other governmental funds with appropriated annual budgets, this comparison is presented in the other supplementary information section of this report.

Local economy

The City of Boerne currently enjoys a favorable economic environment partially due to the fact that Boerne is located in close proximity to the San Antonio metropolitan area. To an extent, Boerne's economy aligns with that of San Antonio, benefitting from an influx of tourists to the area. Boerne does not have any major manufacturers or industries within city boundaries but does enjoy a very favorable position of being strategically located between San Antonio and the very popular and beautiful Texas Hill Country along Interstate Highway (IH10). Boerne is a favorite destination for visiting tourists from all parts of Texas, from all over the country, and from the residents of San Antonio.

The City's population has seen a healthy growth rate of almost 69% over the last ten years compared to the US growth rate of 6.3% for that same period. Of the total City population 49% are between the ages of 18 and 65 and an additional 19% are over the age of 65. The median household income for the area surrounding Boerne, Kendall County, of \$72,776 fared well above the State median of \$61,874. The unemployment for the Boerne and Kendall County area at September 30, 2020, was 5.20%. During this fiscal year, the region stood about 1.7% under the State unemployment rate and 2.8% under the U.S. rate at September 30, 2020. The outlook is expected to mirror that of the past decade and Boerne should continue to experience a healthy sales tax and property tax climate. In fact, over the last ten years property tax values have increased 87.4% in amount, while property tax rates have increased by three cents (6.70%) over the rate in effect ten years ago.

Long-term financial planning

Each year the City develops a Five-Year Financial Forecast and Capital Improvement Plan (Five-Year Plan), which is the guiding document for long-range fiscal planning and serves as the framework for development of the next adopted budget. The Five-Year Plan is adopted annually and contains projections that inform the City Council and the public of the long-term costs of programs and projected revenue growth. The

Five-Year Plan also demonstrates that the City maintains fund balances in the governmental funds which cover program costs and maintain the minimum fund balance required by the City's fiscal policy. A copy of the Five-Year Plan can be obtained on the City of Boerne's website.

Relevant financial policies

For this fiscal year, the City of Boerne had no new policies or changes in existing financial policies that would have made a significant impact on the current period's financial statements.

Major projects planned

Despite having to address the challenges of the COVID-19 pandemic, the City continued to experience consistent and strong growth with fiscal year 2020 Ad Valorem tax collections increasing by 11.52%. Sales Tax also showed continued, strong growth over a sustained period with an increase year over year of 6.57%. Economic development efforts since 2011 have focused on attracting quality retail additions within the city limits. The COVID-19 pandemic caused hotel and motel occupancy rates to drop, but by fiscal year end began to show strengthening numbers. The Special Projects Department is focused on constant improvement of the downtown core of the city & enhancing the success of the Dickens on Main Christmas program which draws an estimated 20,000 attendees over the post-Thanksgiving weekend. In 2020, a reimagined event continued to safely bring guests to the City. A shop local "Boerne Strong" campaign has been well received. The City also sponsored a stimulus program for local business totaling \$303,943. The city experienced new home starts of more than 370 once again which results in a population increase of about 1,000 citizens for a total of 18,065.

Utility plant capacities and a focus on reliability through system redundancy has brought about significant capital additions in the Electric, Water, Reclaimed Water, Wastewater, and Natural Gas Utilities in recent years. The Gas utility continues to be the fastest growing of the city's 5 utility systems with 12.15% new customer growth year over year in 2020. The Gas Utility will need another supply main on Hwy 46 east to accommodate growing demand and additional customers on the eastern side of the city. Customer count in the Gas department stood at 3,027 at the end of the year. The gas utility showed a positive net income in fiscal year 2020.

The Electric Utility showed steady growth of 5.54% in 2020. The system serves load from two substations, including a substation at the south end of the City which was built in cooperation with the Lower Colorado River Authority (LCRA) and Bandera Electric Cooperative (BEC). All four feeder lines from the new substation are operational and all have had load transferred to them. The Electric Utility continues to work on upgrading four feeders extending from both substations in order to balance load and enhance redundancy including a \$600,000 project which was completed in 2017. That effort continued through 2020 with the completion of a

\$416,000 electric line reconductoring project providing alternate paths of flow of electricity throughout the city. The project will be completed in 2021.

Wastewater system customer count continued to grow at a strong and steady rate of 4.88% in 2020 and the total count now stands at 6,342. Construction was completed on the Wastewater Treatment and Recycling Center in April of 2013. The plant serves the southern half of the City as well as the high growth area in the northeastern sector. The new plant was designed for and is producing Type I reclaimed wastewater for use as another source of water for irrigation in the northeast area of the City where much of the new home growth (4,500 homes in various stages of development) is occurring. 3,500 of those homes will have reclaimed water as the source for irrigation water used. The city has entered into an agreement with WCID#3A to provide wholesale wastewater treatment to the 375-acre development. The new wholesale customer base will provide additional revenues and pay for significant capital improvements to the wastewater system.

The Water system is now the city's largest in terms of customer count at 7,115 with 4.5% growth in 2020. The city continues to prepare for the eventual expansion of the water treatment plant to meet future peaking needs that will more than double the treatment capacity to three million gallons per day from the current 1.2MGD. The City's Water 2070 Plan indicates that this expansion could be necessary between 2025 and 2030. This plant improvement will be performed when the water utility system summer peaks, usually associated with irrigation, exceed the current ability to meet high demand usage. A water main loop from the Water Department Facilities on Cascade Caverns Road to Hwy 46 will be needed in the next 5 years to meet demand on the high growth eastern side of the city.

The potential for new customers for the reclaimed water system, as well as conservation measures, has allowed the city to defer the Water Treatment Plant expansion from its original projected construction timing. The City began serving reclaimed water to retail customers in January 2016 and as of January 31, 2020, there are now just over 507 customers on the reclaimed water system, up 125 from a year ago.

Projects to increase service capacity and redundancy in the Natural Gas utility have been recently completed. These improvements included constructing a second gate station south of the City and extending mains to that station. The City also extended a new main along IH-10 to help balance system pressure during high demand periods and open new territory to service from that utility. Efforts to provide gas utility service in areas that are not in the city's electric utility CCN have been very successful.

A majority of the new home sites planned or under construction in and around Boerne will be gas utility customers and accelerated growth of that utility continues. This growth, again primarily located in the northeast sector, will bring with it the need for new mains to meet supply requirements and to loop the gas system for redundancy and reliability. These improvements are planned based on the velocity

of home sales and indicate a need for additional mains and looping in the mid years of the current 5-year Capital Improvement Plan (2021-26).

Design of the new City Hall building was completed in 2018 and construction was completed in January of 2020. City staff relocated to the new City Hall on January 9, 2020. The new building is located at 447 Main Street, is approximately 44,624 square feet and houses 10 City departments that had been in six different buildings and off-site locations.

There are several major roadway projects underway or planned for the upcoming year that will continue to impact economic development opportunities and enhance overall mobility:

The 2018 frontage road extension connecting IH10 to the South Boerne (SoBo) mixed use development district has allowed for the construction of a new full-service hotel as well as a medical office building in that area. Other projects in that area are forthcoming including a 288 unit Class A apartment complex to be built utilizing tax exempt financing through the Boerne Public Facility Corporation.

Scenic Loop Overpass at IH10 (Completed in 2018) – This TxDOT project added four travel lanes underneath IH 10, placed turn lanes in each direction approaching the bridge on the Frontage Roads and raised the bridge to allow unobstructed travel for vehicles over 13'. The project's total cost was \$11,000,000 including a local match of \$1.1M from the City of Boerne (\$550,000), Kendall County (\$550,000). Extension of Scenic Loop Road south of IH 10 is a new project from the recent mobility committee report. Kendall County and the City are considering the project for possible submission for funding through the Alamo Area Metropolitan Planning Organization.

Highway 46 East Expansion (Completed in 2020) – This \$11M TxDOT project also has a \$1.1M local match from the City of Boerne and Kendall County. It expanded the segment of Highway 46 East, known as River Road in Boerne, to four lanes from the Esser Bridge to Amman Road.

Highway 46 at IH10 & Highway 87 at IH10 (Underway) – TxDOT has combined two large overpass projects estimated at \$64,000,000 in total in order to facilitate the conversion of the frontage roads and address key traffic issues in Boerne. The Hwy 87 overpass project will be needed prior to the construction of the new Buc-ees on the west side of IH 10. The projects were let in March of 2018 and construction began later that year. Completion is projected for 2022.

TxDOT has recently announced that all areas of IH10 will be expanded from two lanes in each direction to 4 lanes from Loop 1604 in San Antonio to Hwy 46 in Boerne in the coming years.

The mobility committee also recommended a project to expand Scenic Loop Road North of IH 10, the Southern section of Old San Antonio Road and Cascade Caverns Road. This project will be submitted to the MPO by the City in April 2021.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Boerne for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2019. This was the thirty-third consecutive year that the City of Boerne has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We wish to express our appreciation to the entire staff of the finance and administration departments who assisted and contributed to the preparation of this report. In addition, we would like to thank the members of our City Council and the Mayor for the ongoing support to maintain the highest professional standards in the management of the City of Boerne's finances.

Respectfully submitted,



Ben Thatcher
City Manager



Jeff Thompson
Deputy City Manager



Sandra Mattick, CPA, CGFO
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

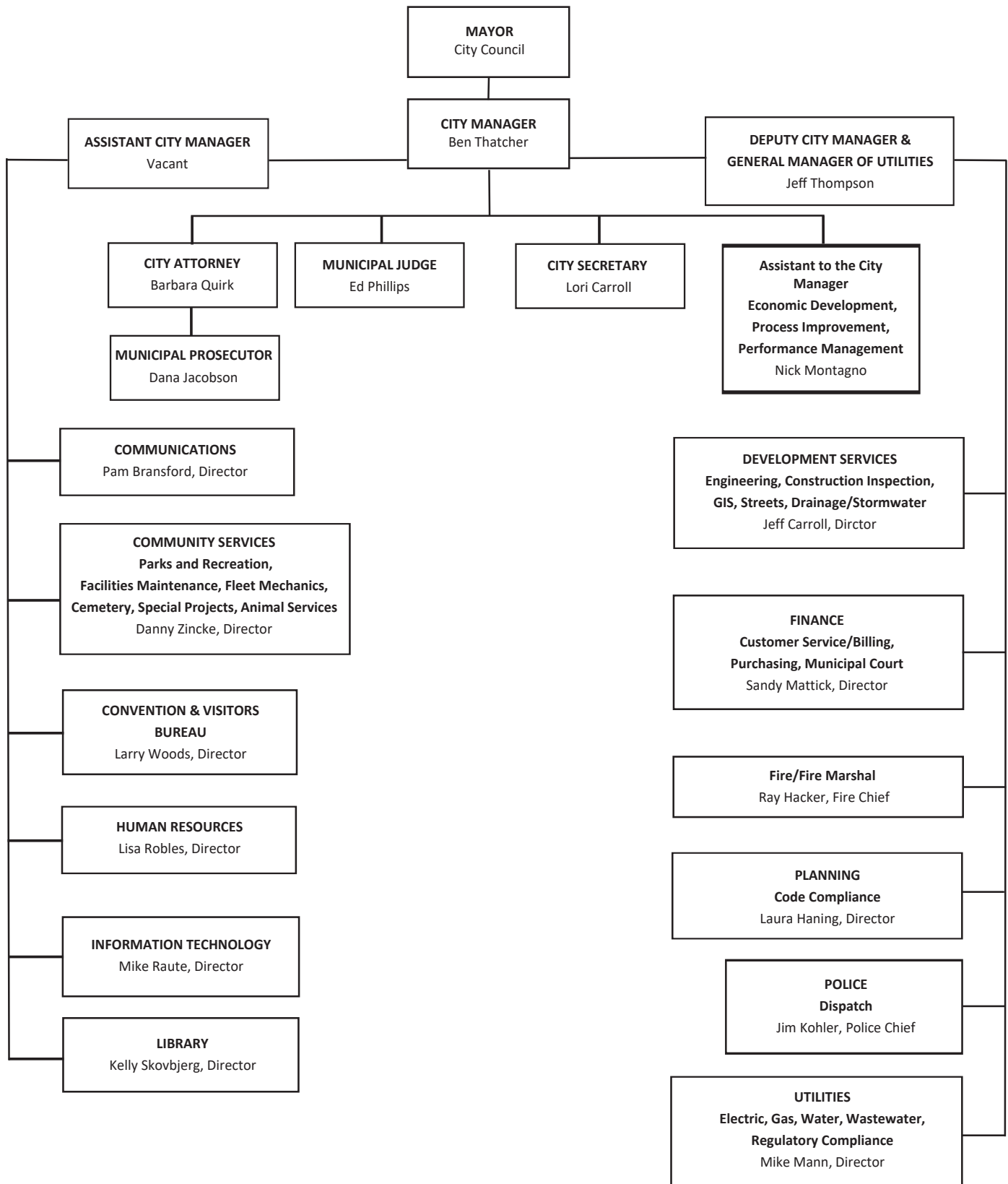
**City of Boerne
Texas**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2019

Christopher P. Morill

Executive Director/CEO



**City of Boerne, Texas
List of Principal Officials
September 30, 2020**

<u>Title</u>	<u>Name</u>
Mayor	Tim Handren
Mayor Pro Tem – District 2	Nina Woolard
City Council Members	
District 1	Ty Wolosin
District 3	Quinten Scott
District 4	Bryce Boddie
District 5	Joseph Macaluso
City Manager	Ben Thatcher
Deputy City Manager/Utilities	Jeff Thompson
City Attorney	Barbara Quirk
City Secretary	Lori Carroll
Code Compliance Director	Jesse Aguirre
Communications/Media Director	Pam Bransford
Community Services Director	Danny Zincke
Convention and Visitors Bureau Director	Larry Woods
Finance Director	Sandra Mattick, CPA, CGFO
Assistant Finance Director	Angelene Rios, CPA
Fire Chief/Fire Marshal	Ray Hacker
Information Technology Director	Mike Raute
Library Director	Kelly Skovbjerg
Chief of Police/Dispatch	James Kohler
Planning & Community Development Director	Laura Talley
Special Projects Director	Paul Barwick
Utilities Director	Michael Mann, PE
Development Services	Jeff Carroll

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council
City of Boerne, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Boerne, Texas (the City) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Boerne, Texas as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund, Schedule of Changes in the Net Pension Liability and TMRS Related Ratios; Schedule of Contributions and Notes to Schedules of Contributions - Net Pension Liability, Schedule of Changes in the Other Postemployment Benefits Liability and TMRS Related Ratios - SDBF; Schedule of Contributions and Notes to Schedules of Contributions - SDBF and Schedule of Changes in the Other Postemployment Benefits Liability – Retiree Health Insurance, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual for the Debt Service Fund, Hotel-Motel/Convention and Visitor's Bureau Special Revenue Fund, Park Special Revenue Fund, Library Special Revenue Fund, Economic Development Special Revenue Fund, Capital Projects Fund, and Cemetery Permanent Fund as listed in the table of contents as other supplementary information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas
March 9, 2021

Management's Discussion and Analysis

As management of the City of Boerne ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$143,668,080 (*net position*). Of this amount, \$38,154,507 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$7,896,568 which can be attributed to an increase in general revenues and expenses being held to small increases due to the COVID-19 pandemic.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$22,376,231.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$14,246,963 or 80.01% of total general fund expenditures.
- The City's general obligation debt decreased by \$3,445,000 during the current fiscal year. The decrease is due to principal retirements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Boerne's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Boerne's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, special revenue, debt service, capital projects, and permanent funds. The business-type activities of the City include Electric, Water, Wastewater, Gas and Solid Waste operations.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Boerne, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains nine individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the Debt Service Fund, and the 2017 Tax Notes Construction Fund which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds. The City maintains six proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, wastewater, gas and solid waste operations. Additionally, the City also reports the Internal Service Fund, which is used to account for facility maintenance services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water, wastewater, gas and solid waste operations, and Internal Service Fund.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Boerne's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund did not have any activity in 2020.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and the accompanying notes, this report also presents required supplementary information which includes a budgetary comparison schedule for the General Fund to demonstrate compliance with the budget. This report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees and retirees.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In fiscal year 2020, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$143,668,080.

