

PRELIMINARY OFFICIAL STATEMENT

DATED JULY 2, 2020

**Ratings: S&P: "AAA"
See ("OTHER INFORMATION - RATINGS" herein)**

NEW ISSUE - BOOK-ENTRY-ONLY

In the opinion of Bond Counsel, interest on the Certificates is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS – TAX EXEMPTION" herein.

THE CERTIFICATES WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS"
FOR FINANCIAL INSTITUTIONS.

\$7,500,000*
CITY OF SPRING VALLEY VILLAGE, TEXAS
(Harris County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
SERIES 2020

Dated Date: August 1, 2020

Due: February 15, as shown on the inside cover

Interest Accrual Date: Date of Delivery

PAYMENT TERMS . . . Interest on the \$7,500,000* City of Spring Valley Village, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2020 (the "Certificates") will accrue from the date of initial delivery (expected August 4, 2020) to the purchaser thereof (the "Delivery Date") and will be payable February 15 and August 15 of each year commencing February 15, 2021, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Certificates - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE CERTIFICATES - PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Subchapter C of Chapter 271, Texas Government Code (the "Act"), as amended, and constitute direct obligations of the City, payable from an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, as provided in the ordinance authorizing the issuance of the Certificates (the "Ordinance") and from a limited pledge of the surplus revenues of the City's waterworks and sewer system, See "THE CERTIFICATES – AUTHORITY FOR ISSUANCE").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to fund design, acquisition, construction, equipping, and improvement of (i) streets and roadways and related improvements, and for the purchase of materials, supplies, machinery, land, and rights-of-way related thereto; (ii) drainage improvements, and for the purchase of materials, supplies, machinery, land, and rights-of-way related thereto; and (iii) certain other costs related and incidental thereto and the issuance costs of the Certificates.

SEE MATURITY SCHEDULE ON THE INSIDE COVER

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2029, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. (See "THE CERTIFICATES – OPTIONAL REDEMPTION").

MANDATORY SINKING FUND REDEMPTION. . . In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule on the inside cover page hereof are combined to create Term Certificates, each such Term Certificate shall be subject to mandatory sinking fund redemption commencing on February 15 of the first year which has been combined to form such Term Certificate and continuing on February 15 in each year thereafter until the stated maturity date of that Term Certificate, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule above. Term Certificates to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from and among the Term Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the City or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchaser (the "Initial Purchaser") and subject to the approving opinions of the Attorney General of Texas and of Norton Rose Fulbright US LLP, Bond Counsel, Houston, Texas (see Appendix C, "FORM OF BOND COUNSEL'S OPINION").

DELIVERY . . . It is expected that the Certificates will be available for delivery through the Depository Trust Company on August 4, 2020.

BIDS DUE JULY 14, 2020, AT 10:00 A.M., CST

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

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

\$7,500,000*
CITY OF SPRING VALLEY VILLAGE, TEXAS
(Harris County)

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
SERIES 2020

MATURITY SCHEDULE*

Due Feb. 15	Principal Amount*	Interest Rate	Yield ⁽¹⁾	CUSIP ⁽²⁾
2022	\$ 270,000	%	%	
2023	280,000			
2024	290,000			
2025	305,000			
2026	315,000			
2027	330,000			
2028	340,000			
2029 ⁽³⁾	355,000			
2030 ⁽³⁾	370,000			
2031 ⁽³⁾	385,000			
2032 ⁽³⁾	400,000			
2033 ⁽³⁾	420,000			
2034 ⁽³⁾	435,000			
2035 ⁽³⁾	450,000			
2036 ⁽³⁾	470,000			
2037 ⁽³⁾	490,000			
2038 ⁽³⁾	510,000			
2039 ⁽³⁾	530,000			
2040 ⁽³⁾	555,000			

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

- (1) The initial reoffering prices or yields on the Certificates are furnished by the Initial Purchaser and represent the initial offering prices or yields to the public, which may be changed by the Initial Purchaser at any time.
- (2) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Financial Advisor, nor Bond Counsel shall be responsible for the selection or correctness of CUSIP numbers shown herein.
- (3) The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2029, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption.

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

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

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

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

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

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

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY.....The City of Spring Valley Village, Texas (the “City”) is a political subdivision and municipal corporation of the State of Texas, located in Harris County, Texas. The City covers approximately two square miles (see “INTRODUCTION - DESCRIPTION OF CITY”).

THE CERTIFICATESThe Certificates are issued as \$7,500,000* Combination Tax and Revenue Certificates of Obligation, Series 2020. The Certificates are issued as serial Certificates maturing February 15, 2022 through and including February 15, 2040, unless the Initial Purchaser designates one or more maturities as Term Certificates (see “THE CERTIFICATES—DESCRIPTION OF THE CERTIFICATES”).

PAYMENT OF INTERESTInterest on the Certificates accrues from the date of delivery and is payable February 15, 2021, and each February 15 and August 15 thereafter until maturity or prior redemption (see “THE CERTIFICATES - DESCRIPTION OF THE CERTIFICATES” and “THE CERTIFICATES - OPTIONAL REDEMPTION”).

AUTHORITY FOR

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

SECURITY FOR THE

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

OPTIONAL REDEMPTION.....The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES—OPTIONAL REDEMPTION”). Additionally, the Certificates may be subject to mandatory redemption in the event the Initial Purchaser elects to aggregate one or more maturities as a Term Certificate. (See “THE CERTIFICATES—MANDATORY SINKING FUND REDEMPTION.”)

QUALIFIED TAX-EXEMPT

OBLIGATIONSThe City will designate the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions (see “TAX MATTERS -QUALIFIED TAX-EXEMPT OBLIGATIONS”).

TAX EXEMPTIONIn the opinion of Bond Counsel, interest on the Certificates is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under “TAX MATTERS - TAX EXEMPTION” herein. See “TAX MATTERS - TAX EXEMPTION” for a discussion of the opinion of Bond Counsel.