A very large portion of the City's net position (64.01%) reflects its net investment in capital assets, \$91,961,815 (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Boerne's Net Position information:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$25,024,111	\$29,378,391	\$52,003,013	\$48,440,059	\$77,027,124	\$77,818,450
Capital assets	79,433,163	73,933,696	86,124,248	87,215,534	165,557,411	161,149,230
Total assets	104,457,274	103,312,087	138,127,261	135,655,593	242,584,535	238,967,680
Deferred outflows of resources	2,495,058	5,101,661	1,944,298	3,095,513	4,439,356	8,197,174
Long-term liabilities	52,408,296	59,260,686	41,210,610	45,466,206	93,618,906	104,726,892
Other liabilities	4,833,579	3,720,693	4,457,447	2,706,049	9,291,026	6,426,742
Total liabilities	57,241,875	62,981,379	45,668,057	48,172,255	102,909,932	111,153,634
Deferred inflows of resources	350,129	167,580	95,750	72,128	445,879	239,708
Net Position:						
Net investment in capital assets	41,258,458	39,484,568	50,703,357	50,259,285	91,961,815	89,743,853
Restricted-debt service	701,236	782,309	136,043	1,674,388	837,279	2,456,697
Restricted – tourism	200,989	278,808	-	-	200,989	278,808
Restricted – public safety	149,809	132,968	-	-	149,809	132,968
Restricted – capital improvements	-	-	11,520,873	9,957,638	11,520,873	9,957,638
Nonexpendable-cemetery fund	842,808	791,598	-	-	842,808	791,598
Unrestricted	6,207,028	3,794,538	31,947,479	28,615,412	38,154,507	32,409,950
Total net position	\$49,360,328	\$45,264,789	\$94,307,752	\$90,506,723	\$143,668,080	\$135,771,512

An additional portion of the City of Boerne's net position, \$13,551,758; represents resources that are subject to external restrictions on how they may be used. There was a 0.48% decrease, \$65,951, in total restricted net position reported: a decrease of \$90,841 in governmental activities and an increase of \$24,890 in the City's business-type activities.

The remaining balance of \$38,154,507 is unrestricted net position and may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Boerne is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. All funds had positive balances in all three categories of net position for the prior fiscal year. The major components of the changes in net position are explained in more detail on pages 26-29.

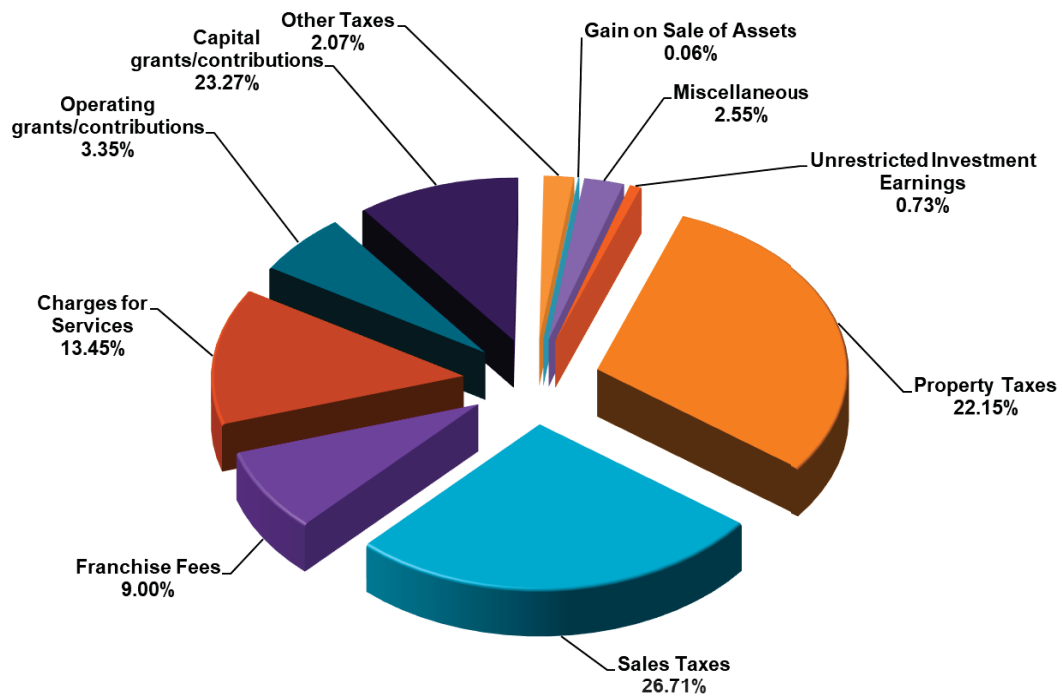
City of Boerne's Revenues, Expense, Changes in Net Position information:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 4,245,455	\$ 4,803,146	\$ 31,106,743	\$ 32,356,023	\$ 35,352,198	\$ 37,159,169
Operating Grants and Contributions	1,920,520	1,084,571	-	-	1,920,520	1,084,571
Capital Grants and Contributions	3,316,197	4,527,738	5,973,143	12,135,613	9,289,340	16,663,351
General revenues:						
Property taxes	9,387,036	8,401,600	-	-	9,387,036	8,401,600
Sales taxes	8,432,288	7,912,673	-	-	8,432,288	7,912,673
Other taxes	612,466	687,407	-	-	612,466	687,407
Franchise fees	2,599,006	2,765,491	-	-	2,599,006	2,765,491
Investment Earnings and Other	1,054,084	797,227	643,833	1,000,392	1,697,917	1,797,619
Total revenues	31,567,052	30,979,853	37,723,719	45,492,028	69,290,771	76,471,881
Expenses:						
General government	6,459,119	5,196,910	-	-	6,459,119	5,196,910
Public safety	11,863,284	11,416,777	-	-	11,863,284	11,416,777
Highways/streets	3,884,976	3,814,779	-	-	3,884,976	3,814,779
Economic development	1,307,105	819,239	-	-	1,307,105	819,239
Culture and recreation	4,534,013	4,595,613	-	-	4,534,013	4,595,613
Interest on long-term debt	1,026,511	1,073,959	-	-	1,026,511	1,073,959
Electric	-	-	13,956,777	13,718,766	13,956,777	13,718,766
Water	-	-	6,873,574	6,522,913	6,873,574	6,522,913
Wastewater	-	-	7,892,719	7,547,160	7,892,719	7,547,160
Gas	-	-	2,665,897	2,774,933	2,665,897	2,774,933
Garbage	-	-	930,228	855,222	930,228	855,222
Total expenses	29,075,008	26,917,277	32,319,195	31,418,994	61,394,203	58,336,271
Increase (Decrease) in net position before transfers	2,492,044	4,062,576	5,404,524	14,073,034	7,896,568	18,135,610
Transfers	1,603,495	1,978,071	(1,603,495)	(1,978,071)	-	-
Increase (Decrease) in net position	4,095,539	6,040,647	3,801,029	12,094,963	7,896,568	18,135,610
Beginning net position	45,264,789	39,224,142	90,506,723	78,411,760	135,771,512	117,635,902
Ending net position	\$ 49,360,328	\$ 45,264,789	\$ 94,307,752	\$ 90,506,723	\$ 143,668,080	\$ 135,771,512

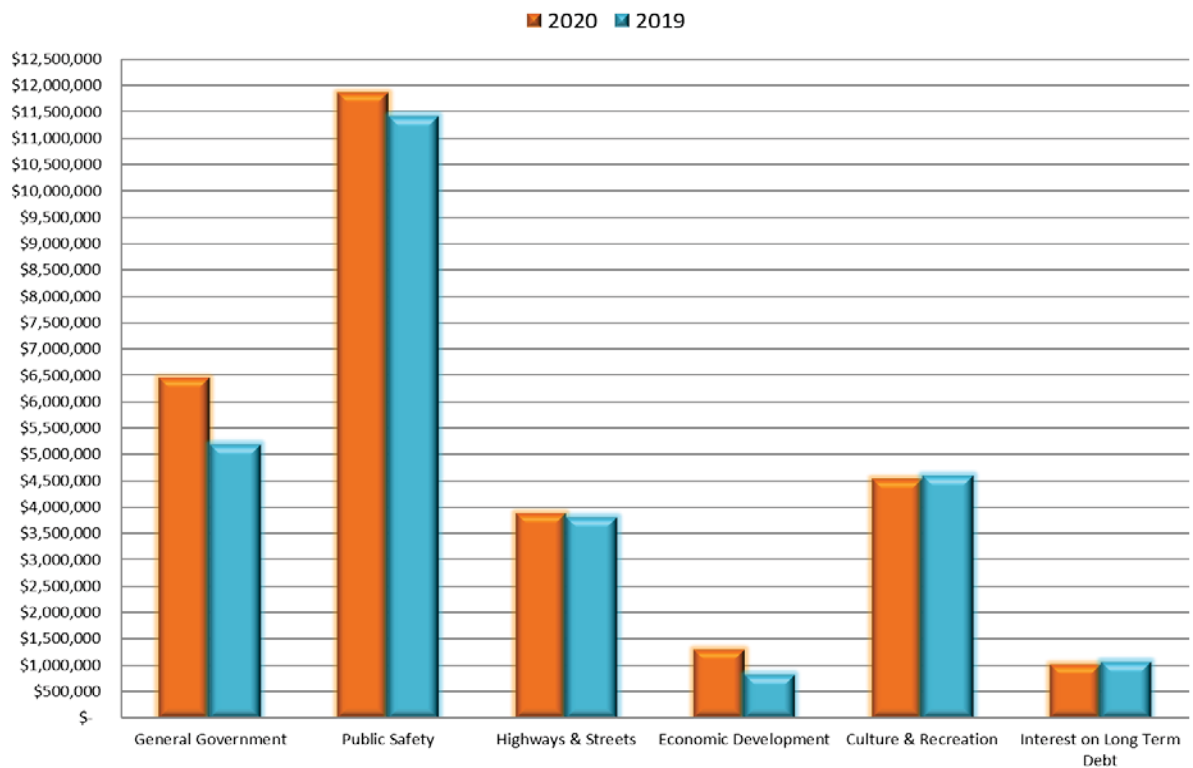
Governmental activities. Governmental activities increased the City of Boerne's net position by \$4,095,539. Key elements of this increase are as follows:

- Property and sales tax revenues increased by 11.73% and 6.57% or \$985,436 and \$519,615 from the previous year. This increase in these revenues is due to growth in the City.
- Operating grants and contributions increased by 77.08% or \$835,949, from the previous year. The increase is due to CARES Act grant funds received in the current year to assist with costs associated with the COVID pandemic.
- Transfers from other funds added \$1,603,495 to the change in net position. These transfers included funding for capital projects and debt service payments.

Revenues by Source - Governmental Activities



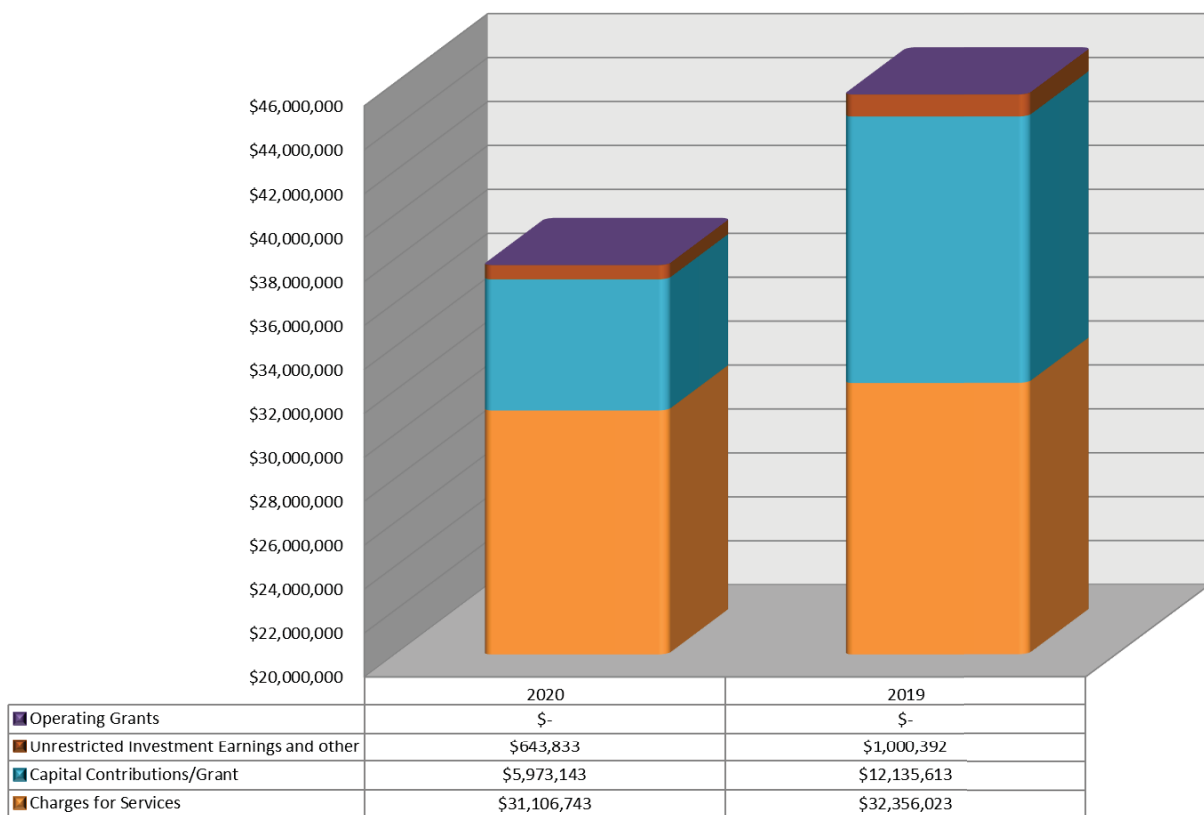
Expenses - Governmental Activities

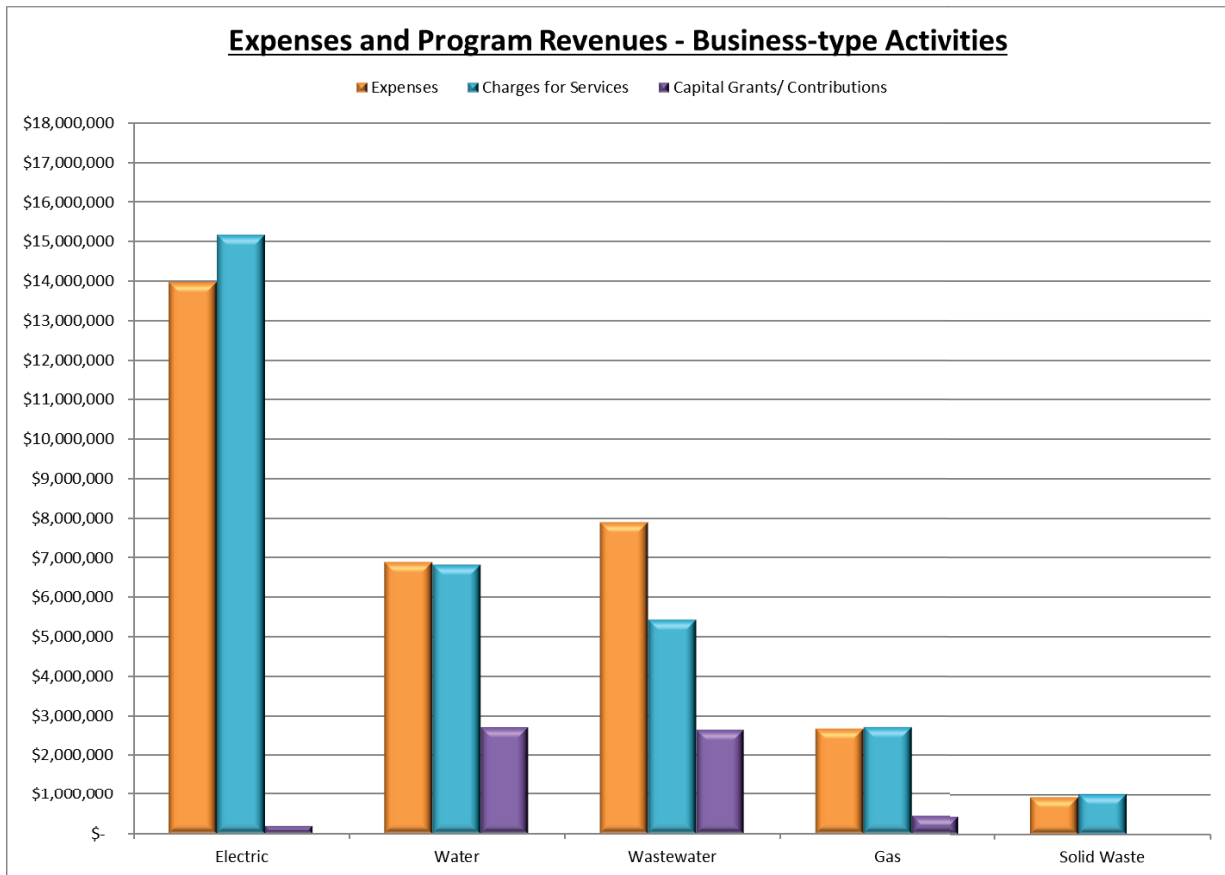


Business-type activities. Revenues of the City's business-type activities were \$37,723,719 for the fiscal year ending September 30, 2020. Expenses and transfers for the City's business-type activities were \$32,319,195 and \$1,603,495 for the year, resulting in a net increase in net position of \$3,801,029. The net revenues are the result of several factors, including the following:

- The City's water system recorded charges for services of \$6,811,700 and capital grants and contributions of \$2,700,000, which exceeded expenses of \$6,873,574. The most significant expenses of the Water Fund are \$2,040,469 for salaries and benefits, \$1,657,164 for cost of water and \$1,880,406 in depreciation.
- The City's electric system recorded charges for services of \$15,158,611, which exceeded expenses of \$13,956,777. The most significant expenses of the electric fund are \$8,151,433 for the purchase of power, \$2,577,295 for salaries and benefits, and \$1,420,863 for transfers to other funds.

Revenues by Source - Business-type Activities





Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Government funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$22,376,231, a decrease of \$2,835,744 in comparison with the prior year. The change is due to the expenditure of the tax note funds on the new City Hall capital project in the current year. Approximately 63.67% of this total amount, \$14,246,963, constitutes *unassigned fund balance*, which is available for spending at the City's discretion. Of the remaining fund balance, \$1,102,034 is *restricted* to indicate that there are constraints on the use of the funds. These *restricted* fund balances can only be used to pay debt service, promote tourism in the City, to pay for Capital projects currently underway from a Tax Note issuance, and to pay for certain Police and Court expenditures. An additional \$850,558 is nonspendable in that the funds have already been spent (prepaids) or are required to be maintained intact as in the case of the permanent Cemetery fund. The other \$6,176,676 is reported as *assigned* fund balance. This *assigned* fund balance is constrained by the City's intent to use these funds for maintenance of the City's Park

programs, to maintain the Public Library, for Economic Development projects within the City, and for Capital Projects.

The general fund is the chief operating fund of the City of Boerne. At the end of the current fiscal year, unassigned fund balance of the general fund was \$14,246,963. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 80.01% of total general fund expenditures. The fund balance in the City's general fund increased by \$2,049,490 (16.60%) during the current fiscal year. This increase in fund balance can be mainly attributed to continued strong earnings in tax revenues, permits and franchise fees.

Proprietary funds. The City of Boerne's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the proprietary funds at the end of the year amounted to: Electric \$12,831,891, Water \$8,775,547, Wastewater \$9,455,708, Gas \$309,208, Solid Waste \$575,125 and Internal Service Fund \$465,142. The total increase in net position for the utility funds of \$3,801,029, which was an increase of \$202,023, \$2,431,246, \$436,429, \$678,556, and \$52,775 to Electric, Water, Wastewater, Gas, and Solid Waste respectively. The Internal Service Fund net position increased \$133,338.

All utilities except Water and Wastewater had positive net income before capital contributions and transfers. Water was at (\$61,874) due to increases in personnel costs from the addition of new employees and an increase in depreciation expense. Wastewater was at (\$1,203,454) due to increases in personnel costs from the addition of new employees, and increase in utility expenses, and an increase in depreciation expense. Electric, Gas and Solid Waste utilities were at \$1,219,396; \$76,274; and \$83,880 respectively. The positive net income in Electric can be attributed to revenues remaining ahead of expenses and a very small increase in expenses. The positive net income in Gas is due to an increase in gas sales as a result of growth in customers keeping revenues ahead of the increase in expenses. The positive net income in Solid Waste is due to a growth in sales for the year along with an increase in rates keeping revenues ahead of the growth in expenses.

The combined utilities (not including Solid Waste) have a bond coverage ratio of 2.96 times coverage which is a decrease from the previous year's 3.77 times coverage. This decrease in coverage ratio can be attributed to a decrease in revenue available over the prior year.

General Fund Budgetary Highlights

The original General Fund budget and the final adjusted budget were the same. Adjustments were made to move funds between departments, however, there was no increase to the overall budget.

There were also several variances between the final General Fund budget and the actual amounts of revenues and expenditures. Examples of these variances would be:

- Sales tax revenue exceeded the final budget by \$403,997 due to growth in population in the City;
- Grant revenue exceeded the final budget by \$904,689 due to CARES Act funding received by the City;
- Total expenditures were \$1,434,965 under budget due to personnel vacancies and reduced operations costs due to the COVID pandemic;

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of September 30, 2020, amounts to \$165,557,411 (net of accumulated depreciation). This investment in capital assets includes land, buildings and plant, improvements other than buildings, machinery and equipment, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was \$4,408,181 (a 7.44% increase for governmental activities and a 1.25% decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Infrastructure contributed by developers to streets - \$3,154,631;
- Infrastructure contributed by developers for electric distribution system - \$189,375;
- Infrastructure contributed by developers for water system – \$1,218,047;
- Infrastructure contributed by developers for wastewater system – \$1,356,563;
- Infrastructure contributed by developers for the gas system - \$638,572;

City of Boerne's Capital Assets (Net of Depreciation)

		GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
		2020	2019	2020	2019	2020	2019
Land	\$	10,378,857	\$ 10,378,857	\$ 2,699,574	\$ 2,699,574	\$ 13,078,431	\$ 13,078,431
Buildings and Plant		32,784,644	12,749,578	22,782,338	24,079,867	55,566,982	36,829,445
Improvements Other Than Buildings		5,025,956	5,609,273	-	-	5,025,956	5,609,273
Machinery & Equipment		1,599,505	1,613,341	1,453,088	1,330,800	3,052,593	2,944,141
Infrastructure Construction		29,573,273	28,103,355	58,499,605	57,939,386	88,072,878	86,042,741
In Progress		70,928	15,479,292	689,643	1,165,907	760,571	16,645,199
Total	\$	79,433,163	\$ 73,933,696	\$ 86,124,248	\$ 87,215,534	\$ 165,557,411	\$ 161,149,230

For a more detailed presentation on capital assets, please refer to the Notes to Financial Statements on pages 65-66.

Long-term Debt.

At the end of the current fiscal year, the City of Boerne had total debt outstanding of \$71,045,000. The total debt is backed by the full faith and credit of the government, however, \$33,510,000 is being paid for by the business-type activities.

City of Boerne's Outstanding Debt

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	ACTIVITIES		ACTIVITIES			
	2020	2019	2020	2019	2020	2019
General Obligation	\$ 37,535,000	\$39,545,000	\$33,510,000	\$34,945,000	\$71,045,000	\$74,490,000
Revenue Bonds	-	-	-	-	-	-
Total	\$ 37,535,000	\$39,545,000	\$33,510,000	\$34,945,000	\$71,045,000	\$74,490,000

The City's total debt decreased by \$3,445,000 during the current fiscal year. The decrease was the result of principal payments on the debt.

The City currently has a rating from Moody's of Aa2 on its General Obligation bonded debt, and a rating from Fitch of AA on General Obligation debt with the rating outlook as stable.

State statutes limit the amount of general obligation debt a governmental entity may issue to ten percent of its total assessed valuation. The current debt limitation for the City of Boerne is \$164,009,722, which is significantly in excess of the City of Boerne's outstanding \$37,535,000 General Obligation debt. Additional detailed information on debt for the City may be found in the Notes to Financial Statements on pages 68-71.

Economic Factors and Next Year's Budgets

- Sales Tax revenues are stable and have been escalating over the last several years. Budgets were reduced for 2021 due to the COVID-19 pandemic.
- Appraisal values are expected to continue to increase while new additions to the tax rolls will be driven by the velocity of the new home construction and ancillary commercial projects related to that growth. The budget projects a 5.30% growth rate in ad valorem tax revenues based on the tax rolls received from the appraisal district.
- New development and new home construction are projected to continue at a pace similar to recent years. Demographic data from BISD and the Greater San Antonio Builders Association indicates new home starts of 350 to 375 in 2021.
- Over 3,000 home sites are in some stage of development in or adjacent to Boerne. WCID #3 will add another 1,000 pad sites once it is online, likely in 2022.
- City staff and the City Council are active in using incentives as allowed by Chapter 380 of the Texas Local Government Code for economic development. The 2013 budget established an economic development fund in order to set aside monies for use in economic development projects. For fiscal year 2021,

\$600,000 was set aside to be used for this purpose, which is the same amount as the prior two years. Several Chapter 380 Economic Development Agreements have been executed since 2013. The goal is to use a return on investment (ROI) approach to evaluate potential projects and infrastructure initiatives that are strategically aimed at being a catalyst for growth to increase City revenues. The increased revenues will come from taxes, fees and utility services. It is anticipated that funding for economic development initiatives will continue into fiscal year 2021 and beyond and is included in the City's 5-year financial plan. City Council has indicated a desire to increase the emphasis of economic development efforts towards higher paying jobs.

- The frontage road extension connecting IH10 to the South Boerne (SoBo) mixed use development district has allowed for the construction of a new full-service hotel as well as a medical office building in that area. Other projects in that area are forthcoming including a 288 unit Class A apartment complex to be built utilizing tax exempt financing through the Boerne Public Facility Corporation.
- The City and the Boerne Kendall County Economic Development Corporation have been selected by the UT Austin Planet Texas 2050 program. The 3-month project will result in a long-term strategic plan for the area to address balance and preservation during this period of high growth for the area.

Requests for Information

This financial report is designed to provide a general overview of the City of Boerne's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Boerne, Office of the Finance Director, P. O. Box 1677, Boerne, Texas 78006.

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BASIC FINANCIAL STATEMENTS

CITY OF BOERNE, TEXAS

Statement of Net Position September 30, 2020

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 14,655,203	\$ 25,172,024	\$ 39,827,227
Investments	6,043,736	8,070,214	14,113,950
Receivables (net of allowance)	2,634,822	4,466,123	7,100,945
Inventories	-	1,267,579	1,267,579
Prepays	7,750	15,823	23,573
Restricted assets:			
Cash and cash equivalents	1,232,795	8,785,974	10,018,769
Investments	449,805	4,225,276	4,675,081
Capital assets not being depreciated:			
Land	10,378,857	2,699,574	13,078,431
Construction in progress	70,928	689,643	760,571
Capital assets net of accumulated depreciation:			
Buildings and plant	32,784,644	22,782,338	55,566,982
Improvements other than buildings	5,025,956	-	5,025,956
Infrastructure	29,573,273	58,499,605	88,072,878
Machinery and equipment	1,599,505	1,453,088	3,052,593
Total Capital assets	79,433,163	86,124,248	165,557,411
Total Assets	104,457,274	138,127,261	242,584,535
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	526,750	1,201,815	1,728,565
Deferred outflows related to pension	1,436,999	568,772	2,005,771
Deferred outflows related to OPEB	531,309	173,711	705,020
Total deferred outflows of resources	2,495,058	1,944,298	4,439,356
LIABILITIES			
Accounts payable and accrued expenses	2,042,943	2,746,581	4,789,524
Non-current liabilities:			
Due within one year	2,790,636	1,710,866	4,501,502
Due beyond one year	52,408,296	41,210,610	93,618,906
Total Liabilities	57,241,875	45,668,057	102,909,932
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to OPEB	350,129	95,750	445,879
NET POSITION			
Net investment in capital assets	41,258,458	50,703,357	91,961,815
Restricted for:			
Debt service	701,236	136,043	837,279
Tourism	200,989	-	200,989
Law enforcement	149,809	-	149,809
Capital improvements	-	11,520,873	11,520,873
Nonexpendable:			
Cemetery Fund - perpetual care	842,808	-	842,808
Unrestricted	6,207,028	31,947,479	38,154,507
Total net position	\$ 49,360,328	\$ 94,307,752	\$ 143,668,080

The notes to the financial statements are an integral part of this statement.