USE OF PROCEEDSProceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to fund design, acquisition, construction, equipping, and improvement of (i) streets and roadways and related improvements, and for the purchase of materials, supplies, machinery, land, and rights-of-way related thereto; (ii) drainage improvements, and for the purchase of materials, supplies, machinery, land, and rights-of-way related thereto; and (iii) certain other costs related and incidental thereto and the issuance costs of the Certificates.

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

BOOK-ENTRY-ONLY

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

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

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

SELECTED FINANCIAL INFORMATION

Fiscal Year End 9/30	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	G.O. Tax Debt Outstanding at End of Year	Per Capita G.O. Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	Percent of Total Tax Collections
2015	4,142	\$ 837,504,901	\$ 202,198	\$ 13,475,000	\$ 3,253	1.61%	97.95%
2016	4,191	978,676,056	233,519	13,075,000	3,120	1.34%	99.43%
2017	4,328	1,084,622,094	250,606	12,565,000	2,903	1.16%	99.08%
2018	4,328	1,185,870,072	274,000	12,035,000	2,781	1.01%	99.65%
2019	4,328	1,235,151,696	285,386	18,225,000	4,211	1.48%	97.83%
2020	4,333	1,151,034,042	265,644	24,790,000 ⁽³⁾	5,721 ⁽³⁾	2.15% ⁽³⁾	97.67%

(1) Source: The City.

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

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

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2019	2018	2017	2016	2015
Total Revenue	9,037,391	8,274,077	7,421,720	7,107,526	7,808,782
Total Expenditures	6,470,704	5,447,839	5,126,543	5,033,312	4,825,082
Other Financing Sources (Uses):	(1,925,684)	(1,568,306)	(2,191,260)	(1,378,677)	(2,061,690)
Beginning Fund Balance	7,465,952	6,208,020	6,104,103	5,408,566	4,486,556
Increase (Decrease) in Fund Balance	641,003	1,257,932	103,917	695,537	922,010
Ending General Fund Balance	<u>8,106,955</u>	<u>7,465,952</u>	<u>6,208,020</u>	<u>6,104,103</u>	<u>5,408,566</u>

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Position</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Marcus Vajdos	Mayor	9 years	2022	Accountant
Allen Carpenter	Mayor Pro Tem	8 years	2022	IT Manager
Bo Bothe	Council Member	6 years	2021	Business Owner
Tom Donaho	Council Member	3 years	2021	Attorney
David Dominy	Council Member	2 years	2021	Real Estate
Joy McCormack	Council Member	2 years	2022	Jedhi LLC Manager

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Years of Service to the City</u>	<u>Years of Experience</u>
Julie Robinson	City Administrator	3 years	25 years
Roxanne Benitez	City Secretary	5.5 years	20 years
Michelle Yi	City Treasurer	8 years	18 years
Loyd R. Evans	Chief of Police	16 years	4 years ⁽¹⁾
Pat Riley	Public Works Director	1 year	25 years

(1) Overall law enforcement experience of more than 20 years.

CONSULTANTS AND ADVISORS

Auditor..... Belt Harris Pechacek, LLP

Bond Counsel and Disclosure Counsel..... Norton Rose Fulbright US LLP
Houston, Texas

Financial Advisor Masterson Advisors LLC
Houston, Texas

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PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$7,500,000*
CITY OF SPRING VALLEY VILLAGE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
SERIES 2020

INTRODUCTION

This Official Statement, which includes the cover page, Schedule, and Appendices hereto, provides certain information regarding the issuance of the \$7,500,000* City of Spring Valley Village, Texas Combination Tax and Revenue Certificates of Obligation, Series 2020 (the "Certificates"). Capitalized terms used in this Official Statement, except as otherwise indicated herein, have the same meanings assigned to such terms in the ordinance authorizing the issuance of the Certificates (the "Ordinance"), to be adopted on July 14, 2020.

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

DESCRIPTION OF THE CITY

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, the City was incorporated in 1955. The City operates under a Mayor/Council form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is two years with the terms of the Mayor and two of the Councilmembers' terms expiring in even-numbered years and the other terms of the three Councilmembers expiring in odd-numbered years. The City Manager is the chief administrative officer for the City. The 2010 Census population for the City was 3,715. The City covers approximately two square miles.

HURRICANE HARVEY

The Texas Gulf Coast sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The center of the City is located approximately 30 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms and other tropical disturbances. The City and its facilities did not sustain any significant or major damage due to Hurricane Harvey. According to the City, no homes or commercial properties within the City experienced any flooding due to Hurricane Harvey.

Hurricane Harvey, or future tropical storms, could have an adverse impact on the region's economy, including an impact on business activity and development in the region. The City cannot predict what impact future tropical storms will have on the assessed value of homes or commercial properties within the City.

INFECTIOUS DISEASE OUTLOOK (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which 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 in connection with COVID-19. On March 13, 2020, the President of the United States (the "President") declared the Pandemic a national emergency and the Texas Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the "disaster declarations"). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

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 that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance of an Executive Order on March 31, 2020, which, among other things, orders the closure of schools throughout the state through May 4, 2020, unless otherwise extended, modified, rescinded, or superseded by the Governor. In addition, Harris County, within which the City is located, has issued a "shelter in place" order for most citizens except when engaged in specified essential businesses and government functions. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on slowing the spread of COVID-19 by limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

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

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Stock values and crude oil prices, in the U.S. and globally, have seen declines attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

The pandemic has had a particularly negative effect on sales tax revenues in the Houston region, and while such revenues are not pledged to payment of the Certificates, decreases in sales tax revenues could adversely affect the operations of the City generally. Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property and could reduce or negatively affect property values within the City. 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 continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of COVID-19 upon the City. While the potential impact of COVID-19 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. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not necessarily indicative of the economic impact of the Pandemic on the City’s financial condition.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES

The Certificates are dated August 1, 2020 and mature on February 15 in each of the years and in the amounts shown on the inside cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing February 15, 2021. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See “BOOK-ENTRY-ONLY SYSTEM” herein.