CITY OF BOERNE, TEXAS

Statement of Activities
Year Ended September 30, 2020

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and contributions	Capital Grants and contributions
Primary government:				
Governmental activities:				
General government	\$ 6,459,119	\$ 90,498	\$ 610,934	\$ -
Public safety	11,863,284	3,596,418	962,019	87,607
Highways and streets	3,884,976	-	-	3,154,631
t & assistance	1,307,105	-	-	-
Culture and recreation	4,534,013	558,539	347,567	73,959
Interest on long-term debt	1,026,511	-	-	-
Total governmental activities	29,075,008	4,245,455	1,920,520	3,316,197
Business-type activities				
Electric	13,956,777	15,158,611	-	189,375
Water	6,873,574	6,811,700	-	2,700,000
Wastewater	7,892,719	5,420,652	-	2,630,411
Gas	2,665,897	2,701,672	-	453,357
Solid Waste	930,228	1,014,108	-	-
Total business-type activities	32,319,195	31,106,743	-	5,973,143
Total Primary Government	\$ 61,394,203	\$ 35,352,198	\$ 1,920,520	\$ 9,289,340
General revenues:				
Taxes:				
Property taxes				
Sales taxes				
Other taxes				
Franchise Fees				
Investment earnings				
Miscellaneous				
Gain on Sale of Assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

(Continued)

CITY OF BOERNE, TEXAS

Statement of Activities Year Ended September 30, 2020

Net (Expenses) Revenues and Changes in Net Position			
Governmental	Business		Total
\$ (5,757,687)	\$ -	\$	(5,757,687)
(7,217,240)	-		(7,217,240)
(730,345)	-		(730,345)
(1,307,105)	-		(1,307,105)
(3,553,948)	-		(3,553,948)
(1,026,511)	-		(1,026,511)
(19,592,836)	-		(19,592,836)
-	1,391,209		1,391,209
-	2,638,126		2,638,126
-	158,344		158,344
-	489,132		489,132
-	83,880		83,880
-	4,760,691		4,760,691
\$ (19,592,836)	\$ 4,760,691	\$	(14,832,145)
\$ 9,387,036	\$ -	\$	9,387,036
8,432,288	-		8,432,288
612,466	-		612,466
2,599,006	-		2,599,006
229,749	635,431		865,180
805,946	-		805,946
18,389	8,402		26,791
1,603,495	(1,603,495)		-
23,688,375	(959,662)		22,728,713
4,095,539	3,801,029		7,896,568
45,264,789	90,506,723		135,771,512
\$ 49,360,328	\$ 94,307,752	\$	143,668,080

The notes to the financial statements are an integral part of this statement.

CITY OF BOERNE, TEXAS

Balance Sheet - Governmental Funds
September 30, 2020

	General Fund	Debt Service Fund	2017 Tax Notes Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,724,941	\$ 695,281	\$ -	\$ 6,658,956	\$ 14,079,178
Investments	6,043,736	-	-	-	6,043,736
Receivables	2,490,854	7,498	-	136,470	2,634,822
Prepays	1,500	-	-	6,250	7,750
Restricted cash and cash equivalents	71,173	-	771,683	389,939	1,232,795
Restricted investments	-	-	-	449,805	449,805
Total assets	<u>\$ 15,332,204</u>	<u>\$ 702,779</u>	<u>\$ 771,683</u>	<u>\$ 7,641,420</u>	<u>\$ 24,448,086</u>
LIABILITIES					
Accounts payable	\$ 860,620	\$ -	\$ 721,683	\$ 329,719	\$ 1,912,022
Other payables	23,438	-	-	15,080	38,518
Total liabilities	<u>884,058</u>	<u>-</u>	<u>721,683</u>	<u>344,799</u>	<u>1,950,540</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	49,874	1,543	-	43,937	95,354
Unavailable revenue - parks fees	-	-	-	25,961	25,961
Total deferred inflows of resources	<u>49,874</u>	<u>1,543</u>	<u>-</u>	<u>69,898</u>	<u>121,315</u>
FUND BALANCES:					
Nonspendable:					
Cemetery fund	-	-	-	842,808	842,808
Prepays	1,500	-	-	6,250	7,750
Restricted:					
Law enforcement seized funds	71,173	-	-	-	71,173
Court technology	19,966	-	-	-	19,966
Court security	58,670	-	-	-	58,670
Debt service	-	701,236	-	-	701,236
Hotel/Motel-tourism promotion	-	-	-	200,989	200,989
Capital projects funds:					
City Hall	-	-	50,000	-	50,000
Assigned:					
Parks & recreation	-	-	-	2,146,401	2,146,401
Library	-	-	-	613,999	613,999
Cemetery	-	-	-	545,451	545,451
Economic Development	-	-	-	749,894	749,894
Capital projects funds:					
City Hall	-	-	-	141,305	141,305
Sidewalks	-	-	-	704,626	704,626
Parks	-	-	-	475,000	475,000
Street Construction	-	-	-	700,000	700,000
Entry Corridor/Street Improvements	-	-	-	100,000	100,000
Unassigned	14,246,963	-	-	-	14,246,963
Total fund balances	<u>14,398,272</u>	<u>701,236</u>	<u>50,000</u>	<u>7,226,723</u>	<u>22,376,231</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,332,204</u>	<u>\$ 702,779</u>	<u>\$ 771,683</u>	<u>\$ 7,641,420</u>	

Amounts reported for governmental funds in the statement of net position are different because:

Capital assets net of accumulated depreciation, used in governmental activities activities are not financial resources and therefore, are not reported in the funds.	79,433,163
Long-term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore, are not reported in the funds.	(55,035,675)
Deferred outflows (inflows) relating to deferred amounts on refunding and pensions are not financial resources and therefore are not reported in the funds.	2,084,757
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	121,315
The assets and liabilities of the internal service fund are not included in the fund financial statements, but are included in the governmental activities of the statement of net position	465,142
Accrued interest on debt is not reported in the funds.	(84,605)
Net position of governmental activities	<u>\$ 49,360,328</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BOERNE, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended September 30, 2020

	General Fund	Debt Service Fund	2017 Tax Notes Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Ad valorem taxes	\$ 4,611,110	\$ 1,700,907	\$ -	\$ 3,088,495	\$ 9,400,512
Sales tax	8,432,288	-	-	-	8,432,288
Hotel-Motel Tax	-	-	-	612,466	612,466
Library, parks & swimming pool	-	-	-	642,402	642,402
Franchise fees	2,599,006	-	-	-	2,599,006
Licenses and permits	1,152,585	-	-	-	1,152,585
Fines	216,500	-	-	-	216,500
Grants	934,689	-	-	78,338	1,013,027
Contributions & donations	2,700,856	-	-	343,188	3,044,044
Miscellaneous	739,976	-	-	147,948	887,924
Investment earnings	229,749	17,386	47,386	86,272	380,793
Total revenues	21,616,759	1,718,293	47,386	4,999,109	28,381,547
Expenditures:					
Current:					
Administration	3,472,048	-	-	-	3,472,048
Streets	1,575,084	-	-	-	1,575,084
Law enforcement	5,461,126	-	-	-	5,461,126
Municipal court	324,636	-	-	-	324,636
Animal control	347,976	-	-	-	347,976
Code enforcement	469,100	-	-	-	469,100
Planning	735,236	-	-	-	735,236
Communications	1,252,138	-	-	-	1,252,138
Information technology	954,324	-	-	-	954,324
Fire department	2,524,074	-	-	-	2,524,074
Park Fund	-	-	-	2,000,733	2,000,733
Library Fund	-	-	-	1,351,673	1,351,673
Hotel/Motel Fund	-	-	-	538,535	538,535
Cemetery Fund	-	-	-	17,764	17,764
Economic Development Fund	-	-	-	665,144	665,144
Capital outlay	672,014	-	5,772,663	1,737,816	8,182,493
Debt service:					
Principal	-	2,010,000	-	-	2,010,000
Interest	-	1,026,206	-	-	1,026,206
Fiscal agent fees	-	1,545	-	-	1,545
Total expenditures	17,787,756	3,037,751	5,772,663	6,311,665	32,909,835
Excess/(Deficiency) of revenues over (under) expenditures	3,829,003	(1,319,458)	(5,725,277)	(1,312,556)	(4,528,288)

(Continued)

CITY OF BOERNE, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended September 30, 2020

	General Fund	Debt Service Fund	2017 Tax Notes Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):					
Transfers in	90,000	1,238,385	-	2,743,115	4,071,500
Transfers out	(1,878,753)	-	-	(589,252)	(2,468,005)
Sale of Capital Assets	9,240	-	-	12,852	22,092
Capital lease	-	-	-	66,957	66,957
Total other financing sources	(1,779,513)	1,238,385	-	2,233,672	1,692,544
Net change in fund balances	2,049,490	(81,073)	(5,725,277)	921,116	(2,835,744)
Fund balances - beginning	12,348,782	782,309	5,775,277	6,305,607	25,211,975
Fund balances - ending	<u>\$ 14,398,272</u>	<u>\$ 701,236</u>	<u>\$ 50,000</u>	<u>\$ 7,226,723</u>	<u>\$ 22,376,231</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BOERNE, TEXAS

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended September 30, 2020

Amounts reported for governmental activities in the statement of activities
are different because :

Net change in fund balances-total governmental funds	\$ (2,835,744)
--	----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciable expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. There was \$1,068,082 in capital outlay expense which did not meet capitalization threshold.	2,411,708
--	-----------

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, donations) is to increase net position.	3,150,928
--	-----------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of the governmental funds. Neither transaction has an effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,044,894
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	12,485
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(822,070)
---	-----------

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) is reported with the governmental activities.	133,338
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Change in net position of governmental activities	<u>\$ 4,095,539</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF BOERNE, TEXAS

Statement of Net Position
Proprietary Funds
September 30, 2020

	Business-type Activities-Enterprise Funds						Governmental
	Major Funds			Non-Major Funds			Activities
	Electric	Water	Wastewater	Gas	Solid Waste	Total	Internal Service Fund
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 8,057,846	\$ 5,948,202	\$ 9,876,059	\$ 704,216	\$ 585,701	\$ 25,172,024	\$ 576,025
Investments	4,610,517	3,205,887	253,810	-	-	8,070,214	-
Accounts receivable	2,375,893	1,010,305	723,017	273,924	82,984	4,466,123	-
Inventories	915,729	218,621	12,012	121,217	-	1,267,579	-
Prepays	15,823	-	-	-	-	15,823	-
Restricted cash and cash equivalents:							
Customer deposits	595,539	581,359	-	209,936	-	1,386,834	-
Revenue bond interest and sinking accounts	8,355	-	116,460	11,228	-	136,043	-
Total current assets	16,579,702	10,964,374	10,981,358	1,320,521	668,685	40,514,640	576,025
Non-current assets:							
Restricted cash and cash equivalents:							
Revenue bond reserve accounts	-	-	-	-	-	-	-
Bond construction	-	-	-	-	-	-	-
Capital improvements	-	4,095,412	3,167,685	-	-	7,263,097	-
Restricted investments:							
Revenue bond covenant accounts	-	-	-	-	-	-	-
Capital improvements	-	4,225,276	-	-	-	4,225,276	-
Capital assets:							
Land	75,517	792,133	1,787,655	44,269	-	2,699,574	-
Buildings/Plant	773,342	1,929,694	38,622,854	141,725	-	41,467,615	-
Infrastructure	15,364,161	40,873,317	32,908,537	12,632,383	-	101,778,398	-
Machinery and equipment	2,346,569	1,431,008	1,334,330	592,660	-	5,704,567	-
Construction in progress	42,936	175,892	270,124	200,691	-	689,643	-
Less accumulated depreciation	(10,648,782)	(21,352,211)	(29,255,194)	(4,959,362)	-	(66,215,549)	-
Total capital assets (net)	7,953,743	23,849,833	45,668,306	8,652,366	-	86,124,248	-
Total non-current assets	7,953,743	32,170,521	48,835,991	8,652,366	-	97,612,621	-
Total assets	24,533,445	43,134,895	59,817,349	9,972,887	668,685	138,127,261	576,025
DEFERRED OUTFLOWS OF RESOURCES							
Deferred charge on refunding	17,746	-	1,136,123	47,946	-	1,201,815	-
Deferred outflows related to pension	212,896	150,439	127,761	77,676	-	568,772	53,263
Deferred outflows related to OPEB	68,090	43,518	40,115	21,988	-	173,711	15,373
Total deferred outflows of resources	298,732	193,957	1,303,999	147,610	-	1,944,298	68,636
LIABILITIES							
Current liabilities payable from non-restricted assets:							
Accounts payable	731,179	209,170	48,279	68,865	80,407	1,137,900	7,798
Other payables	83,733	-	-	6,293	13,153	103,179	-
Compensated absences	5,940	4,729	3,763	3,518	-	17,950	-
Total current liabilities payable from non-restricted assets	820,852	213,899	52,042	78,676	93,560	1,259,029	7,798
Current liabilities payable from restricted assets:							
Customer deposits	595,539	581,359	-	209,936	-	1,386,834	-
Capital lease payable	30,162	-	-	-	-	30,162	-
Revenue bonds payable	59,906	-	1,442,985	159,863	-	1,662,754	-
Accrued interest payable	1,242	-	114,116	3,311	-	118,669	-
Total current liabilities payable from restricted assets	686,849	581,359	1,557,101	373,110	-	3,198,419	-
Total current liabilities	1,507,701	795,258	1,609,143	451,786	93,560	4,457,448	7,798
Non-current liabilities:							
Compensated absences	112,866	89,857	71,493	66,842	-	341,058	-
Capital lease payable	30,535	-	-	-	-	30,535	-
Revenue bonds payable	350,785	-	33,656,826	952,341	-	34,959,952	-
Net pension liability	1,917,580	1,140,897	1,039,755	577,337	-	4,675,569	56,867
Total OPEB liabilities	473,958	300,374	277,576	151,587	-	1,203,495	106,390
Total non-current liabilities	2,885,724	1,531,128	35,045,650	1,748,107	-	41,210,609	163,257
Total liabilities	4,393,425	2,326,386	36,654,793	2,199,893	93,560	45,668,057	171,055
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows related to OPEB	37,708	23,898	22,084	12,060	-	95,750	8,464
NET POSITION							
Net investment in capital assets	7,560,798	23,849,833	11,704,618	7,588,108	-	50,703,357	-
Restricted net position							
Restricted for debt service	8,355	-	116,460	11,228	-	136,043	-
Restricted for capital improvements - impact fees	-	8,353,188	3,167,685	-	-	11,520,873	-
Unrestricted	12,831,891	8,775,547	9,455,708	309,208	575,125	31,947,479	465,142
Total Net Position	\$ 20,401,044	\$ 40,978,568	\$ 24,444,471	\$ 7,908,544	\$ 575,125	\$ 94,307,752	\$ 465,142

The notes to the financial statements are an integral part of this statement.