AUTHORITY FOR ISSUANCE

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

SECURITY AND SOURCE OF PAYMENT

All taxable property within the City is subject to an annual ad valorem tax levied, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on the Certificates. The Certificates are also payable from and secured by a limited pledge of a subordinate lien on the net revenues of the City’s waterworks and sewer system.

USE OF PROCEEDS

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to fund design, acquisition, construction, equipping, and improvement of (i) streets and roadways and related improvements, and for the purchase of materials, supplies, machinery, land, and rights-of-way related thereto; (ii) drainage improvements, and for the purchase of materials, supplies, machinery, land, and rights-of-way related thereto; and (iii) certain other costs related and incidental thereto and the issuance costs of the Certificates.

Par Amount of Certificates	
Net Premium	
Total Sources of Funds	
Deposit to Construction Fund	
Costs of Issuance	
Initial Purchaser's Discount	
Total Uses of Funds	

TAX RATE LIMITATION

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. The City operates under the general laws of the State of Texas as authorized by Article XI, Section 4 of the Texas Constitution, which limits the maximum tax rate to \$1.50 per \$100 Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all General Obligation Debt, based on 90% tax collection.

OPTIONAL REDEMPTION

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2029, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City shall determine the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION

In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule on the inside cover page are combined to create Term Certificates, each such Term Certificate shall be subject to mandatory sinking fund redemption commencing on February 15 of the first year which has been combined to form such Term Certificate and continuing on February 15 in each year thereafter until the stated maturity date of that Term Certificate, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule above. Term Certificates to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from and among the Term Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the City or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

AMENDMENTS

The Ordinance constitutes a contract with the registered owners entered into upon the initial purchase of the Certificates, is binding on the City and its successors and assigns whether or not so expressed, and may not be amended or repealed by the City so long as any Certificate remains Outstanding except as permitted in the Ordinance.

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 or Maturity Amount, as the case may be, of the Certificates then outstanding, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates then outstanding, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount or Maturity Amount, as the case may be, thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, (3) modify the provisions of the proviso to the definition of the term "Outstanding", or (4) modify any of the provisions of this Section, except to increase the percentage provided hereby or to provide that certain other provisions of the Ordinance cannot be modified or waived.

Any consent to any amendment hereof by the registered owner of any Certificate binds every future registered owner of the same Certificate and the registered owner of every Certificate issued upon transfer or in lieu thereof or in exchange therefor, in respect of anything done or suffered to be done by the City in reliance thereon, whether or not notation of such action is made upon such Certificate.

NOTICE OF REDEMPTION

Not less than 30 days prior to a Redemption Date, the City will cause a notice of redemption to be sent by United States Mail, first class postage prepaid, in the name of the City and at the City's expense, by the Paying Agent/Registrar to each registered owner of a Certificate to be redeemed in whole or in part at the address of the registered owner appearing on the security register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed will be conclusively presumed to have been duly given irrespective of whether received by the registered owner. All notices of redemption will state:

- (1) the redemption date,
- (2) the redemption price,

- (3) the principal amount and identification (by City and Certificate name, CUSIP number, stated maturity, interest rate, Dated Date, and, in the case of partial redemption, the Certificate numbers and respective principal amounts) of Certificates to be redeemed,
- (4) that on the redemption date the redemption price of each of the certificates to be redeemed will become due and payable and that interest thereon will cease to accrue from and after said date, and
- (5) that the certificates to be redeemed are to be surrendered for payment of the redemption price at the Place of Payment, and the address of such Place of Payment.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND SUBJECT, IN THE CASE OF AN OPTIONAL REDEMPTION, TO ANY RIGHTS OR CONDITIONS RESERVED BY THE CITY IN THE NOTICE, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE

Any Certificate is deemed paid and is no longer considered to be Outstanding within the meaning of the Ordinance when payment of the principal of and interest on such Certificate to the stated maturity thereof has been made or has been provided for by deposit with the Paying Agent/Registrar for such payment (or with any other bank or trust company which has agreed to hold the same for such purpose) (1) money sufficient to make such payment, (2) Governmental Obligations certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Governmental Obligations together so certified sufficient to make such payment, provided that all the expenses pertaining to the Certificates with respect to which such deposit is made have been paid or the payment thereof provided for to the satisfaction of the Paying Agent/Registrar (and to such other bank or trust company).

If such deposit is made with respect to some but not all of the Certificates then Outstanding, the City will designate the stated maturities of Certificates with respect to which such deposit is made. If such deposit is sufficient so to provide for the payment of the principal of and interest on some but not all Outstanding Certificates of a particular stated maturity so designated, the Paying Agent/Registrar will select the Outstanding Certificates of such stated maturity with respect to which such deposit is made by such random method as the Paying Agent/Registrar deems fair and appropriate and which may provide for the selection of portions (equal to and leaving unredeemed an authorized denomination) of Certificates a denomination larger than \$5,000.

Upon such deposit as described above, such Certificates will no longer be regarded to be outstanding or unpaid. Provided, however, the City has reserved the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm bank and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

When a Certificate is deemed paid it is no longer entitled to the benefits of the Ordinance, except for the purposes of any such payment from such money or Governmental Obligations and for the provisions of the Ordinance relating to exchange and tax exemption.

“Governmental Obligations” means (1) direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, or (2) obligations authorized under Texas law from time to time for discharge and final payment of political or governmental obligations which, at the time of deposit have been assigned ratings in the highest rating category by a nationally recognized investment rating firm, but in the case of both Clauses (1) and (2) only if such obligations may not be called for redemption prior to maturity.