CITY OF BOERNE, TEXAS

Statement of Revenues, Expenses, and Changes in Net Position Proprietary Funds Year Ended September 30, 2020

	Business-type Activities-Enterprise Funds						Governmental
	Major Funds			Non-Major Funds			Activities
	Electric	Water	Wastewater	Gas	Solid Waste	Total	Internal Service Fund
Operating revenues:							
Charges for sales and services	\$ 14,491,240	\$ 6,322,113	\$ 5,343,006	\$ 2,271,905	\$ 1,012,512	\$ 29,440,776	\$ 1,071,504
Connection fees	24,787	57	30,007	341,081	-	395,932	-
Primary extensions	155,770	109,811	-	-	-	265,581	-
Penalties	93,860	46,071	36,395	24,214	1,596	202,136	-
Other	392,954	333,648	11,244	64,472	-	802,318	-
Total operating revenues	15,158,611	6,811,700	5,420,652	2,701,672	1,014,108	31,106,743	1,071,504
Operating expenses:							
Cost of fuel and water reservation	8,151,433	1,657,165	-	542,377	-	10,350,975	-
Personnel	2,577,295	2,040,469	1,778,635	1,072,698	-	7,469,097	700,573
Franchise fees	1,269,501	321,127	264,203	113,726	883,368	2,851,925	-
Administration	1,161,861	956,318	1,221,562	321,694	46,860	3,708,295	237,593
Depreciation	707,401	1,880,406	3,339,392	563,054	-	6,490,253	-
Other	71,724	18,089	20,314	11,849	-	121,976	-
Total operating expenses	13,939,215	6,873,574	6,624,106	2,625,398	930,228	30,992,521	938,166
Operating income (loss)	1,219,396	(61,874)	(1,203,454)	76,274	83,880	114,222	133,338
Non-operating revenues (expenses):							
Investment earnings	227,510	258,983	138,660	6,383	3,895	635,431	-
Grant income	-	-	-	-	-	-	-
Interest expense	(17,562)	-	(1,268,213)	(40,499)	-	(1,326,274)	-
Grant expense	-	-	-	-	-	-	-
Bond costs	-	-	(400)	-	-	(400)	-
Gain on sale of capital assets	-	-	-	8,402	-	8,402	-
Total non-operating revenues (expenses)	209,948	258,983	(1,129,953)	(25,714)	3,895	(682,841)	-
Income (loss) before capital contributions and transfers	1,429,344	197,109	(2,333,407)	50,560	87,775	(568,619)	133,338
Capital contributions	189,375	2,700,000	2,630,411	453,357	-	5,973,143	-
Transfers in	4,167	-	150,000	185,214	-	339,381	-
Transfers out	(1,420,863)	(465,863)	(10,575)	(10,575)	(35,000)	(1,942,876)	-
Change in net position	202,023	2,431,246	436,429	678,556	52,775	3,801,029	133,338
Net position - beginning	20,199,021	38,547,322	24,008,042	7,229,988	522,350	90,506,723	331,804
Net position - ending	\$ 20,401,044	\$ 40,978,568	\$ 24,444,471	\$ 7,908,544	\$ 575,125	\$ 94,307,752	\$ 465,142

The notes to the financial statements are an integral part of this statement.

CITY OF BOERNE, TEXAS

Statement of Cash Flows

Proprietary Funds

Year Ended September 30, 2020

	Business-type Activities-Enterprise Funds						Governmental
	Major Funds			Non-Major Funds			Activities
	Electric	Water	Wastewater	Gas	Solid Waste	Totals	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$ 14,762,817	\$ 6,794,100	\$ 5,296,094	\$ 2,708,722	\$ 1,004,038	\$ 30,565,771	\$ 1,071,504
Payments to suppliers	(10,803,679)	(3,016,456)	(1,533,203)	(966,729)	(921,926)	(17,241,993)	(243,016)
Payments to employees	(2,491,640)	(1,973,428)	(1,727,203)	(1,026,690)	-	(7,218,961)	(690,767)
Net cash provided by operating activities	1,467,498	1,804,216	2,035,688	715,303	82,112	6,104,817	137,721
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	4,167	-	150,000	185,214	-	339,381	-
Transfers out	(1,420,863)	(465,863)	(10,575)	(10,575)	(35,000)	(1,942,876)	-
Net cash provided by (used in) noncapital financing activities	(1,416,696)	(465,863)	139,425	174,639	(35,000)	(1,603,495)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Bond issue costs paid	-	-	(400)	-	-	(400)	-
Acquisition of capital assets	(735,498)	(298,006)	(480,566)	(564,659)	-	(2,078,729)	-
Capital lease principal payment	(29,295)	-	-	-	-	(29,295)	-
Capital Recovery Contributions	-	1,379,057	1,273,848	-	-	2,652,905	-
Proceeds from sale of assets	-	-	-	8,402	-	8,402	-
Revenue bonds and certificates-principal	(52,977)	-	(1,237,542)	(144,481)	-	(1,435,000)	-
Revenue bonds and certificates-interest	(17,183)	-	(1,373,864)	(39,557)	-	(1,430,604)	-
Net cash used in capital and related financing activities	(834,953)	1,081,051	(1,818,524)	(740,295)	-	(2,312,721)	-
CASH FLOWS FROM INVESTING ACTIVITIES							
Net sale (purchase) of investments	(491,441)	1,040,534	992,829	-	-	1,541,922	-
Interest earned	227,510	258,983	138,660	6,383	3,895	635,431	-
Net cash provided by (used in) investing activities	(263,931)	1,299,517	1,131,489	6,383	3,895	2,177,353	-
Net increase in cash and cash equivalents	(1,048,082)	3,718,921	1,488,078	156,030	51,007	4,365,954	137,721
Balances - beginning of year	9,709,822	6,906,052	11,672,126	769,350	534,694	29,592,044	438,304
Balances - end of year	\$ 8,661,740	\$ 10,624,973	\$ 13,160,204	\$ 925,380	\$ 585,701	\$ 33,957,998	\$ 576,025
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)	\$ 1,219,396	\$ (61,874)	\$ (1,203,454)	\$ 76,274	\$ 83,880	\$ 114,222	133,338
Adjustments to reconcile operating income (loss) to net cash provided by operating activities							
Depreciation expense	707,401	1,880,406	3,339,392	563,054	-	6,490,253	-
Changes in assets, liabilities and deferred outflows:							
Accounts payable	(94,376)	20,660	(27,873)	82,414	8,302	(10,873)	(5,423)
Receivables	(361,140)	(59,316)	(124,558)	(46,945)	(10,070)	(602,029)	-
Inventory	(78,853)	(42,702)	749	(5,502)	-	(126,308)	-
Prepays	(10,585)	-	-	-	-	(10,585)	-
Deferred outflows	414,815	286,193	251,893	149,540	-	1,102,441	88,365
Net pension liability	(364,007)	(284,206)	(248,855)	(147,703)	-	(1,044,771)	(94,502)
Net OPEB liability	71,025	45,013	41,597	22,717	-	180,352	15,943
Compensated absences	(36,178)	20,042	6,797	21,454	-	12,115	-
Net cash provided by operating activities	\$ 1,467,498	\$ 1,804,216	\$ 2,035,688	\$ 715,303	\$ 82,112	\$ 6,104,817	\$ 137,721
Noncash, investing, capital, and financing activities:							
Contribution of capital assets by Developers	\$ 189,375	\$ 1,320,943	\$ 1,356,563	\$ 453,357	\$ -	\$ 3,320,238	-
Capital assets acquired through capital lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-

The notes to the financial statements are an integral part of this statement.

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

I. Summary of significant accounting policies

A. Reporting entity

The City of Boerne is a municipal corporation governed by an elected mayor and five-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Based on our review at September 30, 2020 there are no component units or other entities that meet the criteria for inclusion in the basic financial statements.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements, however, interfund services provided and used are not eliminated in the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges for service which represent charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

In accordance with state statutes, the City levies property tax in October (the assessment date) of each year based on the assessed value of the previous January 1 for all real property. The assessed date represents the date in which an enforceable legal claim to the assets arise. Appraised values established by the Kendall County Appraisal District are to equal to 100 percent of the appraised market value as required under the State Property Code. Taxes are payable upon receipt of the tax bill and are due the following February 1 to avoid penalty and interest charges.

Total value for real and personal property on the tax roll was approximately \$2,020,000,000 as of October 1, 2019, as certified by the Kendall County Appraisal District.

The City's assessed tax rate approved by the City Council for 2020 is \$0.4720 per \$100 of taxable value of all taxable property within the City.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and qualifying expenditures have been incurred.

Agency funds, however, are unlike all other types of funds, reporting only assets and liabilities. Therefore, Agency funds cannot be said to have a measurement focus. The agency fund did not have any activity during 2020.

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources not accounted for and reported in another fund.

The *debt service fund* accounts for all financial resources that are restricted, committed, or assigned for the payment of principal and interest of long-term obligations of governmental funds. *

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

The *2017 tax notes capital projects fund* accounts for all financial resources of the 2017 Tax Note that are restricted, committed, or assigned to expenditure for capital outlays for various capital construction projects such as a new City Hall and road and bridge additions.

The City reports the following major proprietary funds:

The *electric fund* accounts for the activities of the electric distribution operations.

The *water fund* accounts for the activities of the water distribution operations.

The *wastewater fund* accounts for the activities of the wastewater operations.

The *gas fund* accounts for the activities of the gas distribution operations. *

The solid *waste fund* accounts for the activity of the solid waste collection operation. *

*Note: These funds do not meet the criteria for a major fund, but management has elected to present as major funds for the benefit of the financial statement users.

Additionally, the City also reports the Internal Service Fund which is used to account for facility maintenance services.

The City also reports the following fiduciary fund type:

The *agency fund* is used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the City's own programs. The City's role is strictly custodial with the agency fund and holds the assets for a period of time for payment and subsequent return of bonds posted in conjunction with legal cases pending in its municipal court system. The agency fund did not have any activity during 2020.

The City reports the following permanent fund type:

The *cemetery trust fund* is used to account for resources legally held in trust to provide for upkeep of the cemetery. This fund is restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs – that is, for the benefit of the City or its citizens. This fund meets the criteria of a permanent trust fund and thus has been reported as governmental activity in the Statement of Net Position.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services,

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position or fund balance

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Cities in Texas are authorized to make investments as follows:

- Obligations of the U.S. or its agencies.
- Obligations of the State of Texas or its agencies,
- Obligations guaranteed by the U.S. or the State of Texas,
- Certificates of deposit of federally insured banks and savings and loans domiciled in Texas,
- Various others meeting specific requirements of the Texas Public Funds Investment Act.

The City's investment activity is regulated by state statutes and, as required by state law, the City has a written investment policy approved by the City Council.

The City may invest in any of the various instruments authorized by the Public Funds Investment Act of Texas. Investments are reported at fair value, amortized cost, or net asset value, as applicable.

2. Receivables and payables

The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectability of a receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

CITY OF BOERNE, TEXAS

Notes to the Financial Statements
September 30, 2020

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of enterprise funds are recorded as expenses when consumed rather than when purchased. There are no material inventories in the governmental funds.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Restricted assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by applicable bond covenants. Customer deposit accounts are used to report deposits paid by customers on utility accounts that could be refunded to the customer. The "revenue bond covenant" account has a current and a non-current portion. The current portion is used to segregate resources accumulated for debt service payments over the next twelve months. The noncurrent portion is used to report resources set aside to make up potential future deficiencies in the current portion. Currently the enterprise funds have no outstanding revenue bonds, and therefore there are no bond covenant requirements. Capital contribution accounts are used to account for impact fees paid that will be used for either debt service on bonds or future capital projects.

Certain resources in the governmental activities are classified as restricted. The cemetery has an endowment fund that is restricted in use for care of the cemetery. The Hotel/Motel fund is restricted to the promotion of tourism within the City. There is one capital project fund that is used to report the unspent proceeds of a Tax Note that is restricted for use in certain construction projects.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Infrastructure that was acquired prior to the implementation of GASB-Statement No. 34 is included and reported in the government-wide financial statements in this report. The City used backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year) for the purpose of estimating historical cost for the initial reporting of these assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets

CITY OF BOERNE, TEXAS

Notes to the Financial Statements
September 30, 2020

lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Infrastructure	20-40
Buildings and plant	20-30
Improvements other than buildings	20-25
Machinery & equipment	3-10

6. *Deferred outflows/inflows of resources*

In addition to assets, the Statement of Net Position and or Balance Sheet will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The deferred outflows of resources are reported in the government-wide statement of net position for governmental and business activities and the fund level for the proprietary statement of net position. The City has five items that qualify for reporting in this category. First, the deferred charge on refunded debt results from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Second, the City’s contributions to its pension and OPEB plans made from the measurement date of the respective plans to the current fiscal year end are deferred and will be recognized in the subsequent fiscal year. Third, the difference between projected and actual earnings on pension plan investments are deferred and recognized as pension plan expense over a closed five-year period. The fourth item is the difference in the change of assumptions for the pension plan and it is deferred and recognized as pension plan expense over a period of years based on the estimated average remaining service lives of employees that are provided with a pension through the pension plan determined by the plan (active and inactive employees) for the City determined as of the beginning of the measurement date. The fifth item is the difference between projected and actual experience and changes in assumptions for the OPEB plan. That amount is deferred and recognized as OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees who are provided with OPEB through the OPEB Plan (active and inactive employees).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. Compensated absences

Accumulated unpaid compensated absences are accrued when incurred in all funds reported within the proprietary fund financial statements as well as the governmental activities and business-type activities columns of the government-wide statements. The expense is recognized in the governmental fund financial statements when paid or expected to be paid with current financial resources. Compensated absences liabilities are reported in governmental funds only if they have matured.

9. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred. Long-term obligations are not due and payable in the current period, and therefore are not reported in the funds.

10. Fund balance

The City reports several types of fund balances in its governmental funds: "*Unspendable, Restricted, Assigned, and Unassigned*". For purposes of fund balance classification, expenditures are to be spent from "*restricted*" fund balance first, followed in order by "*committed*" fund balance, "*assigned*" fund balance and lastly "*unassigned*" fund balance. The City considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for which both restricted and unrestricted amounts are available.

- 1) "*Nonspendable*" fund balances are those that are not in a spendable form. The City currently reports a nonspendable fund balance for the permanent Cemetery fund and prepaid expenses.

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

2) “*Restricted*” fund balances are those that have constraints placed on the use of their resources. These constraints can be: (a) externally imposed by creditors (i.e. debt covenants), grantors, contributors or laws/regulations of other governments; or (b) imposed by law through constitutional provision or enabling legislation. Both constraints are legally enforceable by an external party. Currently, the City reports restricted fund balances for the major General fund for police seizure funds and restricted court funds, for the major Debt Service fund, for the major 2017 tax notes capital projects fund for City Hall construction and the non-major special revenues Hotel/Motel fund.

3) “*Assigned*” fund balances are those that are constrained by the City’s “intent” to be used for specific purposes but are neither restricted nor committed. Assigned fund balances do not require City Council formal action. The City’s Fiscal and Budget Policy authorizes the City Manager as the City Official responsible for the assignment of fund balance to a specific purpose. The City currently reports five funds containing assigned fund balances: the special revenue Parks fund with specific purpose to maintain the City Parks and recreation programs; the special revenue Library fund with specific purpose to maintain the City’s public library; the special revenue Economic Development fund with the specific purpose to bring economic development to the City; the Capital Projects capital project fund and the Cemetery fund.