BOOK-ENTRY ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PAYING AGENT/REGISTRAR

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

TRANSFER, EXCHANGE AND REGISTRATION

Upon surrender for transfer of any Certificates at the place of payment, the City shall execute, and the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Certificates of the same stated maturity, of any authorized denominations, and of a like aggregate principal amount. New Certificates registered and delivered in an exchange or transfer will be delivered by the Paying Agent/Registrar at the place of payment or sent by United States mail at the registered owner's written request, risk, and expense.

At the option of the registered owner, Certificates may be exchanged for other Certificates of the same stated maturity, of any authorized denominations, and of like aggregate principal amount, upon surrender of the Certificates to be exchanged at the place of payment. Whenever any Certificates are so surrendered for exchange, the City shall execute, and the Paying Agent/Registrar shall register and deliver, the Certificates which the registered owner of Certificates making the exchange is entitled to receive.

All Certificates issued in any transfer or exchange of Certificates shall be delivered to the registered owners at the principal corporate trust office of the Paying Agent/Registrar or sent by United States Mail, first class, postage prepaid to the registered owners, and, upon the registration and delivery thereof, the same shall be the valid obligations of the City, evidencing the same obligations to pay, and entitled to the same benefits under the Ordinance, as the Certificates surrendered in such transfer or exchange.

Every Certificate presented or surrendered for transfer or exchange must be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed, by the registered owner thereof or his attorney duly authorized in writing.

No service charge may be made to the registered owner for any registration, transfer, or exchange of Certificates, but the City or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Certificates.

Neither the City nor the Paying Agent/Registrar is required (1) to transfer or exchange any Certificate during a period beginning 45 days prior to a redemption date and ending at the close of business on the day of mailing of a notice of redemption or (2) thereafter to transfer or exchange in whole or in part any Certificate so selected for redemption.

RECORD DATE FOR INTEREST PAYMENT

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

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

CERTIFICATE HOLDERS' REMEDIES

The Ordinance does not establish specific events of default with respect to the Certificates or provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition. If the City defaults in any payment due on the Certificates, or if the City defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Ordinance, any registered owner is entitled to seek a writ of mandamus or mandatory injunction from a court of proper jurisdiction to compel the City to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Certificates as they become due or to perform other material covenants, conditions or obligations contained in the Ordinance. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract; and, Texas law provides that, following their approval by the Attorney General and issuance, the Certificates are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. Such rights are in addition to any other rights the registered owners of the Certificates may be provided by the laws of the State of Texas with respect to the Certificates.

Under Texas law there is no right to the acceleration of maturity of the Certificates upon the failure of the City to observe any covenant under the Ordinance. A registered owner of Certificates could file suit against the City if a default occurred in the payment of principal of or interest on any such Certificates; however, a suit for monetary damages could be vulnerable to the defense of sovereign immunity and any judgment could not be satisfied by execution against any property of the City.

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

TAX INFORMATION

AD VALOREM TAX LAW

The appraisal of property within the City is the responsibility of the Harris County Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property, or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property.

The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

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

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

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

Effective January 1, 2014, a partially disabled veteran or the surviving spouse of partially disabled veterans is entitled to an exemption from taxation in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also effective January 1, 2014, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000. In addition State law mandates a complete exemption for the residential homestead of disabled veterans determined to be 100% disabled by the U.S. Department of Veterans Affairs, and the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

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

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

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

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

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

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

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

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE

By each September 1 or as soon thereafter as practicable, the City Council adopts a tax rate per \$100 taxable value for the current year. The City Council will be required to adopt the annual tax rate for the City before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the City. If the City Council does not adopt a tax rate by such required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the City for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

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

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

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

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

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

PROPERTY ASSESSMENT AND TAX PAYMENT

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

Penalties and Interest. . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

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

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

City Application of Tax Code . . . The City (grants an exemption to the appraised value of the residence homestead of persons 65 years of age or older of \$20,000; the disabled are also granted an exemption of \$20,000;

The City has granted an additional exemption of 20% of the appraised value of residence homesteads; minimum exemption of \$5,000.

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

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and Spring Branch ISD collects taxes for the City.

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

The City does not tax freeport property.

The City does tax goods-in-transit.

The City does collect an additional one-half (1/2) cent sales tax for participation in the Houston Metropolitan Transit Authority.

The City has not adopted a tax abatement policy.

TAX INCREMENT REINVESTMENT ZONE

The City has not created a tax increment reinvestment zone.

TABLE 1 – VALUATION, EXEMPTION AND GENERAL OBLIGATION DEBT

2019/2020 Market Valuation Established by Harris County Appraisal District ⁽¹⁾ (excluding totally exempt property)		1,571,091,332
Less Exemptions/Reductions at 100% Market Value:		
Homestead Exemptions	244,075,562	
Over 65 Exemption	8,164,986	
Disabled Persons	60,000	
Disabled Veterans	1,211,380	
Other Exempt Properties	166,541,105	
Under \$500 Exemption	4,257	<u>420,057,290</u>
2019/2020 Taxable Assessed Valuation		1,151,034,042
General Obligation Debt Payable from Ad Valorem Taxes (as of 3/31/2020)		
Outstanding General Obligation Debt		\$ 17,290,000
The Certificates *		<u>7,500,000</u>
Total Outstanding Debt		<u>24,790,000</u>
Less: General Obligation Interest and Sinking Fund (as of 9/30/2019)		<u>\$ (25,842)</u>
Net General Obligation Debt Payable from Ad Valorem Taxes		\$ 24,815,842
Ratio Net General Obligation Debt to Taxable Assessed Valuation		2.156%

2020 Estimated Population - 4,333
Per Capita Taxable Assessed Valuation - \$265,644
Per Capita Net Funded Debt - \$5,727

* Preliminary, subject to change.

(1) As reported by the Harris County Appraisal District, net of exemptions. Subject to change due to protest and arbitration process.

TABLE 2 – TAXABLE ASSESSED VALUATION BY CATEGORY

Category	Taxable Appraised Value, Fiscal Year Ending September 30,					
	2020		2019		2018	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 1,349,685,406	85.91%	\$ 1,284,565,798	86.95%	\$ 1,233,380,388	86.71%
Real, Residential, Multi-Family	1,025,501	0.07%	930,505	0.06%	929,695	0.07%
Real, Vacant Lots/Tracts	18,789,076	1.20%	22,021,338	1.49%	26,911,668	1.89%
Real, Commercial	150,949,991	9.61%	136,520,331	9.24%	127,616,169	8.97%
Real and Tangible Personal, Utilities	12,076,421	0.77%	11,602,774	0.79%	11,433,668	0.80%
Tangible Personal, Commercial	36,683,337	2.33%	19,839,686	1.34%	20,777,919	1.46%
Tangible Personal, Industrial	1,881,600	0.12%	1,038,135	0.07%	1,361,672	0.10%
Real Property Inventory	-	0.00%	775,120	0.05%	-	0.00%
Total Appraised Value Before Exemptions	\$ 1,571,091,332	100.00%	\$ 1,477,293,687	100.00%	\$ 1,422,411,179	100.00%
Less: Total Exemptions/Reductions	420,057,290		242,141,991		236,541,107	
Taxable Assessed Value	\$ 1,151,034,042		\$ 1,235,151,696		\$ 1,185,870,072	

Category	Taxable Appraised Value, Fiscal Year Ending September 30,			
	2017		2016	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 1,146,172,845	87.72%	\$ 1,056,566,553	89.08%
Real, Residential, Multi-Family	1,059,499	0.08%	1,100,000	0.09%
Real, Vacant Lots/Tracts	20,219,114	1.55%	22,897,005	1.93%
Real, Commercial	104,087,202	7.97%	69,250,409	5.84%
Real and Tangible Personal, Utilities	11,484,003	0.88%	10,289,952	0.87%
Tangible Personal, Commercial	21,312,396	1.63%	24,695,444	2.08%
Tangible Personal, Industrial	1,350,100	0.10%	1,249,657	0.11%
Real Property Inventory	890,558	0.07%	71,220	0.01%
Total Appraised Value Before Exemptions	\$ 1,306,575,717	100.00%	\$ 1,186,120,240	100.00%
Less: Total Exemptions/Reductions	221,953,623		207,444,184	
Taxable Assessed Value	\$ 1,084,622,094		\$ 978,676,056	

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

TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year End 9/30	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	G.O. Tax Debt Outstanding at End of Year	Per Capita G.O. Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation ⁽³⁾
2015	4,142	\$ 837,504,901	\$ 202,198	\$ 13,475,000	\$ 3,253	1.61%
2016	4,191	978,676,056	233,519	13,075,000	3,120	1.34%
2017	4,328	1,084,622,094	250,606	12,565,000	2,903	1.16%
2018	4,328	1,185,870,072	274,000	12,035,000	2,781	1.01%
2019	4,328	1,235,151,696	285,386	18,225,000	4,211	1.48%
2020	4,333	1,151,034,042	265,644	24,790,000 ⁽³⁾	5,721 ⁽³⁾	2.15% ⁽³⁾

(1) Source: The City.

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

(3) Includes the Certificates. Preliminary, subject to change. (see THE SALE - "ADJUSTMENT OF PRINCIPAL AMOUNTS" in the accompanying Notice of Sale)

TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year End 9/30	Tax Year	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2015	2014	\$0.48780	\$0.48780	\$ -	\$ 4,212,362	97.35%	97.95%
2016	2015	0.45000	0.35616	0.09384	4,509,649	97.41%	99.43%
2017	2016	0.43350	0.35071	0.08279	4,688,384	99.69%	99.08%
2018	2017	0.43350	0.35464	0.07886	5,140,951	99.73%	99.65%
2019	2018	0.43000	0.35627	0.07373	5,243,735	99.46%	97.83%
2020	2019	0.42500	0.35589	0.06911	4,891,895	97.19% ⁽¹⁾	97.67% ⁽¹⁾

(1) Collections as of April 30, 2020.

TABLE 5 – TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2019/2020 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
SV Physician Properties I LP	Commercial Building	\$ 31,645,042	2.75%
Campbell Project Partners LLC	Commercial Land	26,144,580	2.27%
Ten Voss Ltd.	Storage Units	22,176,328	1.93%
HD Development Properties LP	Commercial Building	19,733,317	1.71%
Spring Valley One Center Ltd.	Medical Center	17,421,476	1.51%
Memorial Design Center Ltd.	Commercial Building	14,445,346	1.25%
Southwestern Bell	Telephone Utility	9,303,539	0.81%
Altec Capital Services LLC	Commercial	8,603,448	0.75%
Managed Rehabilitation Inc.	Rehabilitation Center	7,982,312	0.69%
Wellington Fidelis Campbell I LP	Commercial	5,556,300	0.48%
		<u>\$ 163,011,688</u>	<u>14.16%</u>

General Obligation Debt Limitation. . . No general obligation debt limitation is imposed on the City under current State law. (See "TAX RATE LIMITATION").

TABLE 6 - TAX ADEQUACY

2020 Principal and Interest Requirements.....	\$ 1,361,081 ⁽¹⁾
\$0.1232 Tax Rate at 96% Collection Produces	1,361,351
Average Annual Debt Service Requirement (2020-2040).....	\$ 1,645,978 ⁽¹⁾
\$0.1490 Tax Rate at 96% Collection Produces	1,646,439
Maximum Annual Debt Service Requirement (2033).....	\$ 1,926,263 ⁽¹⁾
\$0.1744 Tax Rate at 96% Collection Produces	1,927,107

(1) Projected; includes the Certificates. Preliminary, Subject to change.