4) “*Unassigned*” fund balances are those within the General Fund and represent fund balance that has not been restricted, committed, or assigned. The General fund is the only fund that the City reports with positive unassigned fund balance.

It is important to note that the City has established basic minimum fund balances within all funds. The minimum fund balances are proposed to be available in case of unexpected revenue shortfalls or for unforeseeable expenditures. The basic premise of these minimums is to maintain ninety to one hundred twenty days of operating expense as the desired minimum fund balances. These minimums are reviewed each year during the budgeting process for the upcoming fiscal year budget. If necessary, increases in the minimums are determined prior to the adoption of the new fiscal year budget.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position.

Total fund balances of the City’s governmental funds, \$22,376,231, differs from net position of governmental activities, \$49,360,328, reported in the Statement of Net Position. The difference primarily results from the long-term economic focus in the Statement of Net Position versus the current financial resources focus in the Governmental Funds Balance Sheets.

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

When capital assets (land, infrastructure, buildings, equipment, and intangible assets) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets, net of accumulated depreciation, among the assets of the City as a whole.

Cost of capital assets	\$ 132,154,355
Accumulated depreciation	<u>(52,721,192)</u>
	<u>\$ 79,433,163</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

Bonds payable	\$ (37,535,000)
Bond premium	(1,216,455)
Capital leases	(139,799)
Compensated absences	(1,206,286)
Postemployment liability	(3,337,943)
Net pension liability	<u>(11,600,192)</u>
	<u>\$ (55,035,675)</u>

Deferred outflows (inflows) of resources related to pensions, other postemployment benefits and debt refunding in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.

Deferred loss on refunding of debt	\$ 526,750
Deferred outflows of resources related to pensions	1,383,736
Deferred outflows/inflows of resources related to OPEB	<u>174,271</u>
	<u>\$ 2,084,757</u>

The assets and liabilities of the internal service fund are not included in the fund financial statements but are included in the governmental activities of the statement of net position.

\$ 465,142

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

Because the focus of governmental funds is on the availability of resources, some assets will not be available to pay for current period expenditures. Those assets are offset by unavailable revenues in the governmental funds and thus are not included in fund balance.

Unavailable property tax revenue	\$ 95,354
Unavailable park revenue	25,961
	<u>\$ 121,315</u>

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

\$ (84,605)

B. Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities.

The net change in fund balances for governmental funds, (\$2,835,744), differs from the change in net position for governmental activities, \$4,095,539, reported in the Statement of Activities. The differences arise primarily from the long-term economic focus in the Statement of Activities versus the current financial resources focus in the governmental funds.

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.

Capital expenditures	\$ 8,182,493
Expenditures under capitalization threshold	(1,068,084)
Depreciation expense	<u>(4,702,701)</u>
	<u>\$ 2,411,708</u>

In the statement of activities, only the *gain* on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of capital assets sold.

\$ (3,703)

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

Donations of capital assets and capital contributions increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

3,154,631

Net effect of miscellaneous transactions involving capital assets.

\$3,150,928

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction has an effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities.

Capital lease financing	\$	(66,957)
Principal repayment of long-term debt		2,010,000
Amortization of loss on refunding		(47,886)
Amortization of bond premium		149,737
	\$	<u>2,044,894</u>

Revenues that were unavailable and reported as deferred inflows of resources in the governmental funds are recognized as revenues in the statement of activities.

Change in deferred inflows – parks	\$	25,961
Change in deferred inflows – property tax		<u>(13,476)</u>
	\$	<u>12,485</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences	\$	(126,583)
Change in interest expense		3,587
Capital lease interest		(3,892)
Change in pension expense		(438,911)
Change in OPEB expenses		<u>(256,271)</u>
	\$	<u>(822,070)</u>

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) is reported with the governmental activities.

\$ 133,338

III. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year-end. Before August 1st, the proposed budget is presented to the City's council for review. The council holds public hearings and the final budget must be prepared and adopted no later than September 20th. The appropriated budget is prepared by fund, function, and department. The City's manager and budget official may make transfers of appropriations within a department. Transfers of appropriations between departments or an increase in the budget requires the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The council made several budgetary appropriations throughout the year as follows:

	Original Budget	Budget Increase	Amended Budget
Park	\$ 2,647,761	\$ 73,959	\$ 2,721,720
Library	1,506,988	60,000	1,566,988
Economic Development	1,168,105	305,000	1,473,105
2017 Construction	4,700,000	1,145,000	5,845,000
Utility Funds:			
Electric	\$ 17,112,821	\$ 150,000	\$ 17,262,821
Solid Waste	938,064	30,000	968,064
Total	\$ 28,073,739	\$ 1,763,959	\$ 29,837,698

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. There were no outstanding encumbrances at September 30, 2020.

CITY OF BOERNE, TEXAS

Notes to the Financial Statements
September 30, 2020

IV. Detailed notes on all funds

A. Deposits and investments

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act ("the Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City maintains an account with the Texas Local Government Investment Pool (TexPool). Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State of Texas Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool.

The City utilizes the Texas Short Term Asset Reserve Program (TexSTAR). JPMorgan Fleming Asset Management Inc. and First Southwest Asset Management, Inc. serve as co-administrators under an agreement with the TexSTAR board of directors to provide investment and participant services for this pool. JPMorgan Chase Bank or its subsidiary JP Morgan Investor Services Co. provides the custodial, transfer, agency, fund accounting, and depository services for this pool.

The City is also invested in Texas Daily, a portfolio of the TexasTERM Local Government Investment Pool ("Pool") which was created by Texas local governments to provide investment programs tailored to the needs of Texas cities, counties, school districts and other public investors. The Pool is directed by an Advisory Board of experienced local government finance directors and treasurers. The Advisory Board contracts for services with professional service providers who are industry leaders in their field.

The City also has an account with Texas Class. They are supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator. The Board administers the affairs of the Trust and enters into contracts and agreements on behalf of the Trust in order to effectuate the terms of the Trust Agreement. It also selects the consultants for Texas Class, including the Program Administrator and the Custodian.

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

At year end, the City's carrying amount of deposits was \$4,537,760 and the bank balance was \$4,739,491. Of the bank balance, \$250,000 was covered by federal depositor insurance, and the balance over \$250,000 was covered by collateral held by the City's agent in the City's name. As of September 30, 2020, the City had the following cash, cash equivalents and investments:

	Carrying Amount	Investments Weighted Average Maturity (WAM) days
Cash on hand	\$ 2,806	N/A
Cash in bank	4,537,760	N/A
TexPool	27,916,697	36
Texas Term	4,014,740	50
Texas Class	13,351,916	32
TexStar	22,077	25
Total cash & cash equivalents	49,845,996	
Certificates of Deposit	9,539,004	170
Municipal Bonds	8,756,578	161
Commercial Paper	493,449	0
Total investments	18,789,031	
Total	\$ 68,635,027	

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its invested operating funds and debt service funds to less than 12 months. Similarly, bond proceeds are limited to less than 24 months of weighted average maturity. In addition, investments of debt reserves, contingency reserves and other reserves may exceed 24 months of weighted average maturity but are limited to 60 months with approval of the City Manager or Deputy City Manager.

Credit risk. Deposits with the investment pools are recorded at amortized cost or fair value per share of the pool's underlying investments, as applicable. The investment pools have as one of their objectives the maintenance of a stable net asset value of \$1.00. The City's investment policy requires that the net asset value of the pools also be \$1.00 and be rated no lower than "AAA" or "AAA-m" or no lower than investment grade with a weighted average maturity no greater than 90 days. As of September 30, 2020, the ratings of the various investment pools were:

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

<u>Pool</u>	<u>Rating</u>	<u>Rating Agency</u>
Texas Class	AAAm	Standard & Poor's
TexPool	AAAm	Standard & Poor's
Tex STAR	AAAm	Standard & Poor's
Texas TERM	AAAm	Standard & Poor's

Concentration of credit risk. The City is required to disclose investments in any one issuer that represent 5 percent or more of total investments. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. The City's investment policy does not specifically address the concentration of credit risk, as this is accomplished through diversity of its holdings. The City had no investments at year end that exceeded 5 percent of total investments.

Custodial credit risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments are not exposed to custodial credit risk as of September 30, 2020 as they are held by financial institutions in the name of the City.

The City adopted GASB Statement No. 72, *Fair Value Measurement and Application* in fiscal year 2016. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation input used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs which include quoted prices for similar assets in active markets; quoted prices for identical or similar assets in markets that are not active; or other observable inputs such as interest rates and yield curves at commonly quoted intervals, implied volatilities, and credit spreads; or market-corroborated inputs
- Level 3 inputs are significant unobservable inputs

The carrying amount of investments and fair value hierarchy at September 30, 2020 is shown in the following table:

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

	September 30, 2020	Level 1	Level 2	Level 3
Investments by fair value level:				
Certificates of Deposit	\$ 3,987,004	\$ -	\$ 3,987,004	\$ -
Commercial Paper	493,449	-	493,449	-
Debt Securities	-	-	-	-
Municipal Bonds	8,756,578	-	8,756,578	-
Total investments by fair value level:	<u>\$ 13,237,031</u>	<u>\$ -</u>	<u>\$ 13,237,031</u>	<u>\$ -</u>
Investments measured at amortized cost:				
Certificates of Deposit	5,552,000			
External Investment Pools				
TexPool	27,916,697			
TexasTerm	4,014,740			
Total External Investment Pools	<u>31,931,437</u>			
Total investments measured at amortized cost	<u>37,483,437</u>			
Investments measured at net asset value ("NAV"):				
External Investment Pools				
Tex STAR	22,077			
Texas Class	13,351,916			
Total External Investment Pools	<u>13,373,993</u>			
Total investments measured at NAV	<u>13,373,993</u>			
Total	<u>\$ 64,094,461</u>			

Certificates of deposit, commercial paper, and debt securities classified in Level 2 of the fair value hierarchy are valued using computerized valuation formulas to arrive at an estimated market value.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments measured at NAV:				
Tex STAR	\$ 22,077	N/A	Daily	N/A
Texas Class	13,351,916	N/A	Daily	N/A
Total External Investment Pools	<u>13,373,993</u>			
Total investments measured at NAV	<u>\$ 13,373,993</u>			

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

TexSTAR is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund is rated AAAM by Standard and Poor's and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas PFIA for local government investment pools. The portfolio is a government-repurchase agreement ("REPO") pool, utilizing primarily U.S. Treasury securities, U.S. agency securities, and REPO collateralized obligations, the principal and interest of which are unconditionally guaranteed or insured by the full faith and credit of the US or its agencies or its instrumentalities. The fair value of the investments in this type have been determined using the NAV per share of the investments.

Texas Cooperative Liquid Assets Securities Systems ("Texas CLASS") is a local government investment pool specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund is rated AAAM by Standard and Poor's and maintains a maturity of 60 days or less. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas PFIA for local government investment pools. The portfolio may include U.S. Treasuries, agencies, state and local governmental obligations, collateralized certificates of deposit, repurchase agreements (REPOs), and highly rated commercial paper. The fair value of the investments in this type have been determined using the NAV per share of the investments.

B. Receivables

Receivables as of year-end for the City's Governmental major funds, nonmajor and other funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

Receivables:	Nonmajor			
	General	Debt Service	Funds	Total
Property taxes	\$ 72,860	\$ 2,255	\$ 64,186	\$ 139,301
Sales taxes	1,417,717	-	-	1,417,717
Access line fees	6,083	-	-	6,083
Franchise fees	68,495	-	-	68,495
Miscellaneous	936,628	5,581	81,912	1,024,121
Gross receivables	2,501,783	7,836	146,098	2,655,717
Less uncollectible	(10,929)	(338)	(9,628)	(20,895)
Net Total				
Receivables	\$ 2,490,854	\$ 7,498	\$ 136,470	\$ 2,634,822

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

Receivables as of year-end for the City's Proprietary funds are as follows:

Receivables:	Electric	Water	Wastewater	Gas	Solid Waste	Total
Interest	\$ 44,426	\$ 63,835	\$ 491	\$ -	\$ -	\$ 108,752
Accounts	2,331,467	946,470	722,526	273,924	82,984	4,357,371
Total Receivables	<u>\$2,375,893</u>	<u>\$ 1,010,305</u>	<u>\$ 723,017</u>	<u>\$273,924</u>	<u>\$ 82,984</u>	<u>\$4,466,123</u>

C. Capital Assets

Capital asset activity for Governmental Activities for the year ended September 30, 2020, was as follows:

Governmental activities:	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 10,378,857	\$ -	\$ -	\$ -	\$ 10,378,857
Construction in progress	15,479,292	7,236,221	(22,644,585)	-	70,928
Total Capital assets, not being depreciated	<u>25,858,149</u>	<u>7,236,221</u>	<u>(22,644,585)</u>	<u>-</u>	<u>10,449,785</u>
Capital assets, being depreciated:					
Buildings and plant	25,507,496	21,573,446	-	-	47,080,942
Improvements other than buildings	14,254,696	40,838	-	-	14,295,534
Infrastructure	46,389,183	3,588,039	-	-	49,977,222
Machinery and equipment	10,095,372	411,912	11,179	(167,591)	10,350,872
Total Capital assets being depreciated	<u>96,246,747</u>	<u>25,614,235</u>	<u>11,179</u>	<u>(167,591)</u>	<u>121,704,570</u>
Less accumulated depreciation for:					
Buildings and plant	(12,757,918)	(1,538,380)	-	-	(14,296,298)
Improvements other than buildings	(8,645,423)	(624,155)	-	-	(9,269,578)
Infrastructure	(18,285,828)	(2,118,121)	-	-	(20,403,949)
Machinery and equipment	(8,482,031)	(422,045)	(11,179)	163,888	(8,751,367)
Total accumulated depreciation	<u>(48,171,200)</u>	<u>(4,702,701)</u>	<u>(11,179)</u>	<u>163,888</u>	<u>(52,721,192)</u>
Total Capital assets being depreciated, net	<u>48,075,547</u>	<u>20,911,534</u>	<u>-</u>	<u>(3,703)</u>	<u>68,983,378</u>
Governmental activities Capital assets, net	<u>\$ 73,933,696</u>	<u>\$28,147,755</u>	<u>\$ (22,644,585)</u>	<u>\$ (3,703)</u>	<u>\$ 79,433,163</u>

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

Capital asset activity for Business-type Activities for the year ended September 30, 2020, was as follows:

Business-type activities:	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 2,699,574	\$ -	\$ -	\$ -	\$ 2,699,574
Construction in progress	1,165,907	432,621	(908,885)	-	689,643
Total Capital assets, not being depreciated	3,865,481	432,621	(908,885)	-	3,389,217
Capital assets, being depreciated:					
Buildings and plant	40,873,964	593,651	-	-	41,467,615
Infrastructure	96,856,586	4,921,812	-	-	101,778,398
Machinery and equipment	5,391,680	359,768	-	(46,881)	5,704,567
Total Capital assets being depreciated	143,122,230	5,875,231	-	(46,881)	148,950,580
Less accumulated depreciation for:					
Buildings and plant	(16,794,097)	(1,891,180)	-	-	(18,685,277)
Infrastructure	(38,917,200)	(4,361,593)	-	-	(43,278,793)
Machinery and equipment	(4,060,880)	(237,480)	-	46,881	(4,251,479)
Total accumulated depreciation	(59,772,177)	(6,490,253)	-	46,881	(66,215,549)
Total Capital assets being depreciated, net	83,350,053	(615,022)	-	-	82,735,031
Business-type activities Capital assets, net	\$ 87,215,534	\$ (182,401)	\$ (908,885)	\$ -	\$ 86,124,248

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 571,177
Public safety	806,655
Highways and streets	2,240,551
Economic development and assistance	67,004
Culture and recreation	1,017,314
Total depr. expense – governmental activities	<u>\$ 4,702,701</u>
Business-type activities:	
Electric utility	\$ 707,401
Water utility	1,880,406
Wastewater utility	3,339,392
Natural Gas utility	563,054
Total depr. expense – business-type activities	<u>\$ 6,490,253</u>

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

The City is a recipient of capital contributions from developers for the construction and development of certain infrastructure assets. The City is also a recipient of capital recovery fees charged to customers to connect to the water or wastewater system, which may only be used for additional infrastructure capacity. Capital contributions related to enterprise funds are recorded by the City as capital contributions in the statement of revenues, expenses, and changes in net position; and as program revenues (capital grants and contributions) in the statement of activities at the government wide level. Capital contributions related to governmental funds, are not recorded at the fund level, but are reported as program revenues (capital grants and contributions) in the statement of activities at the government wide level. On the statement of net position, at both the government wide level (governmental and business-type activities) and fund level (enterprise funds), capital contributions are recorded as a component of capital assets and depreciated accordingly over the estimated life of these assets.