TABLE 7 – ESTIMATED OVERLAPPING DEBT

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

	Fiscal Year 2019/2020 Taxable Assessed Valuation	Total GO Debt as of 4/30/2020	Estimated % Applicable	City's Overlapping GO Debt as of 4/30/2020
City of Spring Valley Village	\$ 1,151,034,042	\$ 24,790,000	100.00%	\$ 24,790,000 ⁽¹⁾
Harris County	483,996,469,666	1,885,182,125	0.29%	5,467,028
Harris County Department of Education	484,114,300,697	6,320,000	0.29%	18,328
Harris County Flood Control District	473,807,724,947	83,075,000	0.29%	240,918
Harris County Hospital District	469,711,154,122	55,005,000	0.29%	159,515
Port of Houston Authority	473,749,431,770	572,569,397	0.29%	1,660,451
Spring Branch ISD	34,458,689,539	783,660,000	4.06%	31,816,596
Tax-Supported Direct and Overlapping Funded Debt				\$ 64,152,835
Ratio of Tax-Supported Direct and Overlapping Funded Debt to Taxable Assessed Valuation				5.57%
Per Capita Tax-Supported and Overlapping Funded Debt				\$ 14,806

(1) Projected; includes the Certificates. Preliminary, subject to change.

DEBT INFORMATION

TABLE 8 – PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Year End 9/30	Outstanding Debt Service			The Certificates*			Total Debt Service Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest ⁽¹⁾	Total		
2020	\$ 795,000	\$ 566,081	\$ 1,361,081				\$ 1,361,081	
2021	825,000	536,606	1,361,606		\$ 309,167	\$ 309,167	1,670,773	
2022	850,000	509,031	1,359,031	\$ 270,000	294,600	564,600	1,923,631	
2023	880,000	480,531	1,360,531	280,000	283,600	563,600	1,924,131	
2024	910,000	451,031	1,361,031	290,000	272,200	562,200	1,923,231	19.93%
2025	940,000	420,531	1,360,531	305,000	260,300	565,300	1,925,831	
2026	970,000	389,031	1,359,031	315,000	247,900	562,900	1,921,931	
2027	1,000,000	356,531	1,356,531	330,000	235,000	565,000	1,921,531	
2028	1,035,000	324,506	1,359,506	340,000	221,600	561,600	1,921,106	
2029	1,070,000	292,931	1,362,931	355,000	207,700	562,700	1,925,631	45.96%
2030	1,095,000	260,456	1,355,456	370,000	193,200	563,200	1,918,656	
2031	1,135,000	227,006	1,362,006	385,000	178,100	563,100	1,925,106	
2032	1,170,000	191,922	1,361,922	400,000	162,400	562,400	1,924,322	
2033	1,205,000	155,263	1,360,263	420,000	146,000	566,000	1,926,263	
2034	1,240,000	116,513	1,356,513	435,000	128,900	563,900	1,920,413	76.67%
2035	1,285,000	75,481	1,360,481	450,000	111,200	561,200	1,921,681	
2036	400,000	48,100	448,100	470,000	92,800	562,800	1,010,900	
2037	415,000	34,856	449,856	490,000	73,600	563,600	1,013,456	
2038	425,000	21,206	446,206	510,000	53,600	563,600	1,009,806	
2039	440,000	7,150	447,150	530,000	32,800	562,800	1,009,950	
2040				555,000	11,100	566,100	566,100	100.00%
	<u>\$ 18,085,000</u>	<u>\$ 5,464,766</u>	<u>\$ 23,549,766</u>	<u>\$ 7,500,000</u>	<u>\$ 3,515,767</u>	<u>\$ 11,015,767</u>	<u>\$ 34,565,532</u>	

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

(1) Interest on the Certificates has been calculated at an estimated rate for the purpose of illustration.

TABLE 9 – INTEREST AND SINKING FUND BUDGET PROJECTIONS

Tax Supported Debt Service Requirements, Fiscal Year Ending September 30, 2020 ⁽¹⁾		\$ 1,361,081
Interest and Sinking Fund Balance, September 30, 2019	\$ (25,842)	
Budgeted Interest and Sinking Fund Tax Levy	907,119	
Budgeted Delinquent Taxes and Penalties & Interest	4,000	
Budgeted Transfer from General Fund	475,804	1,361,081
Estimated Balance, September 30, 2020	<u>475,804</u>	<u>\$ -</u>

(1) Projected; includes the Certificates. Preliminary, subject to change.

TABLE 10 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City does not have any authorized but unissued general obligation bonds.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT

The City does not anticipate issuing any additional general obligation debt within the next 12 months.

TABLE 11 – OTHER OBLIGATIONS

The City has no outstanding other obligations .

PENSION FUND

The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System (“TMRS”), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see APPENDIX B, “Excerpts from the City’s Annual Financial Report” - Note #IV - C.)

OTHER POST EMPLOYMENT BENEFITS

The City does not offer post-employment benefits other than supplemental death benefits as provided in the insurance plan operated by TMRS. See APPENDIX B, “Excerpts from the City’s Annual Financial Report” - Note #IV –D.)