D. Construction commitments

The City has one active construction project as of September 30, 2020. The project includes:

2017 Tax Note Construction projects

<u>Projects</u>	<u>2017 Tax Note Projects</u>	
	<u>Spent-to-date</u>	<u>Remaining</u>
City Hall	<u>\$ 20,987,269</u>	<u>\$ 50,000</u>

The 2017 Tax Note Construction project is being financed by proceeds from the Tax Notes issued in August 2017.

E. Interfund transfers

The composition of interfund transfers as of September 30, 2020, is as follows:

<u>Transfers out:</u>	<u>Transfers In</u>						<u>Totals</u>
	<u>General Fund</u>	<u>Debt-Service Fund</u>	<u>Non-major Governmental Funds</u>	<u>Electric Fund</u>	<u>Wastewater Fund</u>	<u>Gas Fund</u>	
General Fund	\$ -	\$ 185,509	\$ 1,693,244	\$ -	\$ -	\$ -	\$ 1,878,753
Non-major	55,000	-	344,871	4,167	-	185,214	589,252
Electric Enterprise Fund	-	1,015,863	405,000	-	-	-	1,420,863
Water Enterprise Fund	-	15,863	300,000	-	150,000	-	465,863
Wastewater Enterprise Fund	-	10,575	-	-	-	-	10,575
Gas Enterprise Fund	-	10,575	-	-	-	-	10,575
Solid Waste Fund	35,000	-	-	-	-	-	35,000
Totals	\$ 90,000	\$ 1,238,385	\$ 2,743,115	\$ 4,167	\$ 150,000	\$ 185,214	\$ 4,410,881

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

Transfers are used to: 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due; 2) move unrestricted fund revenue to finance various programs that the City must account for in other funds in accordance with budgetary authorizations. In the year ended September 30, 2020, the City made the following one-time transfers:

- \$185,509 from the General fund to Debt-Service for principal and interest due on debt obligations;
- \$93,244 from the General fund to Economic Development fund for payments on 380 development agreements;
- \$1,600,000 from the General fund to the Capital Projects fund for sidewalk construction, street construction, and park and trails projects;
- \$25,000 from the Economic Development fund to the General fund for the Public Art Project;
- \$30,000 from the Hotel/Motel fund to the General fund to reimburse the General Fund for the new Visitor's Center construction costs;
- \$124,034 from the Hotel/Motel fund to the Economic Development fund for payment on a 380 development agreement;
- \$175,000 from the Park fund to the Capital Projects fund for future Park projects;
- \$185,214 from the Economic Development fund to the Gas fund to transfer expenditures made through 380 agreements for gas lines that will be assets of the Gas fund;
- \$45,837 from the Cemetery fund to the Park fund for Cemetery maintenance performed by Park personnel;
- \$4,167 from the Cemetery fund to the Electric fund instead of the Park fund and will be corrected in the following year;
- \$1,015,863 from the Electric fund to the Debt Service fund for General Obligation debt service;
- \$37,013 from the Water, Wastewater and Gas funds to the Debt Service fund for General Obligation debt service;
- \$705,000 from the Electric and Water funds to the Economic Development fund to assist with economic development projects within the City;
- \$150,000 from the Water to the Wastewater fund to assist with debt service;
- \$35,000 from the Solid Waste fund to the General fund to assist with the purchase of a brush loader.

F. Long-term Liabilities

Long-term debt activity for the year ended September 30, 2020, was as follows:

General Obligation Debt

The City issues general obligation bonds, certificates and tax notes to provide the funds for acquisition and construction of major capital facilities and projects. The City's General

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

Obligation, Certificates of Obligation, and Tax Notes are pledged by ad valorem taxes levied upon all taxable property located within the City, within the limitations prescribed by law.

General obligation debt currently outstanding is as follows:

	Original Amount	Interest Rate %	Balances Oct. 1, 2019	Issued During Year	Retired During Year	Balances Sept. 30, 2020
General Obligation Debt:						
2014 GO Refunding Bonds	\$ 9,560,000	0.50 - 3.20	\$ 8,525,000	\$ -	\$ 445,000	\$ 8,080,000
2016 GO Refunding Bonds	8,510,000	2.00 - 5.00	7,625,000	-	275,000	7,350,000
2017 Tax Notes	21,835,000	2.00 - 3.00	20,675,000	-	745,000	19,930,000
2019 GO Refunding Bonds	2,720,000	2.01 - 2.40	2,720,000	-	545,000	2,175,000
Total of bonded debt			\$ 39,545,000	\$ -	\$ 2,010,000	\$ 37,535,000

Debt service requirements to maturity for general obligation debt are as follows:

General Obligation Bonds			
Year Ending September 30,	Principal	Interest	Total
2021	\$ 2,065,000	\$ 976,521	\$ 3,041,521
2022	2,125,000	917,471	3,042,471
2023	10,470,000	766,535	11,236,535
2024	10,745,000	531,457	11,276,457
2025	1,490,000	390,588	1,880,588
2026-2030	7,300,000	1,235,899	8,535,899
2031-2033	3,340,000	174,672	3,514,672
	<u>\$ 37,535,000</u>	<u>\$ 4,993,143</u>	<u>\$ 42,528,143</u>
Average annual requirements			\$ 3,271,396

Revenue and General Obligation Bonds

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The City has pledged future electric, water, wastewater and gas customer revenue net of specified operating expenses, to repay \$33,510,000 in General Obligation Refunding bonds issued in 2016 and 2017.

Proceeds from these bonds in 2016 provided refunding of the 2006 and 2009 Utility System Revenue bonds to affect interest savings, and in 2017 provided refunding of the 2010 Utility System Revenue bond to affect interest savings. These bonds are payable solely from Electric, Water, Wastewater and Gas customer net revenues and are payable through 2040. The total principal and interest remaining to be paid on the bonds is \$48,371,063.

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

	Original Amount	Interest Rate %	Balances October 1, 2019	Additions During Year	Retired During Year	Balances Sept. 30, 2020
General Obligation Bonds:						
2016 General Obligation Refunding Bonds	\$ 11,435,000	2.00-5.00	\$ 8,760,000	\$ -	\$ 825,000	\$ 7,935,000
2017 General Obligation Refunding Bonds	26,185,000	3.50-5.00	26,185,000	-	610,000	25,575,000
Total of GO debt			34,945,000	-	1,435,000	33,510,000
Total of bonded debt			\$ 34,945,000	\$ -	\$ 1,435,000	\$ 33,510,000

Revenue and General Obligation bond debt service requirements to maturity are as follows:

Utility Revenue and General Obligation Bonds			
Year Ending September 30,	Principal	Interest	Total
2021	\$ 1,490,000	\$ 1,381,975	\$ 2,871,975
2022	1,535,000	1,334,475	2,869,475
2023	1,590,000	1,276,125	2,866,125
2024	1,665,000	1,201,725	2,866,725
2025	1,735,000	1,128,975	2,863,975
2026 – 2030	7,190,000	4,651,075	11,841,075
2031 – 2035	8,295,000	2,873,950	11,168,950
2036 – 2040	10,010,000	1,012,763	11,022,763
	\$ 33,510,000	\$ 14,861,063	\$ 48,371,063
Average annual requirements			\$ 2,418,553

Capital Leases

The City has entered into a capital lease (Direct borrowing) to acquire equipment for the fire department, park department and the electric department. This commitment is expected to be funded by the City's General Fund, Park Fund and Electric Fund.

Below is a schedule by years of future minimum lease payments for the governmental activities under the capital lease as of September 30, 2020.

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2021	\$ 60,459	\$ 3,702	\$ 64,160
2022	62,230	2,052	64,282
2023	17,110	363	17,473
	<u>\$ 139,799</u>	<u>\$ 6,117</u>	<u>\$ 145,916</u>

Below is a schedule by years of future minimum lease payments for the business type activities under the capital lease as of September 30, 2020.

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2021	\$ 29,962	\$ 1,813	\$ 31,775
2022	30,737	918	31,655
	<u>\$ 60,699</u>	<u>\$ 2,731</u>	<u>\$ 63,430</u>

The underlying assets used in financing the capital lease obligations for governmental and business type activity are presented in the following asset class.

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Machinery & Equipment			
Governmental Activities	<u>\$ 283,676</u>	<u>\$ 20,395</u>	<u>\$ 263,281</u>
Business type Activities	<u>\$ 189,992</u>	<u>\$ 38,799</u>	<u>\$ 151,193</u>

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Governmental activities:					
Long-term Debt:					
General Obligation bonds	\$ 18,870,000	\$ -	\$ (1,265,000)	\$ 17,605,000	\$ 1,305,000
Tax notes	20,675,000	-	(745,000)	19,930,000	760,000
Bond Premium	1,366,192	-	(149,737)	1,216,455	149,737
Capital lease payable (Direct Borrowing)	132,119	66,957	(59,277)	139,799	60,259
Total Long-term Debt	41,043,311	66,957	(2,219,014)	38,891,254	2,274,996
Other long-term liabilities:					
Compensated absences	1,079,703	177,619	(51,036)	1,206,286	515,640
Pension liability	14,112,360	-	(2,455,301)	11,657,059	-
OPEB liabilities					
Retiree healthcare	2,673,557	319,562	-	2,993,119	-
SDBF	351,755	99,459	-	451,214	-
Total Other long-term liabilities	18,217,375	596,640	(2,506,337)	16,307,678	515,640
Governmental activity long- term liabilities	\$ 59,260,686	\$ 663,597	\$ (4,725,351)	\$ 55,198,932	\$ 2,790,636
Business-type activities:					
Long-term Debt:					
Revenue bonds	\$ -	\$ -	\$ -	\$ -	\$ -
General Obligation bonds	34,945,000	-	(1,435,000)	33,510,000	1,490,000
Revenue Bond premium	3,340,838	-	(228,132)	3,112,706	172,754
Capital lease payable (Direct Borrowing)	89,992	-	(29,295)	60,697	30,162
Total Long-term Debt	38,375,830	-	(1,692,427)	36,683,403	1,692,916
Other long-term liabilities:					
Compensated absences	346,893	12,116	-	359,009	17,950
Pension liability	5,720,340	-	(1,044,771)	4,675,569	-
OPEB liabilities					
Retiree healthcare	871,743	137,544	-	1,009,287	-
SDBF	151,400	42,808	-	194,208	-
Total Other long-term liabilities	7,090,376	192,468	(1,044,771)	6,238,073	17,950
Business-type long-term liabilities	\$ 45,466,206	\$ 192,468	\$ (2,737,198)	\$ 42,921,476	\$ 1,710,866

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

Long-term liabilities including compensated absences, net pension liabilities, and other post-employment benefit obligations attributable to governmental activities will be liquidated primarily by the general fund.

Conduit debt

The City has issued Housing Revenue Bonds, Series 2018 to provide financial assistance to private-sector entities for the acquisition and construction of housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The aggregate principal amount payable as of September 30, 2020 could not be determined; however, the original issue amount totaled \$17 million.

G. Restricted assets

Restricted Asset Balances			
Governmental Activities		Business-type activities	
Capital projects funds	\$50,000	Customer deposits	\$ 1,386,834
Permanent Cemetery fund	842,808	Capital contributions	11,520,873
Total restricted assets	<u>\$892,808</u>	Total restricted assets	<u>\$ 12,907,707</u>

V. Other information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the City carries insurance. There have been no significant reductions in insurance coverage for these risks of loss since the prior year and there have been no settlements in excess of the insurance coverage for any of the past three fiscal years.

The City contracts with the Texas Municipal League Intergovernmental Risk Pool, ("TML") to provide for its worker's compensation, general and auto liability, and property insurance coverage. These multi-employer accounts provide for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability for the City is generally limited to the contributed amounts.

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

B. Contingent liabilities

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the City, but which will only be resolved when one or more future events occur or fail to occur. The City's management and its legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the City or unasserted claims that may result in such proceedings, the City's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates it is probable that a material loss has been incurred, and the amount of the liability can be estimated, then the estimated liability would be accrued in the City's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if the determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

Management has performed such assessment and consulted with its legal counsel as of the date of this report and is not aware of any contingencies requiring accrual or further disclosure.

C. Other post-employment benefits (OPEB) plan

Retiree Health Care Plan

Plan description - The City of Boerne makes available a single-employer group hospitalizations and medical insurance for retirees who are:

- Active employees currently participating in the health insurance program for a minimum of one (1) year, and
- Eligible for retirement per the established criteria through the Texas Municipal Retirement System (5 years/age 60 or 20 years/any age).

The coverage extends to the employee only and is optional to the employee who is retiring.

Benefits provided - The City of Boerne adopts the following benefit plans to be provided to its retirees:

- Pre-65 Retiree Plan, or
- Medicare Advantage Program for retirees age 65 and over.

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

Pre-65 Retiree Plan shall be with the City of Boerne's active employee pool plan. Retirees are able to choose from and elect the same plans offered to active employees during open enrollment each year. The premiums for retirees are the same as for active employees which are established each year by the TML Multistate IEBP. Participation in the Pre-65 Retiree plan is offered for five (5) years post-retirement or age sixty-five (65), whichever occurs first. Employees who retired before October 1, 2015 may participate in the Pre-65 Retiree plan for ten (10) years post-retirement or age sixty-five (65), whichever occurs first. The City provides a premium subsidy based on years of service for the retirees who are younger than 65.

Should an employee continue to remain in employment with the City of Boerne until after the age of 65 and then retire, the employee may qualify for a post-65 subsidy payable over their lifetime based on years of service with the City of Boerne. Employees retiring before the age of 65 are not eligible for the post-65 subsidy.