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FINANCIAL INFORMATION

TABLE 12 – GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Year Ended September 30,				
	2019	2018	2017	2016	2015
Revenues:					
Property Taxes	\$ 4,269,760	\$ 4,196,077	\$ 3,798,654	\$ 3,590,002	\$ 4,159,264
Sales Taxes	1,535,394	1,430,561	1,262,647	1,197,292	1,191,356
Franchise and Local Taxes	370,171	326,582	339,607	353,381	339,321
Fines & Forfeitures	615,636	745,884	460,809	540,494	752,084
Licenses and Permits	355,933	196,591	260,442	265,706	397,023
Charges for Services	324,432	-			
Hilshire Police Contract	470,898	447,764	419,293	397,915	381,883
Investment Income	235,101	123,964	52,053	18,382	17,268
Intergovernmental	746,199	702,846	620,005	661,046	438,493
Other Revenue	113,867	103,808	208,210	83,308	132,090
Total	<u>\$ 9,037,391</u>	<u>\$ 8,274,077</u>	<u>\$ 7,421,720</u>	<u>\$ 7,107,526</u>	<u>\$ 7,808,782</u>
Expenditures:					
General Government	1,849,486	1,509,517	1,427,121	1,287,658	1,337,875
Public Safety	4,194,816	3,623,776	3,393,780	3,351,917	3,201,065
Public Works	426,402	314,546	305,642	393,737	286,142
Total	<u>\$ 6,470,704</u>	<u>\$ 5,447,839</u>	<u>\$ 5,126,543</u>	<u>\$ 5,033,312</u>	<u>\$ 4,825,082</u>
Excess of Revenues over Expenditures	\$ 2,566,687	\$ 2,826,238	\$ 2,295,177	\$ 2,074,214	\$ 2,983,700
Other Financing Sources (Uses):					
Operating Transfers In	\$ -	\$ -	\$ -	\$ -	\$ 75,000
Operating Transfers Out	(1,932,884)	(1,603,399)	(2,192,011)	(1,382,997)	(2,142,000)
Proceeds from Sale of Assets	7,200	35,093	751	4,320	5,310
Total Other Financing Sources	<u>\$ (1,925,684)</u>	<u>\$ (1,568,306)</u>	<u>\$ (2,191,260)</u>	<u>\$ (1,378,677)</u>	<u>\$ (2,061,690)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures & Other Uses	641,003	1,257,932	103,917	695,537	922,010
Beginning Fund Balance	7,465,952	6,208,020	6,104,103	5,408,566	4,486,556
Ending General Fund Balance	<u><u>\$ 8,106,955</u></u>	<u><u>\$ 7,465,952</u></u>	<u><u>\$ 6,208,020</u></u>	<u><u>\$ 6,104,103</u></u>	<u><u>\$ 5,408,566</u></u>

Source: The City's audited financial statements.

TABLE 13 – MUNICIPAL SALES TAX HISTORY

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% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Year End 9/30	Total Collected ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita ⁽²⁾
2015	\$ 1,191,356	28.28%	0.1423	\$ 288
2016	1,197,292	26.55%	0.1223	286
2017	1,262,647	26.93%	0.1164	292
2018	1,430,561	27.83%	0.1206	331
2019	1,535,394	29.28%	0.1243	355

(1) Does not include the sales tax for Houston Metropolitan Transit Authority.

(2) Based on population estimates provided by the City.

The sales tax breakdown for the City is as follows:

State Sales and Use Tax	6.25%
City Sales and Use Tax	1.00%
Houston METRO Sales Tax	<u>1.00%</u>
TOTAL	8.25%

FINANCIAL POLICIES

Basis of Accounting . . . The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

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

Debt Service Fund Balance . . . The City will establish a Debt Service Fund in connection with the issuance of the Bonds. Such Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Budgetary Procedures . . . In late August of each year, each department submits a request for appropriation so that a budget may be prepared. The Mayor and City Council review the requests and make necessary changes. The City Administrator and the City Treasurer prepare the proposed budget. In September, a public hearing for the proposed budget is held. After the hearing, a vote is taken for adoption of the budget. An ordinance is passed by Council to legally enact the budget. Amendments to the budget must be approved by City Council.

INVESTMENTS

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

Legal Investments . . . Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed, insured, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) bonds issued, assumed, or guaranteed by the State of Israel, (7) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to United States Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (9) bankers' acceptances with a stated maturity of 270 days or less from the date of its issuance, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, (12) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the preceding clauses, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent, and (13) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. Texas law also permits the City to invest bond proceeds in a guaranteed investment contract, subject to limitations as set forth in the Public Funds Investment Act, Texas Government Code, Chapter 2256 (the "PFIA").

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

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

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

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

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

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

TABLE 14 – CURRENT INVESTMENTS

As of April 30, 2020, the City’s investable funds were invested in the following categories:

Description	Percent of Total	Book Value	Market Value
TexPool	81.82%	\$ 17,053,457	\$ 17,053,457
Certificates of Deposit	1.03%	214,928	214,928
Money Market Savings	1.16%	240,837	240,837
Bank Deposits	15.99%	3,332,837	3,332,837
Total	100.00%	\$ 20,842,059	\$ 20,842,059

TAX MATTERS

TAX EXEMPTION

The delivery of the Certificates is subject to the opinion of Bond Counsel to the effect that interest on the Certificates for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Code, pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. A form of Bond Counsel's opinion is reproduced as APPENDIX C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

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

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 IRS with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Certificates is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Certificates 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 Certificates, the City may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

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

Existing law may change to reduce or eliminate the benefit to holders of the Certificates of the exclusion of interest on the Certificates 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 Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed or future changes in tax law.

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN CERTIFICATES

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

However, such interest may be required to be taken into account in determining the alternative minimum tax on corporations for taxable years that began before January 1, 2018, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

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

The initial public offering price of certain Certificates (the "Premium Certificates") may be greater than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Premium Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Certificates. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. 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 Certificates should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

The City will designate the Certificates as "qualified tax-exempt obligations" and will certify its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Certificates will not be subject to the 100% disallowance of interest expense allocable to interest on the Certificates under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Certificates will be reduced by 20% pursuant to section 291 of the Code.