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Contributions - The City contributes to the retiree health insurance at an amount approved by City Council contained in the Personnel Policy. The retiree medical contribution rate as of January 2020 is as follows:

Boerne City Service	Pre-65 Subsidy	Post-65 Subsidy
Less than 20 years	\$0.00	\$0.00
20 - 24 years	271.11	133.94
25 - 29 years	320.40	160.73
30 - 34 years	406.66	187.53
35 - 39 years	431.31	214.31
Over 40 years	462.11	241.10

City's direct pre-65 subsidies shown above do not apply after the employee reaches the age of 65, while post-65 subsidies may be provided over the retiree's lifetime.

The City's contributions to the retiree health plan for the year ended September 30, 2020 were \$25,965 and were equal to the required contributions.

Employees Covered by Benefit Terms - At the December 31, 2019 valuation date, the following employees were covered by the benefit terms:

Active members	257
Inactive, nonretired members	-
Retirees and Beneficiaries	6
Total	<u>263</u>

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

OPEB liability - The City's total OPEB liability of \$4,002,406 was measured as of December 31, 2019 and was determined by an actuarial valuation as of December 31, 2019.

Actuarial Assumptions:

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary Increases	3.50% to 11.50% including inflation
Discount rate	2.75% as of December 31, 2019
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS). For the OPEB valuation, the standard TMRS retirement rates were adjusted to reflect the impact of the City's retiree medical plan design.
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for the future mortality improvements.
Health Care Trend Rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years.
Participation Rates	100% for retirees age 65 or older with at least 20 years of City service; 100% for retirees between the ages of 50 and 64 with 30 or more years of City service; 85% for retirees between the ages of 50 and 64 with 25 to 29 years of City service; 75% for retirees between the ages of 50 and 64 with 20 to 24 years of City service; 20% for retirees under age 50 or with less than 20 years of City service.
Actuarial Cost Method	Individual Entry-Age Normal

Other Information:

Notes

The discount rate changed from 3.71% as of December 31, 2019. Additionally, the demographic assumptions were updated to reflect the 2019 TMRS Experience Study and the health care trend rates were updated to reflect the repeal of the excise tax on high-cost employer health plans.

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

Changes in the Total OPEB Liability:

Balance at December 31, 2018	\$	3,545,300
Changes for the year:		
Service cost		252,873
Interest on the total OPEB liability		135,161
Changes of benefit terms		-
Difference between expected and actual experience		(316,877)
Change of assumptions		443,131
Benefit payments		(57,182)
Net changes		<u>457,106</u>
Balance at December 31, 2019	\$	<u>4,002,406</u>

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's OPEB would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% Decrease (1.75%)	Current Discount Rate (2.75%)	1% Increase (3.75%)
OPEB liability	\$ 4,631,647	\$ 4,002,406	\$ 3,484,909

Sensitivity of the total OPEB liability to the HealthCare Cost Trend Rate Assumption:

The following presents the total OPEB liability of the City, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
OPEB liability	\$ 3,321,250	\$ 4,002,406	\$ 4,887,233

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended September 30, 2020, the city recognized OPEB expense of \$402,523 related to retiree healthcare.

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ -	\$ 295,346
Changes of assumptions	560,696	161,477
Net difference in projected and actual earnings on pension plan investments	-	-
Contributions made subsequent to the measurement date	62,947	-
Total	<u>\$ 623,643</u>	<u>\$ 456,823</u>

The City reported \$62,947 as deferred outflows of resources related to the OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September	Net Deferred Outflows/(Inflows)
2021	\$ 14,489
2022	14,489
2023	14,489
2024	14,489
2025	14,489
Thereafter	31,428
Total	<u>\$ 103,873</u>

Supplemental Death Benefits Fund (SDBF)

Plan description - The City also participates in the single-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which the City may elect, by ordinance, to provide group-term life insurance for active members, including retirees.

Benefits provided - The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary calculated based on the employee's actual earnings, for the 12-month period preceding the month of death. Retired employees are insured for \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

CITY OF BOERNE, TEXAS

Notes to the Financial Statements
September 30, 2020

Contributions - The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

The contribution rate for the City was 0.17% and 0.17% for calendar years 2019 and 2020 respectively. The City’s contributions to TMRS for the year ended September 30, 2020 were \$28,855 and were equal to the required contributions.

Employees Covered by Benefit Terms - At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Active employees	264
Inactive employees or beneficiaries currently receiving benefits	68
Inactive employees entitled to but not yet receiving benefits	<u>28</u>
Total	<u><u>360</u></u>

OPEB liability - The City’s total OPEB liability of \$645,422 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

Inflation	2.5%
Salary Increases	3.50% to 11.50% including inflation
Discount rate *	2.75%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in the Total OPEB Liability:

Balance at December 31, 2018	\$	503,155
Changes for the year:		
Service cost		28,819
Interest on the total OPEB liability		19,142
Changes of benefit terms		-
Difference between expected and actual experience		(14,007)
Change of assumptions		111,515
Benefit payments **		(3,202)
Net changes		142,267
Balance at December 31, 2019	\$	645,422

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

** Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's year contribution for retirees.

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's OPEB would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	(1.75%)	Rate (2.75%)	(3.75%)
OPEB liability	\$ 789,129	\$ 645,422	\$ 534,078

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended September 30, 2020, the city recognized OPEB expense of \$59,787 related to the SDBF.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ -	\$ 22,866
Changes of assumptions	121,866	28,363
Net difference in projected and actual earnings on pension plan investments	-	-
Contributions made subsequent to the measurement date	21,684	-
Total	<u>\$ 143,550</u>	<u>\$ 51,229</u>

The City reported \$21,684 as deferred outflows of resources related to the OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

Plan Year December 31,	Amortization Expense
2020	\$ 11,827
2021	11,827
2022	11,827
2023	11,827
2024	9,300
Thereafter	14,029
Total	<u>\$ 70,637</u>

Summary of Postemployment Retirement Benefits

	Retiree Health Care Plan	Supplemental Death Benefit Fund (SDBF)	Total Other Postemployment Benefit Plans
Total OPEB Liability	\$ 4,002,406	\$ 645,422	\$ 4,647,828
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 4,002,406</u>	<u>\$ 645,422</u>	<u>\$ 4,647,828</u>
Total Deferred Outflows of Resources	\$ 560,696	\$ 121,866	\$ 682,562
Total Deferred Inflows of Resources	\$ 456,823	\$ 51,229	\$ 508,052
Contributions Subsequent to the Measurement Date	\$ 62,947	\$ 21,684	\$ 84,631
Total OPEB Expense	\$ 402,523	\$ 59,787	\$ 462,310

D. Employee retirement systems and pension plans

Texas Municipal Retirement System (TMRS)

Plan Description - The City of Boerne participates as one of the 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

Benefits Provided – TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

Benefits depend upon the sum of the employee's contributions to the TMRS plan, with interest, and the City-financed monetary credits with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. Prior service credit, granted by the City, is a monetary credit equal to the accumulated value of the percentage of prior service credit adopted times an employee's deposits that would have been made, based on the average salary prior to participation, for the number of months the employee has been employed, accruing 3% annual interest, and including the matching ratio adopted by the City (2 to 1). Monetary credits for service since the TMRS plan began are a percentage of the employee's accumulated contributions. In addition, the City may grant, as often as annually or annually on a repeating basis, another type of monetary credit referred to as an updated service credit. This monetary credit is determined by hypothetically re-computing the employee's account balance by assuming that the current City deposit rate (7%) has always been in effect. The computation also assumes that the employee's salary has always been the employee's average salary, using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical amount is increased by 3% each year and increased by the City's match currently in effect (200.0% match). The resulting sum is then compared to the employee's actual account balance increased by the actual City match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or updated service credit) equal to the difference between the hypothetical calculation and the actual calculation times the percentage adopted.

At retirement, the benefit is calculated as if the sum of the employee's accumulated 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 under the retiree life only option, which cannot exceed 75.0% of the total member's deposits and interest. The City may elect to increase the annuities of its retirees, either annually or on an annually repeating basis, effective January 1 of the calendar year. The City may also adopt an annuity increase at a rate equal to 70.0% of the increase in the Consumer Price Index – all Urban Consumers between the December preceding the employee's retirement date and the December one year before the effective date of the increase, minus any previously granted increases.

TMRS provisions and contribution requirements are adopted by the City Council within the options available in the state statutes governing TMRS and within the actuarial constraints contained in the statutes. The ad hoc cost of living adjustments are deemed to be substantively automatic in TMRS's actuarial report. The default method for determining whether ad hoc benefit enhancements are substantively automatic is if the City had granted them in 1 of the last 2 years and two of the last five years. The City adopted a cost of living adjustment of 70% of CPI in 2006.

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Active employees	264
Inactive employees or beneficiaries currently receiving benefits	86
Inactive employees entitled to but not yet receiving benefits	101
Total	<u>451</u>

Contributions - 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 (EAN) 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 of Boerne were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rate for the City was 18.34% in calendar year 2019 and 18.35% in calendar year 2020; both rates were adopted by City Council during the annual budget process. The City's contributions to TMRS for fiscal year 2020 were \$4,384,291, with \$1,188,155 contributed by City employees, and \$3,196,136 contributed by the City. The City's contributions were in excess of actuarially determined contributions by \$40,070 for fiscal year 2020.

Net Pension Liability - The City's Net Pension Liability (NPL) was measured as of December 31, 2019 and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The TPL in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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 investments 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate - The discount rate used to measure the Total Pension Liability was 6.75%. 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. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

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 Total Pension Liability.

Changes in the Net Pension Liability	
Total Pension Liability	
Service Cost	\$ 2,960,271
Interest (on the TPL)	4,699,549
Difference between expected and actual experience	430,109
Changes of assumptions	106,740
Benefit payments, including refunds of employee contributions	(1,577,773)
Net change in TPL	\$ 6,618,896
Total pension liability - beginning	68,931,696
Total pension liability - ending	<u>\$ 75,550,592</u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 3,014,703
Contributions - employee	1,120,708
Net investment income	7,605,508
Benefit payments, including refunds of employee contributions	(1,577,773)
Administrative Expense	(42,890)
Other	(1,288)
Net change in plan fiduciary net position	\$ 10,118,968
Plan fiduciary net position - beginning	49,098,996
Plan fiduciary net position - ending	<u>\$ 59,217,964</u>
Net Pension Liability	<u>\$ 16,332,628</u>

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the Net Pension Liability, calculated using the discount rate of 6.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.0% lower (5.75%) or 1.0% higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability	\$ 27,710,234	\$ 16,332,628	\$ 7,008,648

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

Pension Expense - For the year ended September 30, 2020, based on the actuarial valuation of December 31, 2019, the City recognized pension expense of \$3,660,411.

Schedule of Pension Expense	
Total Service Cost	\$2,960,271
Interest on the Total Pension Liability	4,699,549
Current Period Benefit Changes	-
Employee Contributions (Reduction of Expense)	(1,120,708)
Projected Earnings on Plan Investments (Reduction of Expense)	(3,314,182)
Administrative Expense	42,890
Other Changes in Fiduciary Net Position	1,288
Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	89,774
Recognition of Current Year Outflow (Inflow) of Resources-Assets	(858,265)
Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities	333,016
Amortization of Prior Year Outflows (Inflows) of Resources-Assets	826,778
Total Pension Expense	<u>\$3,660,411</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2020, the City reported pension-related deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 1,275,198	\$ -
Changes of assumptions	97,189	-
Net difference in projected and actual earnings on pension plan investments	-	1,768,470
Contributions made subsequent to the measurement date	2,401,854	-
Total	<u>\$ 3,774,241</u>	<u>\$ 1,768,470</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$2,401,854 will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources, by year, will be recognized in pension expense as follows:

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

Plan Year December 31	Net Deferred Outflows (Inflows) of Resources
2020	\$ (87,451)
2021	(105,041)
2022	395,833
2023	(692,742)
2024	93,318
Thereafter	0
Total	<u>\$ (396,083)</u>

Deferred outflows of resources related to the difference between expected and actual plan experience and assumption changes are being amortized over a closed period equal to the average of the expected service lives of all employees as of the beginning of each measurement period. The deferred outflows of resources related to the difference between expected and actual investment returns is being amortized over a closed five-year period as of the beginning of each measurement period.

E. Tax Abatements and Economic Incentives

The City enters into economic development agreements designed to promote development and redevelopment within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the City. These programs abate or rebate property taxes, sales tax, and hotel taxes, and also include incentive payments and reductions in fees that are not tied to taxes. The City's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code and Chapter 311 (Tax Increment Financing Act) and 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code. Recipients may be eligible to receive economic assistance based on the employment impact, economic impact or community impact of the project requesting assistance. Recipients receiving assistance generally commit to building or expanding operations, renewing facility leases, or bringing targeted businesses to the City. Agreements generally contain recapture provisions which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

The City has two categories of economic development agreements:

- **Tax Abatements** – Tax Abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zones and negotiate tax abatement agreements with applicants. These abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the term of the agreement. Property taxes abated under this program were \$0 in fiscal year 2020.

CITY OF BOERNE, TEXAS

Notes to the Financial Statements September 30, 2020

- General Economic Development – The City enters into various agreements under Chapter 380 of the Texas Local Government Code to stimulate economic development. Agreements may rebate a flat amount or percentage of property taxes, hotel taxes or sales tax received by the City, may result in fee reductions such as utility charges or building inspection fees, or make lump sum payments to offset moving expenses, tenant finish-outs, demolition costs, infrastructure reimbursements, redevelopment costs or other expenses. For fiscal year 2020, the City rebated \$239,850 in taxes.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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December 15, 2021

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DRAFT

IN REGARD to the authorization and issuance of the “City of Boerne, Texas General Obligation Refunding Bonds, Series 2021” (the *Bonds*), dated December 1, 2021, in the aggregate principal amount of \$_____ we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Boerne, Texas (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of March 1 in each of the years 2023 through 2043, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas, the defeasance and discharge of the Issuer’s obligations being refunded by the Bonds, and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Council of the Issuer in connection with the issuance of the Bonds, including the Ordinance, the Escrow Deposit Letter (the *Escrow Agreement*) between the Issuer and Zions Bancorporation, National Association, Houston, Texas (the *Escrow Agent*), and the certification (the *Sufficiency Certificate*) by SAMCO Capital Markets, Inc., as Financial Advisor to the Issuer, concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bonds executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we

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Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of “CITY OF BOERNE, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021”

have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Escrow Agreement has been duly authorized, executed, and delivered by the Issuer and, assuming due authorization, execution, and delivery thereof by the Escrow Agent, is a valid and binding obligation, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity), and that the outstanding obligations refunded, discharged, paid, and retired with certain proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in trust with the Escrow Agent, pursuant to the Escrow Agreement and the ordinances authorizing their issuance, and in accordance with the provisions of Chapter 1207, as amended, Texas Government Code. In rendering this opinion, we have relied upon the Sufficiency Certificate concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the Issuer.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Ordinance and in reliance upon the Sufficiency Certificate concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement and upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of “CITY OF BOERNE, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021”

of interest on, or the acquisition or disposition of, the Bonds. 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, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, 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.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP

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