OTHER INFORMATION

RATING

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

LITIGATION

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

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS

The City will provide annually to the Municipal Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access system (“EMMA”), within six months after the end of each fiscal year ending in or after September 30, 2020, financial information and operating data with respect to the City of the general type included in the Official Statement provided to the Purchaser in connection with its initial approval of its purchase of the Certificate of Obligations, being the information in tables 1 through 6 and 8 through 14 and as described in Appendix B hereto. Any financial statements so to be provided will be (1) prepared in accordance with the accounting principles set forth in Appendix B to the Official Statement, or as may otherwise hereafter be established consistent with Texas law and Generally Accepted Accounting Principles, and (2) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not so provided, then the City will provide audited financial statements for the applicable fiscal year to the MSRB through EMMA, when and if audited financial statements become available but if such audited financial statements are unavailable the City will provide such financial statements on an unaudited basis within the above-described six-month period.

If the City changes its fiscal year, it will notify the MSRB through EMMA of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB through EMMA or filed with the United States Securities and Exchange Commission (the “SEC”), or may be provided in any other manner consistent with the SEC Rule 15c2-12 (the “Rule”).

NOTICE OF CERTAIN EVENTS

The City will notify the MSRB through EMMA of any of the following events with respect to the Certificates in a timely manner, and not more than 10 business days after occurrence of the event:

- 1) Principal and interest payment delinquencies;
- 2) Non-payment related defaults, if material;
- 3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- 4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- 5) Substitution of credit or liquidity providers, or their failure to perform;
- 6) Adverse tax opinions the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Certificates, or other material events affecting the tax status of the Certificates;
- 7) Modifications to rights of Registered Owners of the Certificates, if material;
- 8) Certificate calls, if material, and tender offers;
- 9) Defeasances;
- 10) Release, substitution, or sale of property securing repayment of the Certificates; if material;
- 11) Rating changes;
- 12) Bankruptcy, insolvency, receivership, or similar event of the City, which will 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 trustee or the change of name of a trustee, if material;
- 15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, 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 the financial obligation of the obligated person, any of which reflect financial difficulties.

The City will notify the MSRB through EMMA., in a timely manner, of any failure by the City to provide financial information or operating data in accordance with the Ordinance by the time required.

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer 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 of the City 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 Issuer, and (b) the City intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of “Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of a debt obligation or any such derivative instrument; provided that “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

AVAILABILITY OF INFORMATION

The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS

The City will be obligated to observe and perform its continuing disclosure covenants while it remains the “obligated person” with respect to the Certificates within the meaning of the Rule, except that the City in any event will give the notice of any Certificate calls and defeasance that cause the City to be no longer such an “obligated person”.

These provisions are for the sole benefit of the registered owners and beneficial owners of the Certificates, and nothing, express or implied, will give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide and has not undertaken to provide any other information that may be relevant or material to a complete presentation of the financial results, condition, or prospects of the City or the State of Texas or hereby undertake to update any information except as expressly provided. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Certificates at any future date.

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

No default by the City in observing or performing its obligations will constitute a breach of or default.

The City may amend its continuing disclosure undertaking from time to time to adapt to changed circumstances resulting from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the Outstanding Certificates consent to such amendment or (b) a Person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the registered owners and beneficial owners of the Certificates. The City may also amend or repeal the provisions if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Certificates.

COMPLIANCE WITH PRIOR UNDERTAKINGS

The City’s comprehensive annual financial reports were not timely filed with the MSRB for fiscal years ending September 30, 2015 and 2016. The reports have since been filed, including a notice of late filing. The City has implemented procedures to ensure timely filing of all future financial information.

FINANCIAL ADVISOR

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

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

INITIAL PURCHASER

INITIAL PURCHASER

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

FORWARD LOOKING STATEMENTS DISCLAIMER

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

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

CERTIFICATION OF THE OFFICIAL STATEMENT

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

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

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY

The City of Spring Valley Village (the “City”) is a residential area surrounded by the City of Houston, west of Loop 610 and north of Interstate Highway 10. The City is one of the six Memorial Villages located ten miles west of downtown Houston. The City’s 2019 population was 4,333, a 16.5% increase since 2010. Some of the services that the City provides are public safety (police and fire protection), highways and streets, sanitation, water and sewer services, and general administrative services.

ECONOMY

The City continues to be a thriving community, consisting primarily of single-family residences. New housing construction in the City remains strong. Although there is little vacant land in the City, the tax base has continued to grow due to new construction of higher end homes on lots previously occupied by older homes. In fiscal year 2019, property tax revenue stays the same due to a tax rate reduction. Sales tax also increased over the prior year by 7.33%.

Harris County and the Houston Metropolitan area comprise a leading region of business development in the nation. The economy is based on petrochemicals, tourism, shipping, refining, chemicals, space exploration, medical research, manufacturing and education. The West Houston area is recognized as one of the most active centers of business and industrial development in the region. Industry in the area includes manufacturers of oil field machinery and equipment, fabricated metals, lumber, plastic and rubber products, tools and nonelectric machinery. Numerous shopping centers, malls, other retail establishments, and a wide variety of service-oriented businesses are located within the area and offer a complement to industry.

POPULATION

1990 Official Census	2000 Official Census	2010 Official Census
<u>3,392</u>	<u>3,611</u>	<u>3,715</u>

LABOR STATISTICS (TEXAS WORKFORCE COMMISSION)

<u>Calendar Year</u>	<u>Labor Force</u>	<u>Total Employment</u>	<u>Unemployment</u>	<u>Rate</u>
2015	2,232,553	2,129,050	103,503	4.64%
2016	2,246,239	2,126,642	119,597	5.32%
2017	2,268,944	2,155,485	113,459	5.00%
2018	2,286,360	2,186,339	100,021	4.37%
2019	2,317,346	2,228,703	88,643	3.83%
2020 ⁽¹⁾	2,296,832	2,139,165	157,667	6.86%

Source: Texas Workforce Commission

(1) Average as of April 30, 2020.

APPENDIX B

EXCERPTS FROM THE
CITY OF SPRING VALLEY VILLAGE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2019

The information contained in this Appendix consists of excerpts from the City of Spring Valley Village, Texas Annual Financial Report for the Year Ended September 30, 2019, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL