

to annex the District, by registered or certified mail, return receipt requested, to the address of the District designated in the registration statement on file with the Texas Department of Water Resources, with a copy to the District's attorney of record, and annexation of the District to the City shall be postponed until: (i) the installation of the items has been completed; or (ii) the expiration of one (1) year, whichever occurs first.

4. Milwood shall notify each person or entity purchasing property within the District from Milwood of the annexation provisions of this Agreement and shall obtain from each such purchaser a written acknowledgement that any attempt to incorporate all or any part of the District would be contrary to the intent and purpose of this Agreement.

E. Unless otherwise prohibited by applicable law, the District shall charge and collect a special water and sewer rate in the amount of \$18.20 per month from each single family dwelling unit or its equivalent to which water and sewer services are provided. Such special rate shall be assessed and collected from each customer in the manner specified above. The special rate may continue to be charged by the City after annexation and dissolution of the District, in addition to the City's normal water and sewer rates, as authorized by Section 54.016(h) of the Texas Water Code, until the bonded indebtedness of the District has been retired. If the total principal amount of bonds for District facilities is greater or less than the total estimated amount of bonds which was used to calculate the special rate, or if it becomes evident as a result of the subdivision process that the total number of single family dwelling units or their equivalents within the District will be greater or less than the total number used to calculate the special rate, then the District and the City agree to recalculate the special rate accordingly, and such recalculated special rate shall be charged and collected as provided herein. It is specifically acknowledged and agreed that the special rate described above has been calculated and that any recalculation thereof shall be calculated as provided in the Water District Ordinance for Growth Area III, in accordance with the terms and conditions of the ordinance of the City granting consent to the creation of the District.

G. Except as otherwise provided herein, all contract obligations and responsibilities of Milwood and the District pursuant to this Agreement shall terminate when the land within the District is annexed to the City; provided, however, that any obligations which have accrued prior to annexation shall not be affected by such termination.

ARTICLE VIII

ADDITIONAL REQUIREMENTS

Milwood and the District hereby respectively agree to comply with all applicable requirements contained in the Water District Ordinance; provided, however, that where the requirements of this Agreement are more specific than, but not inconsistent with, the provisions of the Water District Ordinance, the provisions of this Agreement shall control.

ARTICLE IX

CONSTRUCTION OF DISTRICT FACILITIES

With the consent of the District and the City, Milwood, or Milwood's successors or assigns, may serve as the project manager for the construction of all water, wastewater and drainage facilities to be constructed or acquired by the District. It is provided, however, that no construction of any facility shall commence unless the plans and specifications therefor have been approved by the City and all other governmental entities having jurisdiction. Upon the issuance and sale of its bond anticipation notes or bonds for such purposes, the District shall pay Milwood the cost of construction of any facilities constructed by Milwood to the extent authorized by the Texas Department of Water Resources and permitted by the Water District Ordinance. To the extent the District is not permitted to pay Milwood for any facilities, Milwood shall dedicate such facilities to the District without compensation.

ARTICLE X

LAND AND EASEMENT COSTS

Land, easements, and rights-of-way needed for District purposes within the District, which purposes are to be financed by issuance of bonds and notes, shall be dedicated to the District by Milwood, its successors or assigns. The District may acquire land from Milwood in accordance with the rules of the Texas Department of Water Resources and the provisions of the Water District Ordinance. Land, easements, and rights-of-way outside the District needed by the District shall be acquired by the District in accordance with the usual and customary public purchasing standards and procedures applicable to the District.

ARTICLE XI

LAND USE AND DEVELOPMENT

A. Milwood covenants and agrees to dedicate the following amenities to the District: (1) approximately sixty-four (64) acres of park and greenbelt areas; (2) a two (2) acre fire station site; and (3) a five (5) acre solid waste transfer site which shall be adjacent to the District's frontage along Highway 620, in either the area designated for industrial use or the area designated for retail use on the Conceptual Plan, as defined

below. Prior to development of the solid waste transfer site, the City shall submit a site plan showing all proposed structures, buffering, setbacks and uses on the site and the District shall have the right to approve, modify or disapprove such site plan as necessary, in the opinion of the Board of Directors of the District, to maintain compatibility with adjoining land and uses; provided, however, that such site plan approval shall not be unreasonably withheld. Milwood further agrees to provide park and recreational facilities for the residents within the District having a value of at least \$750,000.00, and to construct, at its sole cost, a bridge across Lake Creek at the location to be selected by Milwood and approved by the Director of Public Works.

B. All land within the District shall be developed in accordance with the conceptual plan attached hereto as Exhibit "C" and incorporated herein by reference, as the same may be amended from time to time with the concurrence of a majority of the members of the Planning Commission of the City and Milwood, its successors and assigns (the "Conceptual Plan"), except as otherwise hereinafter provided. Milwood, its successors and assigns shall comply with all requirements set forth in such Conceptual Plan. The Conceptual Plan shall be updated as each section of land within the District is platted, and all land located within the District shall be platted in accordance with the requirements of Article 970a, Texas Revised Civil Statutes, prior to development of such land. The City's Director of Planning shall determine whether a plat is in substantial compliance with the Conceptual Plan. Any person aggrieved by the decision of the Director of Planning may appeal such determination by filing a written appeal with the City Clerk of the City within ten (10) days from the date of such decision. The City Council of the City shall then hold a public hearing and render a decision either affirming or reversing such determination within fifteen (15) days from the date of such appeal.

C. Any increases in the overall gross density of development or any changes increasing the intensity of the land uses shown on the Conceptual Plan may only be made with the concurrence of a majority of the members of the City Council of the City and Milwood, its successors and assigns. Any decreases in land use intensity to a residential land use designation of "AA", "A", or "A-2" under the current zoning ordinance of the City, or the equivalent zoning classifications under any future zoning ordinance enacted by the City, shall not require approval by the City Council or Planning Commission of the City except as to plat approval by the Planning Commission as hereinabove provided.

D. Milwood shall have the right to designate additional school sites without prior approval of either the City Council or Planning Commission.

E. All land within the District shall be developed in accordance with the Landscape Ordinance of the City, Ordinance Number 820408-E, as hereafter amended from time to time. In addition, the land within the District fronting onto Ranch Road 620 and Farmer Lane shall be developed in accordance with the requirements of the Austin City Code, Chapter 13-2, Article VI, as hereafter amended from time to time. Each site within the District developed for use for industrial purposes shall be developed as a Planned Development Area pursuant to Article 970a, Section 5, Texas Revised Civil Statutes. All buildings constructed within the District shall be constructed in accordance with City standards.

All land within the District which is located within the fully developed one hundred (100) year flood plain of the main stem of either Rattan Creek or Lake Creek shall contain no development other than development associated with District park and recreational facilities, roads, and utilities. No parking, other than parking provided in association with park and recreational facilities, shall be included within the one hundred (100) year flood plain. Land located within the one hundred (100) year flood plain shall not be included within lots or considered in making calculations of density.

F. Milwood agrees to construct the roadway designated as Anderson Mill Road to City standards, to the extent that such roadway is situated within the boundaries of the District.

G. The terms and provisions of this Article XI shall continue in effect after annexation of the District by the City.

ARTICLE XII

ASSIGNMENT OF AGREEMENT

Milwood, or any party to this Agreement, or the successors or assigns of any such party, may from time to time, transfer, convey or assign all or any part of its rights and obligations under this Agreement with respect to all or any part of the land within the District owned by such party. Upon approval by the City of the assignee or assignees, which approval shall not be unreasonably withheld, and provided that the assignee or assignees assume the liabilities, responsibilities and obligations of the assignor under this Agreement, the party assigning its rights and obligations under this Agreement shall be released from the liabilities, responsibilities and obligations hereof to the extent of the land involved in such assignment or assignments, or to the extent otherwise approved by the City. Neither the District nor the City shall assign this Agreement without written

consent of each of the other parties hereto. Milwood is specifically authorized to assign this Agreement to the District upon its creation; provided, however, that such assignment shall not relieve Milwood or its successors or assigns from the obligation to comply with the land use requirements and the other provisions contained herein affecting the use and conditions of sale of property within the District.

ARTICLE XIII

TERM OF AGREEMENT

This Agreement shall be effective from the date of execution hereof by the City and Milwood, and shall continue in effect for a period of forty (40) years from the date of the execution hereof by the District; provided, however, that if the District is not created within one (1) year after execution of this Agreement by the City, this Agreement shall terminate and be of no effect.

ARTICLE XIV

JOINT CONTRACTING

The District is authorized to contract with any firm, corporation, person, governmental entity or political subdivision for the construction, operation and maintenance of any water or wastewater facilities or any other facilities which are within the powers of the District to construct, operate or maintain.

ARTICLE XV

SEVERABILITY AND ENFORCEABILITY

In the event that any provision hereof is subsequently determined to be invalid, illegal or unenforceable such provision shall be severed from the remaining portions of this Agreement and the remainder of the Agreement shall remain in full force and effect.

If the Texas Water Commission or any court of competent jurisdiction determines that any portion of this Agreement is beyond the scope or authority of the Texas Water Code or other applicable Texas law, the City, Milwood and the District agree to immediately amend this Agreement so as to conform to such ruling or decision in such a manner as is most consistent with the original intent hereof as may be legally possible.

ARTICLE XVI

BENEFITS OF AGREEMENT

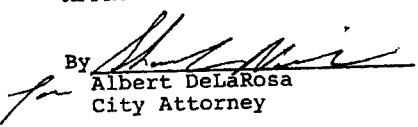
This Agreement is for the benefit of the City; the District; and Milwood, its successors and assigns, and shall not be construed to confer any benefit on any other party except as expressly provided herein. This Agreement may be executed by the City and Milwood prior to creation of the District and shall be binding upon the City and Milwood for a period of one (1) year following such execution by the City, pending creation and

confirmation of the creation of the District and approval and execution of this Agreement by the Board of Directors of the District.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its undersigned duly authorized representative, in multiple copies, each of equal dignity, on the date or dates indicated below.

APPROVED AS TO FORM:


CITY OF AUSTIN, TEXAS

By 
Albert DeLaRosa
City Attorney

By 
City Manager

Executed on MAY 20 1983, 1983

NORTH AUSTIN MUNICIPAL
UTILITY DISTRICT NO. 1

By 
President,
Board of Directors

Executed on February 21, 1984

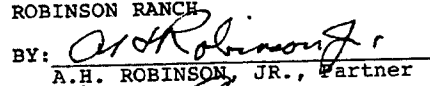
AUSTIN WHITE LIME COMPANY

BY: 
A.H. ROBINSON, JR., Partner

BY: 
GEORGE E. ROBINSON, Partner

Executed on Jan.30, 1984


ROBINSON RANCH

BY: 
A.H. ROBINSON, JR., Partner

BY: 
GEORGE E. ROBINSON, Partner

Executed on Jan.30, 1984

MILWOOD JOINT VENTURE

BY: 
BILL MILBURN, Venturer

BY: PALMAR ASSOCIATES, Venturer

BY: 

Executed on Jan.30, 1984

ORDINANCE NO. 800320-2

AN ORDINANCE REPEALING ORDINANCE NO. 800320-2; ESTABLISHING A POLICY RELATING TO POLITICAL SUBDIVISIONS CREATED PURSUANT TO ARTICLE III, SECTION 52 OF THE TEXAS CONSTITUTION OR ARTICLE XVI, SECTION 59 OF THE TEXAS CONSTITUTION FOR THE CITY OF AUSTIN; ESTABLISHING THIRTEEN BASIC QUALIFICATIONS FOR CONSENT TO THE CREATION OF A WATER DISTRICT; PROVIDING PERCENTAGES ALLOWED FOR BOND FINANCING; ESTABLISHING THE PROVISIONS OF THE BONDING PACKAGE; PROVIDING FOR THE PROVISION OF SPECIAL WATER AND SEWER RATES WITHIN THE CONSENT AGREEMENT AS AUTHORIZED BY SECTION 54.016(h) OF THE TEXAS WATER CODE; ESTABLISHING VARIOUS REQUIREMENTS; DECLARING A POLICY STATEMENT; SUSPENDING THE RULE REQUIRING THE READING OF ORDINANCES ON THREE SEPARATE DAYS; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, The City Council, of the City of Austin, Texas, wishes to allow the prudent utilization of Water Districts to encourage development in accordance with its Growth Management Plan, and

WHEREAS, The City Council wishes to develop policies to curtail the rising costs of housing and the size of purchase-money mortgages, and

WHEREAS, The City Council wishes to develop a policy for creation of Water Districts in a manner that will not burden the citizens of Austin with future debt, and

WHEREAS, The City Council wishes to develop a policy for the creation of Water Districts in a manner that will discourage urban sprawl; Now, Therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

PART 1. That Ordinance No. 800320-2, as amended, be and it is hereby repealed.

PART 2. That this policy relating to the political subdivisions created pursuant to Article III, Section 52 of the Texas Constitution or Article XVI, Section 59 of the Texas Constitution, be adopted pursuant to the applicable provisions of the Texas Water Code and the Texas Municipal Annexation Act of the State of Texas, to be equitably applied to all petitioners for new Water Districts within the City's Extra-Territorial Jurisdiction.

1. BASIC QUALIFICATIONS FOR CONSENT TO THE CREATION OF A WATER DISTRICT INCLUDING BUT NOT LIMITED TO MUNICIPAL UTILITY DISTRICTS (MUD), WATER CONTROL AND IMPROVEMENT DISTRICTS (WCID), AND FRESH WATER SUPPLY DISTRICTS (FWSID).

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- A. The Water District shall contain acreage necessary to assure the economic viability of the District, but in no event shall a Water District contain less than 100 acres.
- B. The land to be included within the water district must lie entirely outside the City limits; provided however, that land within the City by virtue of strip-annexation along major thoroughfares may be included with the Water District if such land within the City, constitutes no more than 5% of the total acreage of the Water District.
- C. The economic viability of the district must be shown in the same manner as required by the State.
- D. The consent resolution and agreement must reflect, and conform to, all the applicable stipulations of this policy.
- E. The City Council must determine that the district is not likely to be annexed by the City within three (3) years. Such determination shall not be binding on the City, however.
- F. When the City Council receives a petition for creation of a Water District within the City's Extra-Territorial Jurisdiction, it shall be evaluated in accordance with the policy set forth herein.

II. PERCENTAGES ALLOWED FOR BOND FINANCING.

- A. A Municipal Utility District will be allowed to issue bonds equal in amount to the bonding package outlined in Section III. hereof, times the appropriate percentage determined in Exhibit "A", attached hereto. All other forms of Water Districts including Water Control and Improvement Districts and Fresh Water Supply Districts in Growth Management Areas III and IV will be allowed bonding authority equal to one half the percentages for the following items only listed in Exhibit "A" Municipal Utility Districts: 1) internal water lines, 2) regional drainage, 3) water approach mains, and 4) water facilities. All such other forms of Water Districts located in Growth Management Area V will be allowed bonding authority equal to three quarters of the percentages for the items listed. Exceptions to the percentage limitations in Exhibit "A" may be granted by the City Council only where a proposed Water District will serve established residential areas and is not being created primarily to serve undeveloped land. Further, when a petition is received for creation of a Municipal Utility

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District in Area V which in the estimation of the City Council will not have a deleterious effect on the urban planning decisions including annexation, extension of utility service, protection of the environment, the fiscal integrity of the City of Austin and other goals delineated in the Austin Tomorrow Comprehensive Plan, it shall be evaluated on a case by case basis and considered individually on its merits and not necessarily subject to the provisions of this policy.

- B. Where a Water District overlaps any of the boundary lines in Exhibit "A", the percentage shall be apportioned according to the number of living unit equivalents in each area. The percentage shall be determined with respect to area designation and City limits at the date the consent agreement is approved by the City Council.
- C. The following definitions shall apply when used in Exhibit "A":
1. "Growth management area" refers to an area as described within the Master Plan of the City of Austin.
 2. "Extra-territorial jurisdiction area" refers to that area between the City limits and 5 miles beyond that as defined in appropriate state enabling legislation.
 3. "Internal water lines" or "Internal wastewater lines" means those lines, constructed within the Water District, including any oversize required which will not be recovered under the City's oversize policy since that policy shall be applicable to the developer.
 4. "Storm sewer/drainage" is limited to the cost of storm sewer pipe and open channels and their installation where impervious channel surfaces are required.
 5. "Regional drainage" means regional type storm water retention/detention features designed and constructed to control and/or manage storm water, a substantial portion of which issues from one or more watersheds outside the Water District, and provided such construction is approved by the Engineering Department of the City of Austin.

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6. "Wastewater facilities" means treatment plants, storage facilities and other items not included in 3 or 9 of this section.
7. "Water facilities" means treatment plants, storage facilities, wells and other items not included in 3 or 10 of this section.
8. "Water Facilities Using Ground Water from Edward's Aquifer" means all such facilities listed in definition 7 above which, in this case, derive their raw water source from the Edward's Aquifer.
9. "Irrigation land" means land irrigated in connection with a sewage treatment plant. The bonds allowed for this land are to be determined by the raw land cost. When land or irrigation is no longer used for that purpose, and it is sold, the proceeds from the sale shall be placed in the Debt Retirement Fund of the district. If annexation has occurred, such proceeds shall be placed in the Utility Enterprise Debt Retirement Fund of the City of Austin.
10. Approach mains are defined as those water and/or wastewater lines which lead up to but not within the property to be served and as further defined, by the Cost Participation Ordinance of the City of Austin.

III. BONDING PACKAGE.

A. WATER, WASTEWATER AND DRAINAGE

A Water District shall be permitted the bonding permitted under the State Law and the rules of the Texas Water Development Board for 1) construction, and for 2) land and easement costs for water, sewer, and drainage improvements (in accordance with Exhibit "A"). Further, the "30% rule" instituted by the Texas Water Commission shall apply in determining the bonding allowed for Water, Wastewater and Drainage. The percentages in Exhibit "A" shall apply after limits imposed by that rule and the delineation between types of districts and allowable bonding percentages established in Section II.A. of this Ordinance. The developer must pay 30% of the cost of internal lines and drainage. Additionally, that oversize portion of a water or wastewater approach main which the City of Austin has required to be constructed to serve areas outside of the

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boundaries of the Water District may be financed with bonds. In such cases, the City shall repay the Water District annually for the City's pro rata share of the debt retirement cost of such facility. The City shall retain the right to allocate its pro rata share of the facility and collect subsequent users fees as defined in the Cost Participation Ordinance of the City of Austin. Provided, however, that the following items shall not be allowed to be financed by the issuance of bonds, and therefore, shall not be included in the bonding package:

1. Land or easements within the Water District, or any property owned by the developers of the Water District, dedicated for any water or wastewater line or facility, including treatment plants for any function related to drainage. Provided, however, that bonds may be authorized for the purchase of land for irrigation purposes connected with a package treatment plant (in accordance with the chart in Exhibit "A"). Provided further that irrigation land purchased from the developers of the Water District must be purchased at book value.
2. Curbs, gutters, inlets, culverts, and bridges.
3. Drainage improvement, except storm sewers and regional facilities, in accordance with Exhibit "A".

3. INTANGIBLES

1. A contingency factor of 10% shall be allowed on all water, wastewater and drainage costs.
2. Construction costs shall include 10% for engineering, and shall include all fees.
3. Interest during construction and capitalized interest shall be allowed to the full extent of the State law for all costs that qualify for bond financing.
4. Other non-construction costs allowed for bond financing are: fiscal agent fees, legal fees and administration organizational expense and printing the bonds, as allowed by State law.

C. BONDED AMENITIES

Additional bonding authority may be used as the City Council specifies for any of the following items. The City Council must approve the need for each item, the

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size location and design. The aggregate of the City requirements shall be limited by the economic viability of the District. Bonded authority for any land under this section shall be based on raw land cost and carrying expenses.

1. Solid waste disposal sites.
2. Fire station sites.
3. Park lands, nature preserves, creek preservation easements, hike and bike trails, lakes and greenbelts in addition to those required by City ordinance.
4. Water quality monitoring stations, holding ponds and storm water treatment facilities.
5. Other items which might be mutually agreed upon by the City Council and the petitioners, and are permitted by the State.

D. NON-BONDED AMENITIES

The following amenities are required and shall not be financed by the issuance of bonds or by the incurrence of debt by the district.

1. Traffic control signs and devices constructed within the Water District.
2. Street signs.
3. Street lights.
4. Sidewalks, installed in accordance with Chapter 41 of the Austin City Code (Subdivision Ordinance), when developing by urban standards.
5. Recreational facilities on park land equal to 10% of the value assigned to the park land.

- IV. Consent agreements for Municipal Utility Districts shall provide, in adequate detail as required by Section 54.016(h) of the Texas Water Code that the water and sewer rates for properties within the MUD be specifically set so as to compensate the City of Austin for assuming the district's indebtedness after annexation. These special rates shall be in effect until the bonded indebtedness of the MUD is fully retired. If the bonds are called, these special rates shall nevertheless be in effect for the full projected life of the original bonds. These special rates shall consist of a component calculated to retire all or part of the bonded indebtedness incurred by the MUD as set out in "A" below. The component shall be determined by calculating the monthly debt retirement:

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payment for the appropriate bonded indebtedness and dividing the monthly payment by the number of planned living unit equivalents within the district. After annexation, this special rate shall be charged in addition to the water and sewer rates paid by other city consumers of similar customer classification.

If the Municipal Utility District requests City Council approval of subsequent, additional bonding authority beyond that agreed to in the original consent agreement, the special rates agreed to in this section will be recalculated as determined above to reflect the additional bonded indebtedness.

In addition, if it becomes evident via the subdivision approval process or otherwise, that the number of planned living unit equivalents within the district will exceed or be less than the figure originally used as the basis for computing the surcharge then the district and the City agree to adjust the special charges accordingly.

A. The bonded indebtedness used to calculate the special rate shall be:

- 1) Area III: the total amount of bonded indebtedness for construction, land and easement costs for water and wastewater internal lines, and all drainage as set out in Exhibit "A";
- 2) Area IV: the total amount of bonded indebtedness for construction, land and easement costs for water and wastewater internal lines, all drainage as set out in Exhibit "A"; and fifty percent of the total bonded indebtedness for construction, land and easement costs for water and wastewater approach mains and facilities and irrigation land as set out in Exhibit "A".
- 3) Area V: the total amount of bonded indebtedness for construction, land and easement costs for regional drainage, water and wastewater approach mains, water and wastewater facilities and irrigation land.

B. Since Section 54.016(h) of the Texas Water Code which permits the special rates used in this policy contains a provision which says that the City of Austin cannot annex the district prior to the installation of 90% of the facilities for which district bonds were authorized, the consent agreement must also contain a provision containing

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a date for 90% installation beyond which authorization for all unissued bonds may be terminated at the option of the City Council. If the City Council elects to so terminate, it must concurrently annex the district. To facilitate this requirement the consent agreement must require that bonds be issued to finance only completed and approved facilities and existing items.

- C. Any water and sewer customer within the boundaries of the City may enforce the special rates required to be included in a contract authorized by this policy.
- D. Prior to annexation, the special rate calculated in Section IV shall be charged in addition to the regular rate which shall not be less than that charged by the City within the City limits for consumers of similar customer classification. The revenue from the special rate shall be deposited in the debt retirement fund of the district.
- V. The revenue and ad valorem taxing authority of the district shall be pledged on all bonds as the City's ad valorem taxing authority shall be after annexation has occurred.

VI. ADDITIONAL REQUIREMENTS AND POLICY STATEMENT.

The City shall require the following of all Water Districts, and these requirements shall be stipulated by the appropriate set of consent resolutions and agreements.

- A. All development activities within the district shall conform to all existing City of Austin ordinance requirements.
- B. Underground utilities may be required by the City Council.
- C. All development construction by the district or the developers must be done in accordance with the City of Austin standards for similar facilities and copies of plans and specifications must be approved by the City before construction begins.
- D. All planning, designs, and construction of drainage facilities and other facilities and/or features pertinent to drainage shall be done in accordance with the "Drainage

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Ordinances Manual" of the City of Austin. Drainage plans must be approved by the Director of Public Works prior to land development.

- E. The City shall have the right to inspect all ~~facilities of the district~~ at any time during construction, and final approval is required. In addition, the City shall have the right to charge inspection fees for review of facilities the cost of which is not covered by other appropriate charges.
- F. Bonds shall be issued only for those purposes specifically authorized by the consent agreement, and bonds authorized for one purpose shall not be used for another.
- G. Before the Water District issues bid invitations for its bonds, the City Council shall have the right of approval of all bond issues and sales, including bond prices, interest rates, and redemption premiums, and copies of all documents submitted to State agencies shall be concurrently submitted to the City.
- H. All records, files, books, information, etc., of the district shall be a matter of public record, and available for City inspection at all times.
- I. The district shall prepare annual reports for the City on the status of construction and bond sales.
- J. All bonds issued by the district shall have a call provision which allows the option to redeem the bonds at par.
- K. The district shall not furnish water or wastewater service to any tract of land unless the Planning Commission of the City of Austin has approved a subdivision plat covering such tract of land and such plat has been recorded in the deed records. The Planning Commission of the City of Austin will not be required to approve any subdivision within a Water District which does not conform to the provisions of the consent agreement.
- L. The district shall not provide service outside its boundaries unless approval is obtained from the City Council. If such permission is granted, no bond funds shall be expended or indebtedness incurred to provide such service without approval of the City Council.

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- M. The City shall review and approve the adequacy, type and construction of all roadways in the Water District.
- N. The City may require the construction of facilities or improvements for the purpose of mitigating the impacts of storm water runoff.
- O. No Land within the Water District shall be allowed, at any time in the future, to incorporate, join in an incorporation, or be annexed into any incorporated city other than the City of Austin.
- P. No land may be annexed to a district without the approval of the City Council.
- Q. Right-of-way, public park land, utility and drainage easements and all other appropriate lands and easements shall be properly dedicated to the public, the district and its ultimate successor.
- R. The net effective interest rate will not exceed 2% above the highest average interest rate reported by the Daily Bond Buyer in its weekly "20 Bond Index" during the one-month period preceding the date notice of sale is given.
- S. Any wastewater treatment plant constructed in whole or in part with bond proceeds under this policy, shall not discharge over the Edward's Aquifer recharge zone or in the Barton Creek Watershed but must instead irrigate. Any wastewater treatment plant constructed in whole or in part with bond proceeds under this policy must be reviewed and approved by the City Council prior to the issuance of the State permit or any amendment thereto if it is to discharge instead of irrigate.
- T. Water Districts that are not charging a special rate as described in this Ordinance Part I, IV. shall charge a regular rate for service not less than that charged by the City for service to customers outside of the City as shall be established by the City Council from time to time.
- U. Water service in a WCID, FWSD or any other type of Water District with the exception of a Municipal Utility District will only be provided to lots one (1) acre minimum in size to insure the capability to install and operate an on-site wastewater disposal system over the life of the property.

PART 3. That all ordinances, resolutions and orders heretofore passed, adopted and made, or any part of the same, affecting approach mains, which

are in conflict with this Ordinance, shall be and the same are hereby in all things repealed.

PART 4. Whereas, an emergency is apparent for the immediate preservation of order, health, safety and general welfare of the public, which emergency requires the suspension of the rule providing for the reading of an ordinance on three separate days, and requires that this ordinance become effective immediately upon its passage; therefore, the rule requiring the reading on three separate days is hereby suspended and this ordinance shall become effective immediately upon its passage as provided by the Charter of the City of Austin.

PASSED AND APPROVED

August 16, 1981

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Mayor

APPROVED: Albert D. L. R.
Acting City Attorney

ATTEST: Ann Monroe
City Clerk

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EXHIBIT "A"

1	2	3	4	5	6	7	8	9	10	11	12
Growth Management Plan	Extra Territorial Jurisdiction	Internal Water Lines	Internal Wastewater Lines	Storm Sewer Drainage	Regional Drainage	Water Approach Rights	Wastewater Approach Rights	Water Facilities	Water Facilities Utilizing Ground Water from Edward's Acropolis	Wastewater Facilities	Irrigation Land
III	0-2 ml.	100%	100%	76%	100%	100%	100%	100%	0%	100%	100%
III	2-5 ml.	75%	75%	65%	100%	90%	90%	90%	0%	90%	100%
IV	0-2 ml.	40%	40%	0%	100%	60%	60%	60%	0%	60%	100%
IV	2-5 ml.	30%	30%	0%	100%	40%	40%	40%	0%	40%	100%
V	0-5 ml.	0%	0%	0%	100%	60%	20%	100%	0%	20%	100%

EXHIBIT "A" TO CREATION AGREEMENT
v - Page 12 of 12

UTILITY CONSTRUCTION CONTRACT
BETWEEN
THE CITY OF AUSTIN, TEXAS AND
NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1

This Contract is made and entered into on the date last herein written, by and between the CITY OF AUSTIN, TEXAS ("the City"), a Home Rule City located in Travis County, Texas, and the NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1 ("the District"), a conservation and reclamation district created pursuant to Article XVI, Section 59, of the Texas Constitution and operating under the provisions of Chapter 54 of the Texas Water Code.

RECITALS

The City owns and operates a water supply system and a sanitary sewer collection and treatment system serving areas within and adjacent to its city limits and has determined to extend its water supply and sanitary sewer facilities into the service area north of its present city limits in order to provide water and sanitary sewer service within said area for the purpose of protecting the health and welfare of present and future residents of the area and of portions of the City in proximity thereto.

The District desires to obtain access to the City's water supply system in order to enable it to provide a dependable supply of potable water to the inhabitants of the District and to obtain access to the City's sanitary sewer system in order to provide for the transportation, treatment, and disposal of sewage from within the District. Pursuant to Chapter 54 of the Texas Water Code, the District is authorized to purchase, construct and acquire, inside or outside its boundaries, works, improvements, and facilities helpful or necessary to supply water for municipal uses, domestic uses, and commercial purposes and to collect, transport, and dispose of waste. The Board of Directors of the District has determined that it is in the best

EXHIBIT "B" TO CREATION AGREEMENT

Page 1 of

interests of the District and its inhabitants to cooperate with the City in the acquisition and construction of certain extensions to the City's water supply and sanitary sewer facilities.

The City and the District are authorized to make and enter into this Contract in accordance with the laws of the State of Texas, including Article 1109j, Texas Revised Civil Statutes, and Chapter 54, Texas Water Code.

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that for same in consideration of the premises and the mutual obligations and benefits contained herein, the City and the District contract and agree as follows:

AGREEMENT

I. DEFINITIONS

The terms and expressions used in this Contract, unless the context clearly shows otherwise, shall have the following meanings:

1.01 "Project" shall mean and refer to those water main and sanitary sewer main extensions and improvements described in Exhibit "A" to this Contract. The exact alignment and configuration of such water main and sanitary sewer main extensions and the exact location and configuration of the other water and sanitary sewer improvements may vary depending upon the final engineering design which shall be reviewed by the Environmental Board of the City and which shall be approved by the consulting engineers for the District and the Directors or acting Directors of the City's Water and Wastewater and Public Works Departments. It is expressly acknowledged and agreed that, prior to the time engineering design for the Project has been finally determined, the City may, at its option, require the oversizing of any of the facilities comprising the Project, provided: (i) that the City bears the cost of such oversizing and any related engineering expenses; (ii) that the total cost

of the Project to the District is not increased as a result of the oversizing; and (iii) that the construction of the Project is not delayed as a result of such oversizing.

1.02 "Board" and/or "Board of Directors" shall mean and refer to the Board of Directors of the District.

1.03 "Bonds" shall mean and refer to the bonds to be issued by the District, in one or more series or issues, for the purpose of acquiring, by purchase and/or construction, the Projects.

1.04 "Bond Resolution" shall mean and refer to any resolution or trust indenture of the Board of Directors authorizing the issuance of the Bonds and providing for their security and payment, as amended from time to time as therein permitted.

II. OBLIGATIONS OF DISTRICT WITH RESPECT TO THE ACQUISITION OF THE PROJECT.

2.01 Subject to the limitations hereinafter set forth, the District agrees that it will proceed, as promptly as possible and to the best of its abilities, with the financing and acquisition and/or construction of the Project, all in the manner hereinafter described. The District agrees to promptly pursue the approvals necessary for the District to issue the Bonds and acquire the Project. Upon obtaining said approvals, the District agrees to proceed promptly to issue and sell the Bonds and, thereafter, to purchase and/or construct the Project. The District hereby covenants that it will make a diligent effort to design and to complete the Project as soon as practicable; provided, however, that the District shall not be liable for any damages which may be occasioned by delays not caused by negligence of the District. The District and the City shall agree on the "Consulting Engineers" for the Project, which shall be constructed in accordance with plans and specifications prepared by the Consulting Engineers and approved by the City.

It is further agreed that the Consulting Engineers may be changed, but only with the consent of both the District and the City.

The District may enter into such contracts as may be necessary to provide for the acquisition, by purchase and/or construction, of the Project. Said contracts shall be approved and executed as required by the laws and regulations applicable to municipal utility districts and shall be awarded by competitive bidding in accordance with applicable City policies and procedures. The City shall be given notice of and invited to attend all bid openings, including bid openings for Bonds.

III. DISTRICT'S OBLIGATION TO PROVIDE FINANCING FOR PROJECTS

3.01 In order to finance the costs of the Projects, the District agrees to issue and sell the Bonds, in one or more series or installments, in such amounts as may be necessary to pay the costs and expenses of acquiring and/or constructing the Project and the costs and expenses of issuing the Bonds including, without limitation, the cost of acquiring all rights-of-way, easements, and land therefor; the funding of all special funds created for the payment and security of the Bonds; reasonable financial and legal fees, as agreed to in writing by the City attorney and the Director of Finance of the City; printing and other expenses incurred in connection of the issuance, sale and delivery of the Bonds; and an amount sufficient to provide for the payment of interest on the Bonds for a period not to exceed two (2) years. The parties agree that all of the Bonds issued by the District pursuant to the provisions hereof shall be payable solely from the contractual payments identified and described in Article V of this Contract.

3.02 Prior to the passage by the Board of Directors of the District of any resolution authorizing the issuance of the Bonds, a draft of such resolution in substantially final form

and content shall be delivered to the City Manager of the City at least thirty (30) days before the proposed date of sale of such Bonds and approved by the City Council of the City. Such draft shall set forth the principal amount and the maturities of the Bonds to be issued, the special funds created for the payment and security of the Bonds, including provisions relating to the creation and establishment of a special escrow fund for the deposit of the proceeds of the sale of the Bonds; and the procedures to be followed for the disbursement or withdrawal of funds deposited in such accounts. The necessity and amount of capitalized interest on the Bonds shall, after the first issue of Bonds, be reviewed and determined by the District and the Director of Finance of the City.

IV. OWNERSHIP AND OPERATION OF PROJECT

4.01 It is understood and agreed that the Project, upon final completion of the purchase and/or construction thereof, shall be dedicated to the City and, upon acceptance thereof by the City, all right, title and interest of the District in and to the Project shall vest in the City and the City shall thereafter be responsible for the maintenance and operation of the Project, at its sole expense.

V. PAYMENTS BY THE CITY

5.01 For and in consideration of the District's acquiring the Project and conveying the same to the City, the City agrees to pay to the District, in the manner hereinafter set forth, a sum equal to the total of the principal, interest, paying agents' fees, and other charges and expenses which may accrue in connection with the payment and discharge of the Bonds. It is further agreed that the City's obligation to make the payments herein specified shall terminate at such time as: (a) all of the Bonds have been paid in full and are no longer outstanding or (b) the City has irrevocably deposited with the paying agent or trustee, as the case may be, in trust: (1) monies sufficient

to fully pay the principal of, redemption premium, if any, on and interest on the Bonds to the respective due date or dates by reason of maturity, redemption or otherwise; and/or (2) government obligations, certified by an independent public accounting firm of national reputation, which shall mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient funds to pay the principal of; redemption premium, if any, on and interest on all outstanding Bonds to their respective due date or dates by reason of maturity, redemption or otherwise. "Government obligations" as used herein shall mean direct obligations of the United States of America, including obligations upon which principal and interest are unconditionally guaranteed by the United States of America, and United States Treasury obligations such as its State and Local Government Series, which may be in book-entry form. It is further understood and agreed that the District's only source of funds to pay the principal of and interest on the Bonds, and to pay expenses relating to the Bonds, shall be from the payments to be made by the City to the paying agent for the District pursuant to this Contract.

5.02 The City agrees to make the following payments to or on behalf of the District for so long as any of the Bonds issued in connection with the Project are outstanding:

- (a) Such amounts, payable semi-annually on or before the last business day prior to the due date of each payment on the District's Bonds, as may be necessary to pay the principal and/or interest coming due on the District's Bonds on the next succeeding payment date;
- (b) Such amounts, payable upon receipt of a statement therefor, as may be necessary to pay, or to reimburse the District for, the fees and charges of the paying agent for paying or (redeeming the Bonds and/or interest coupons appertaining thereto coming due on such date;
- (c) Such amounts, payable upon receipt of a statement therefor, as may be necessary to pay, or to reimburse the District for: (1) the actual cost of any special accounting audits required by

the City; (2) any extraordinary or unexpected expenses or costs reasonably and necessarily incurred by the District in connection with the Bonds and the Projects, such as expenses of litigation, if any; and (3) costs of special studies and special professional services, if and when required by any governmental directive or regulation, or as may be agreed to by the City and the District; provided, however, that the City shall not be obligated to pay District expenses of litigation if the City is an opposing party in such litigation;

- (d) Such amounts as may be necessary to make all payments into any special fund or reserve fund required to be established and/or maintained by the provisions of any Bond Resolution, as defined in Paragraph 5.05 hereof; and
- (e) Such amounts as may be necessary to pay any deficiency in any fund or account required to be accumulated and/or maintained by the provisions of any Bond Resolution, as defined in Paragraph 5.05 hereof.

5.03 This Contract, and all payments required to be made by the City hereunder, shall constitute a Separate Lien Obligation within the meaning of and as such term is defined in Ordinance Number 820303-A, a copy of which ordinance is attached hereto as Exhibit "B" and incorporated herein by this reference. The capitalized terms set forth in this Section 5.03 and in Section 5.04 of this Article shall have the same meanings assigned to such terms by said Ordinance. The City hereby covenants and agrees that, subject only to the prior lien on and pledge of the Net Revenues of the City's Waterworks and Sewer System to the payment and security of the Priority Bonds, including the establishment and maintenance of the special funds created for the payment and security of the Priority Bonds, the Net Revenues of the Waterworks and Sewer System, with the exception of those in excess of the amounts required for the payments to be made hereunder and required for the payment and security of the Bonds, are hereby irrevocably pledged, equally and ratably, to the payment and security of the Bonds and to the payments required to be made by the City hereunder pursuant to Section 5.02 of this Article V. It is further acknowledged and

agreed that the lien on and pledge of the Net Revenues of the Waterworks and Sewer System securing the payments required to be made by the City under and pursuant to Section 5.02 of this Article V shall be in all respects on a parity and of equal dignity with the lien and pledge of the Net Revenues of the Waterworks and Sewer System securing the payment of the "City of Austin, Texas, Water, Sewer and Electric Refunding Revenue Bonds, Series 1982" and additional obligations issued on a parity therewith (which obligations the City expressly reserves the right to issue, in accordance with the terms and conditions prescribed therefor in said Ordinance Number 820303-A), as well as other Separate Lien Obligations which the City expressly reserves the right to issue and to be payable from and equally secured by a lien on and pledge of such Net Revenues. It is expressly agreed by the parties hereto that the lien and pledge securing the payments to be made hereunder shall be applicable only to the Net Revenues of the Waterworks and Sewer System, and that the Net Revenues of the Electric Light and Power System shall not be deemed to have been pledged or encumbered by any lien to secure the payment of any City obligations under this Contract in any manner. The City agrees to make provision, in each annual City Budget, for the payment of all amounts required to be paid by the City under and pursuant to this Contract.

5.04 The City hereby covenants and agrees to establish and maintain rates and charges for water and wastewater services adequate to annually produce Net Revenues of the Waterworks and Sewer System equal at least to: (a) the sum of all amounts deposited from the Water and Sewer System Fund (1) in any special funds or accounts created for the payment and security of the Priority Bonds and (2) in the Interest and Redemption Fund and Reserve Fund (created and established by Ordinance Number 820303-A) for the payment of principal of and interest on the Series 1982 and Additional Parity Bonds, and to establish

and maintain the Required Reserve as provided in said Ordinance or any other ordinance relating to obligations for which the Reserve Fund was created and established to pay; plus (b) an amount equal to 1.25 times the combined annual payments to be made during a Fiscal Year on all Separate Lien Obligations of the Waterworks and Sewer System for purposes of paying or representing the payment of, principal of and interest on all indebtedness incurred by reason of, resulting from or issued pursuant to such Separate Lien Obligations. In addition, the City hereby covenants and agrees to establish and maintain rates and charges for facilities and services afforded by the Electric Light and Power System and the Waterworks and Sewer System adequate to provide gross revenues in each fiscal year from each System sufficient:

- (a) To pay the respective Maintenance and Operating Expenses thereof;
- ((b) To provide such amounts as may be required to establish, maintain or restore, as the case may be, a required balance in any reserve or contingency fund created for the payment and security of Separate Lien Obligations;
- (c) To produce combined Net Revenues of the System sufficient to pay the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Priority Bonds, the Series 1982 and Additional Parity Bonds, and any other obligations or evidences of indebtedness issued or incurred that are payable only from and secured solely by a lien on and pledge of the combined Net Revenues of the Systems; and
- (d) To produce combined Net Revenues of the Systems (after payment of the amounts required to be paid by paragraphs (b) and (c), above) equal to at least the sum of (1) 1.25 times the annual principal and interest requirements (or other similar payments) for the then-outstanding Priority Bonds and the Separate Lien Obligations and (2) 1.10 times the total annual principal and interest requirements (or other similar payments) for the then-outstanding Bonds and all other indebtedness (except Priority Bonds and Separate Lien Obligations) payable only from and secured solely by lien on and pledge of the Net Revenues of either or both of the Systems.

5.05 The terms and specifications of the Bonds to be issued by the District pursuant to this Contract shall be set

forth in a bond resolution or resolutions adopted by the Board of Directors (the "Bond Resolution", whether one or more). Approval and execution of this Contract by the proper officers of the City, as authorized by a resolution or ordinance of the City Council of the City shall signify not only the acceptance and final approval of this Contract, but also an acknowledgment that the covenants of such Bond Resolution constitute contractual arrangements between the District and the purchasers of the Bonds. The City agrees faithfully to perform all of its obligations under this Contract in such manner as will permit the District to fully perform all of its obligations under the Bond Resolution. The City further agrees that the District, the purchasers of the Bonds and all others concerned in any manner with the issuance of the Bonds and the security of this Contract in support thereof may rely upon a certified copy of the resolution or ordinance of the City Council approving and authorizing the execution of this Contract as conclusive evidence of the City's approval and acceptance hereof and of its responsibilities and obligations hereunder.

5.06 All payments made by the City pursuant to Section 5.02(a) of this Contract shall be deposited with the depository institution designated as the paying agent for the Bonds, which paying agent shall be approved by the City; provided, however, that such approval shall not be unreasonably withheld. The funds so deposited shall be held and disbursed by the paying agent for the benefit of the holders of the Bonds from time to time in accordance with the terms and provisions of such Bonds.

VI. DISTRICT'S PRO RATA COSTS OF PROJECT.

6.01 The City agrees that, upon completion of the Project, adequate water distribution, wastewater collection, and treatment capacity shall be reserved to serve all land within the District and to meet the City's obligations to supply treated water to the District and to collect wastewater

therefrom. For and in consideration of the City reserving adequate distribution capacity on behalf of the District, the District hereby agrees to pay to the City its pro rata share of the principal and/or interest requirements and paying agent fees due on the Bonds issued to finance the Project, as indicated on Exhibit "C", attached hereto and incorporated herein by reference for all purposes.

6.02 The District and the City agree that the pro rata share of the costs of the Project to be borne by the District shall be payable in semi-annual installments on or before five (5) business days prior to the due date of each principal and/or interest payment on the Bonds. The District's obligation to make principal payments on the Bonds shall not commence until the fifth anniversary date of the issuance of such Bonds. Each such semi-annual installment shall be in an amount equal to the percentages hereinabove stipulated as applied to the total principal and/or interest requirements and paying agent fees due on the Bonds on the principal and/or interest date next following the date a semi-annual installment payment is to be made by the District to the City. An example of the manner in which the semi-annual installments to be made by the District to the City are to be calculated is attached hereto as Exhibit "D" and made a part hereof for all purposes.

6.03 The District hereby covenants and agrees that, after payment of all maintenance and operating expenses of the District's water distribution and sewer collection works, plants and facilities (hereinafter called the "System Facilities"), and subject only to any prior lien on and pledge of the income and revenues derived from the operation and ownership of the System Facilities to the payment and security of bonds (other than the Bonds) issued by the District, the revenues and income derived from the operation and ownership of the System Facilities shall be and are hereby irrevocably pledged to the

payments to be made to the City under and pursuant to Section 6.02 above. In this connection and so long as such semi-annual installment payments remain due and owing to the City, the District covenants and agrees to fix and maintain such rates and charges for water and sewer services afforded by the System Facilities as shall be fully sufficient to provide income and revenues at all times adequate to make the contract payments representing the District's pro rata share of the costs of the Project to the City. In addition, the payments to the City under and pursuant to Section 6.02 hereof shall be payable from and secured by an ad valorem tax, imposed by the District, unlimited as to rate or amount, which the District agrees to levy, assess and collect, upon all taxable property within the District at the same time as other District taxes are levied, assessed and collected. All of the foregoing provisions for the payments required under and pursuant to the foregoing Section 6.02 by the District to the City are made pursuant to the authority conferred by Sections 54.218 and 54.219 of the Texas Water Code, and an election duly held within in the District on the ____ day of _____, 198____. The District agrees that the resolution of its Board of Directors approving this Contract and authorizing the execution hereof on behalf of District shall make specific provision for the levy, assessment and collection of the aforementioned taxes during each year and at such rate (full allowance being made for delinquencies and costs of collection) as may be necessary to promptly make the payments herein pledged to City after consideration of all funds on hand or to be on hand from other sources, including those derived from the System Facilities as above set forth. The District hereby pledges the employment of these provisions for taxation as the means of making all payments to the City required under this Contract in each and every year when, for any reason, it shall appear that other available sources will

not produce funds entirely adequate for such purpose in the succeeding fiscal year.

6.04 The City covenants and agrees to enforce any and all existing contractual obligations with other entities and individuals in order to bring about cost participation in the Project on the part of these entities or individuals.

6.05 It is understood and agreed that the City shall have the right to establish and charge a subsequent user fee to all City water or sewer customers connecting to the facilities comprising the Project. In consideration of the District paying a share of the costs of the Project, neither the District nor any customers within the District shall be obligated to pay such subsequent user fee so long as the District is not annexed to the City, it being understood that the District's share of the costs of the Project is to be in lieu of of any such subsequent user fees to be assessed and collected by the City for the Project against other customers of the City's Waterworks and Sewer System. The District shall not have any rights to any such subsequent user fees collected by the City or any interest thereon.

VII. CONSTRUCTION AND INSURANCE

7.01 The Environmental Board of the City shall have the right to review the initial plans for the alignment and construction of the Project, and shall be invited to make on-site inspections of the Project during the alignment and construction stages.

7.02 During such time as the District or its contractors engage in construction work in relation to the Project, the District agrees to require all contractors performing such work to provide adequate insurance in relation to the Project and the work being performed as is usually carried by contractors constructing like properties and also to require all contractors to carry worker's compensation insurance. Upon completion of

construction of the Project and the dedication thereto to the City under the terms hereof, the City agrees to carry insurance on the Projects of a kind and in an amount which is customarily carried by municipal corporations in relation to the ownership and operations of utility properties.

VIII. CONDITIONS PRECEDENT

The obligation of the District to acquire and/or construct all or any part of the Project shall be conditioned upon the following:

- (a) Approval by the Texas Department of Water Resources, the Texas Department of Health, and any and all other local, state, or federal agencies having jurisdiction;
- (b) Sale of the Bonds in an amount sufficient to pay the costs of the acquisition and the expenses of issuing the Bonds; and
- (c) The District's ability, or the ability of its contractors, using all reasonable diligence, to obtain necessary material, labor, and equipment.

IX. USE OF CITY'S PROPERTY

By these presents, the City authorizes the District's use of any and all real property, streets, alleys, public ways and places, and general utility or water easements of the City for the acquisition and/or construction of the Project, so long as such use by the District does not interfere with any lawful use by the City. The City further agrees to provide right-of-way for the Project and to proceed immediately to acquire any necessary right-of-way by purchase, contract, or condemnation. The City's costs of acquiring such right-of-way shall be considered costs of the Project which shall be reimbursed by the District out of the proceeds of the Bonds. Nothing herein shall be construed as limiting the powers of the District to acquire land, easements or right-of-way for any purpose allowed by law. Upon completion of the Project, all easements acquired by the District for the Project shall be dedicated to the City.

X. FORCE MAJEURE

10.01 The term "Force Majeure", as employed herein, shall mean and refer to acts of God; strikes, lockouts, or other industrial disturbances; acts of public enemies; orders of any kind of the Government of the United States, the State of Texas or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accidents to machinery, pipelines, or canals; or other causes not reasonably within the control of the party claiming such inability.

10.02 If, by reason of Force Majeure, any party hereto shall be rendered wholly or partially unable to carry out its obligations under this Contract, then such party shall give written notice and the full particulars of such Force Majeure to the other party within a reasonable time after the occurrence thereof. The obligations of the party giving such notice, to the extent affected by such Force Majeure, shall be suspended during the continuance of the inability claimed, except as hereinafter provided, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch.

10.03 It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any Force Majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demands of the opposing party or parties when such settlement is unfavorable in the judgment of the party having the difficulty. It is specifically excepted and provided, however, that in no event shall any Force Majeure

relieve the City of its obligation to make the contract payments to the District as required by Article V of this Contract.

XI. REGULATORY BODIES

This Contract, and the acquisition of the Projects, shall be subject to all valid rules, regulations, and laws applicable thereto passed or promulgated by the United States of America, the State of Texas, or any governmental body or agency having lawful jurisdiction thereof.

XII. PARTIES IN INTEREST

This Contract shall be for the sole and exclusive benefit of the City, the District and the owners or holders of the Bonds from time to time, and shall not be construed to confer any benefit or right upon any other parties.

XIII. SEVERABILITY

The provisions of this Contract are severable, and if any word, phrase, clause, sentence, paragraph, section or other part of this Contract, or the application thereof to any person or circumstance, shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Contract and the application of such word, phrase, clause, sentence, paragraph, section or other part of this Contract to other persons or circumstances shall not be affected thereby.

XIV. TERM OF CONTRACT

This Contract shall be in force and effect for so long as the Bonds, or any of them, remain outstanding and unpaid; provided, however, that in no event shall the term of this Contract exceed forty (40) years from the date of execution hereof by the District.

XV. EXECUTION OF CONTRACT

This Contract may be executed by the City prior to the creation of the District and shall be binding upon the City for a period of one (1) year following the approval of this Contract

or the Project by the Texas Water Commission, whichever occurs first, and execution of this Contract by the Board of Directors thereof, and shall thereafter be binding upon the City and District in accordance with its terms.

IN WITNESS WHEREOF, the District and the City, each acting under authority of their respective governing bodies, have caused multiple originals of this Contract to be duly executed, each of such to be of equal dignity, on the date or dates indicated below.

APPROVED AS TO FORM:

CITY OF AUSTIN, TEXAS

Albert DeLaRosa
City Attorney

By _____
City Manager
Date: _____

NORTH AUSTIN MUNICIPAL UTILITY
DISTRICT NO. 1

By _____
President, Board of Directors
Date: _____

2663R/SBL

EXHIBIT "A"

DISTRICT ITEMS

WATER

1. 36 inch Jollyville Transmission Main (along McNeil Road from Jollyville Reservoir to Parmer Lane)
2. 24 inch Parmer Lane Transmission Line (from existing 24 inch main in Milwood 6-11 to McNeil Road)
3. 36 inch Transmission Line (from 36 inch main in McNeil Road to Proposed Reservoir)
4. 24 inch FM 620 Transmission Main (from 36 inch in Parmer at Reservoir to FM 620)

WASTEWATER

Temporary Lift Station and Force Main System (from North Austin M.U.D. #1 to Bull Creek Lateral "A")

CONTRACT BOND ITEMS

1. Northwest "A" System Reservoir (2,700,000 Gallons Effective Storage)
2. 48 inch Spicewood Springs Transmission Main and Discharge Piping (from Spicewood Springs Pump Station to U.S. Highway 183)
3. Oversize Research Boulevard Transmission Main from 36 inch to 48 inch Diameter.

WASTEWATER

Permanent Wastewater System including Anderson Mill and Forest North (from North Austin M.U.D. #1 to Bull Creek Interceptor)

REAL9/43-1:SBL

AN ORDINANCE by the City Council of the City of Austin, Texas, authorizing the issuance of \$598,000,000 "CITY OF AUSTIN, TEXAS, WATER, SEWER AND ELECTRIC REFUNDING REVENUE BONDS, SERIES 1982"; prescribing the form of the bonds and the form of the interest coupons; pledging the net revenues of the City's Waterworks and Sewer System and Electric Light and Power System to the payment of the principal of and interest on said bonds; enacting provisions incident and related to the issuance, payment, security and delivery of said bonds; and declaring an emergency.

Passed March 3, 1982

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ORDINANCE NO. 820303-A

AN ORDINANCE by the City Council of the City of Austin, Texas, authorizing the issuance of \$598,000,000 "CITY OF AUSTIN, TEXAS, WATER, SEWER AND ELECTRIC REFUNDING REVENUE BONDS, SERIES 1982", prescribing the form of the bonds and the form of the interest coupons; pledging the net revenues of the City's Waterworks and Sewer System and Electric Light and Power System to the payment of the principal of and interest on said bonds; enacting provisions incident and related to the issuance, payment, security and delivery of said bonds; and declaring an emergency.

WHEREAS, the City of Austin, Texas (the "City") has duly issued and delivered, and there are currently outstanding, the following series or issues of revenue bonds payable from and secured by a lien on and pledge of the net revenues of City's Electric Light and Power, Waterworks and Sewer System, to

(1)	City of Austin, Texas, Utility System Revenue Bonds, Series 1, dated April 1, 1977, now outstanding in the aggregate principal amount of	\$ 80,000,000
(2)	City of Austin, Texas, Utility System Revenue Bonds, Series 2, dated October 1, 1977, now outstanding in the aggregate principal amount of	55,000,000
(3)	City of Austin, Texas, Utility System Revenue Bonds, Series 3, dated April 1, 1978, now outstanding in the aggregate principal amount of	78,000,000
(4)	City of Austin, Texas, Utility System Revenue Bonds, Series 4, dated October 1, 1978, now outstanding in the aggregate principal amount of	76,780,000
(5)	City of Austin, Texas, Utility System Revenue Bonds, Series 5, dated March 1, 1979, now outstanding in the aggregate principal amount of	79,000,000
(6)	City of Austin, Texas, Utility System Revenue Bonds, Series 6, dated September 1, 1979, now outstanding in the aggregate principal amount of	60,000,000
(7)	City of Austin, Texas, Utility System Revenue Bonds, Series 7, dated July 1, 1980, now outstanding in the aggregate principal amount of	45,000,000
(8)	City of Austin, Texas, Utility System Revenue Bonds, Series 8, dated January 1, 1981, now outstanding in the aggregate principal amount of	45,000,000
(9)	City of Austin, Texas, Utility System Revenue Bonds, Series 9, dated June 1, 1981, now outstanding in the aggregate principal amount of	27,000,000
(10)	City of Austin, Texas, Utility System Revenue Bonds, Series 10, dated October 1, 1981, now outstanding in the aggregate principal amount of	43,000,000
(11)	City of Austin, Texas, Electric, Waterworks and Sewer System Refunding Revenue Bonds, Series 1979, dated July 1, 1979, now outstanding in the aggregate principal amount of	303,665,000

AND WHEREAS, the City Council of the City has determined and hereby finds that refunding bonds should be issued in an amount sufficient, together with other available funds of the City, to refund all the above described bonds for the reasons set forth in Section 41 hereof, pay the costs of issuance of the refunding bonds and provide a debt service reserve for the refunding bonds; and

WHEREAS, it is hereby officially found and determined that it is necessary and desirable to use proceeds of the refunding bonds to fund a portion of the debt service reserve provided in Section 15 below, to effectively market the bonds and achieve the purpose of the refunding as hereinafter set forth; now, therefore,

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BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN, TEXAS:

SECTION 1: *Authorization—Principal Amount—Series Designation.* For the purpose of refunding all outstanding CITY OF AUSTIN, TEXAS, ELECTRIC, WATERWORKS AND SEWER SYSTEM REFUNDING REVENUE BONDS and CITY OF AUSTIN, TEXAS, UTILITY SYSTEM REVENUE BONDS, there shall be and there is hereby authorized to be issued a series of bonds, each payable to bearer, but subject to registration as to the payment of principal, in the principal amount of FIVE HUNDRED NINETY-EIGHT MILLION DOLLARS (\$598,000,000), to be designated "CITY OF AUSTIN, TEXAS, WATER, SEWER AND ELECTRIC REFUNDING REVENUE BONDS, SERIES 1982" (the "Series 1982 Bonds"), pursuant to authority conferred by and in conformity with the laws of the State of Texas, particularly Article 717k, as amended, V.A.T.C.S.

SECTION 2: *Date—Denomination—Numbers—Maturities—Interest Rates.* The Series 1982 Bonds shall be dated March 15, 1982; shall each be in the denomination of Five Thousand Dollars (\$5,000); shall consist of 119,600 bonds, numbered consecutively from One (1) upward and shall mature and bear interest at per annum rates in accordance with the following schedule:

Bond Numbers (All Inclusive)	Maturity Date	Aggregate Principal Amount	Interest Rate
1 to 435	November 15, 1982	\$ 2,175,000	8.25%
436 to 1,506	May 15, 1983	5,355,000	8.75%
1,507 to 2,366	November 15, 1983	4,300,000	8.75%
2,367 to 3,264	May 15, 1984	4,490,000	9.50%
3,265 to 4,254	November 15, 1984	4,950,000	9.50%
4,255 to 5,288	May 15, 1985	5,170,000	10.00%
5,289 to 6,398	November 15, 1985	5,550,000	10.00%
6,399 to 7,564	May 15, 1986	5,830,000	10.40%
7,565 to 8,653	November 15, 1986	5,445,000	10.40%
8,654 to 9,800	May 15, 1987	5,735,000	10.80%
9,801 to 11,310	November 15, 1987	7,550,000	10.80%
11,311 to 12,898	May 15, 1988	7,940,000	11.20%
12,899 to 14,574	November 15, 1988	8,380,000	11.20%
14,575 to 16,344	May 15, 1989	8,850,000	11.50%
16,345 to 18,002	November 15, 1989	8,290,000	11.50%
18,003 to 19,755	May 15, 1990	8,765,000	11.75%
19,756 to 21,499	November 15, 1990	8,720,000	11.75%
21,500 to 23,345	May 15, 1991	9,230,000	12.00%
23,346 to 25,250	November 15, 1991	9,525,000	12.00%
25,251 to 27,266	May 15, 1992	10,080,000	12.25%
27,267 to 29,386	November 15, 1992	10,600,000	12.25%
29,387 to 31,636	May 15, 1993	11,250,000	12.50%
31,637 to 33,862	November 15, 1993	11,130,000	12.50%
33,863 to 36,224	May 15, 1994	11,810,000	12.75%
36,225 to 38,592	November 15, 1994	11,840,000	12.75%
38,593 to 49,774	November 15, 1996	55,910,000	11.00%
49,775 to 55,938	November 15, 1997	30,820,000	13.50%
55,939 to 87,218	November 15, 2001	156,400,000	14.00%
87,219 to 94,973	November 15, 2002	38,775,000	11.00%
94,974 to 119,600	November 15, 2006	123,135,000	14.25%

SECTION 3: *Interest.* The Series 1982 Bonds shall bear interest from date until paid, or redeemed in accordance with the terms prescribed therefor, at the per annum rates shown above, such interest to be evidenced by interest coupons attached to each of said bonds and said interest shall be payable on November 15, 1982, and semiannually thereafter on May 15 and November 15 in each year.

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SECTION 4: *Payment of Bonds—Paying Agent—Registrar.* Both principal of and interest on the Series 1982 Bonds shall be payable in lawful money of the United States of America, without exchange or collection charges to the owner or holder thereof, upon presentation and surrender of such bonds or proper coupons, at Morgan Guaranty Trust Company of New York, New York, New York (the "Paying Agent").

The Paying Agent is hereby designated and appointed the Registrar for the Series 1982 Bonds, and, in the performance of the duties of Registrar, shall maintain and keep Bond Registration Books for purposes of registering the Series 1982 Bonds as to the payment of principal and discharging the same from registration, all in accordance with the Bond Registration Provisions appearing on the Form of Bond set forth in Section 9 hereof and incorporated herein by reference as a part of this Ordinance for all purposes.

SECTION 5: *Optional Redemption.* (a) The City reserves the right to redeem the Series 1982 Bonds maturing on and after November 15, 2002, in whole at any time or in part on any interest payment date (and if within a maturity at random, by lot or other customary method selected by the Registrar), on or after May 15, 1997, at the price of par plus accrued interest to the date of redemption and without premium.

(b) The City also reserves the right to redeem the Series 1982 Bonds maturing on November 15, 1984 through November 15, 1994, in whole or in part (and if in part the particular Bonds to be redeemed shall be selected by the Registrar at random, by lot or other customary method), on May 15, 1984 or on any interest payment date thereafter, at the price of par plus accrued interest to the date of redemption and without premium, provided the principal amount of Bonds to be redeemed shall not exceed the amount of proceeds derived from the sale or other disposition of the City's participating interest in the South Texas Project and on hand in the special escrow account referred to in Section 23(b) hereof at the time of the call for redemption.

SECTION 6: *Mandatory Redemption.* The Series 1982 Bonds hereinafter described shall also be subject to mandatory redemption prior to maturity as follows:

(a) Series 1982 Bonds maturing on November 15, 1996, are subject to mandatory redemption prior to maturity and shall be redeemed, in part, on the dates and in the principal amounts set forth below:

<u>Date</u>	<u>Amount</u>
May 15, 1995	\$12,575,000
November 15, 1995	15,295,000
May 15, 1996	11,020,000

(b) Series 1982 Bonds maturing on November 15, 1997, are subject to mandatory redemption prior to maturity and shall be redeemed, in part, on the date and in the principal amount set forth below:

<u>Date</u>	<u>Amount</u>
May 15, 1997	\$12,100,000

(c) Series 1982 Bonds maturing on November 15, 2001, are subject to mandatory redemption prior to maturity and shall be redeemed, in part, on the dates and in the principal amounts set forth below:

<u>Date</u>	<u>Amount</u>
May 15, 1998	\$14,665,000
November 15, 1998	18,925,000
May 15, 1999	16,530,000
November 15, 1999	21,375,000
May 15, 2000	19,725,000
November 15, 2000	21,645,000
May 15, 2001	20,355,000

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(d) Series 1982 Bonds maturing on November 15, 2002, are subject to mandatory redemption prior to maturity and shall be redeemed, in part, on the date and in the principal amount set forth below:

<u>Date</u>	<u>Amount</u>
May 15, 2002	\$20,630,000

(e) Series 1982 Bonds maturing on November 15, 2006, are subject to mandatory redemption prior to maturity and shall be redeemed, in part, on the dates and in the principal amounts set forth below:

<u>Date</u>	<u>Amount</u>
May 15, 2003	\$17,370,000
November 15, 2003	19,955,000
May 15, 2004	17,300,000
November 15, 2004	17,415,000
May 15, 2005	19,305,000
November 15, 2005	15,795,000
May 15, 2006	1,855,000

On or prior to each April 1 and October 1 in each of the years specified above that Series 1982 Bonds are to be mandatorily redeemed, the Registrar shall select at random, by lot or other customary method the serial numbers of the Series 1982 Bonds within the applicable maturity to be redeemed on the next following mandatory redemption date, and the Series 1982 Bonds thus selected shall be redeemed on the next following May 15 and November 15, as the case may be, from moneys set aside for that purpose in the Interest and Redemption Fund, at the price of par and accrued interest to the date of redemption, without premium. Any Series 1982 Bonds not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of the Series 1982 Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Series 1982 Bonds which, at least 50 days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Bonds plus accrued interest to the date of purchase thereof, and delivered to the Registrar for cancellation, (2) shall have been purchased and cancelled by said Registrar at the request of the City with moneys in the Interest and Redemption Fund, at a price not exceeding the principal amount of such Series 1982 Bonds plus accrued interest to the date of purchase thereof, or (3) have been redeemed pursuant to the optional redemption provisions set forth above in Section 5 hereof and not theretofore credited against a mandatory redemption requirement.

SECTION 7: Notice of Redemption. At least thirty (30) days prior to any date on which any of the Series 1982 Bonds are to be redeemed pursuant to the provisions of Sections 5 or 6 hereof, the City shall cause a written notice of redemption (specifying the serial numbers and amount of bonds to be redeemed) to be published at least once in a financial publication of general circulation in The City of New York, New York and in a newspaper of general circulation in the City of Austin, Texas. By the date fixed for any such redemption due provision shall be made with the Paying Agent for the payment of the principal amount of the Series 1982 Bonds which are to be so redeemed and accrued interest thereon to the date fixed for redemption. If such written notice of redemption is published and if due provision for such payment is made, all as provided above, the Series 1982 Bonds which are to be so redeemed thereby automatically shall be redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the holder to receive the redemption price from the Paying Agent out of the funds provided for such payment. A similar notice shall be mailed by the City, postage prepaid, not less than 30 days prior to the redemption date, (a) to the registered owner of each Series 1982 Bond to be redeemed at the address appearing on the Bond Registration Books maintained by the Registrar and (b) to the owner of each of the Series 1982 Bonds to be redeemed

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which is payable to bearer, provided that each such owner previously shall have filed written instructions with the Registrar as to the name and address to which such notice should be mailed; but failure to mail or receive any such notice, or any defect therein or in the mailing thereof, shall not affect the validity of the proceedings for the redemption of such Series 1982 Bonds.

SECTION 8: *Execution of Bonds.* The seal of said City shall be impressed on each of said Series 1982 Bonds or, in the alternative, a facsimile of such seal shall be printed on the said Series 1982 Bonds. The Series 1982 Bonds and interest coupons appurtenant thereto may be executed by the imprinted facsimile signatures of the Mayor and City Clerk and execution in such manner shall have the same effect as if such Series 1982 Bonds and coupons had been signed by the Mayor and City Clerk in person by their manual signatures. Inasmuch as such Series 1982 Bonds are required to be registered by the Comptroller of Public Accounts of the State of Texas, only his signature (or that of a deputy designated in writing to act for the Comptroller) shall be required to be manually subscribed to such Series 1982 Bonds in connection with his registration certificate to appear thereon, as hereinafter provided; all in accordance with the provisions of Article 717j-1, V.A.T.C.S.

SECTION 9: *Forms.* The form of the Series 1982 Bonds, including the form of interest coupons to be attached thereto, the form of registration certificate of the Comptroller of Public Accounts of the State of Texas and the form for registration of ownership to be printed thereon, shall be substantially as follows, to wit:

(Form of Bond)

NO. _____ UNITED STATES OF AMERICA \$5,000

STATE OF TEXAS

COUNTY OF TRAVIS.

CITY OF AUSTIN, TEXAS,
WATER, SEWER AND ELECTRIC
REFUNDING REVENUE BOND
SERIES 1982

The City of Austin, a municipal corporation in the County of Travis, State of Texas, FOR VALUE RECEIVED, hereby promises to pay to the bearer hereof, or, if this bond be registered as to principal as hereafter provided, to the registered owner hereof, on the FIFTEENTH DAY OF _____ (unless this Bond shall have been redeemed prior to maturity in accordance with the provisions of the ordinance hereinafter referred to) the principal sum of

FIVE THOUSAND DOLLARS

(\$5,000), and to pay interest thereon from the date hereof until paid at the rate of _____ percentum (_____ %) per annum, such interest being evidenced by interest coupons payable on November 15, 1982, and semiannually thereafter on May 15 and November 15 in each year while this Bond is outstanding.

BOTH PRINCIPAL of and interest on this Bond shall be payable in lawful money of the United States of America, without exchange or collection charges to the owner or holder, such principal and interest coupons appertaining hereto, being payable only upon presentation and surrender of this Bond or proper interest coupon, at Morgan Guaranty Trust Company of New York, New York, New York (the "Paying Agent").

If this Bond is registered as to principal (other than to bearer), such principal shall be paid to the registered owner shown on the Bond Registration Books of the City kept by the Paying Agent as "Registrar" for the City, upon presentation and surrender of this Bond to the Paying Agent.

THIS BOND is one of a series of bonds (the "Bonds"), dated March 15, 1982, numbered consecutively from One (1) upward, each in the denomination of \$5,000, aggregating in principal amount \$598,000,000, issued for the purpose of refunding all presently outstanding "City of Austin, Texas, Electric, Waterworks

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and Sewer System Refunding Revenue Bonds" and "City of Austin, Texas, Utility System Revenue Bonds", pursuant to and in conformity with the laws of the State of Texas, particularly Article 717k, V.A.T.C.S., as amended, the Home Rule Charter of the City and an ordinance (the "Ordinance") duly passed by the City Council of the City and duly recorded in the Minutes of said Council.

THE BONDS are issued in coupon form without right of conversion and exchange into fully registered bonds. Provisions regarding the registration of this Bond as to principal and the conditions of transfer are set forth in the Bond Registration Provisions appearing on the back hereof.

THE BONDS maturing on the dates hereinafter identified are subject to mandatory redemption prior to maturity with funds from the "Interest and Redemption Fund", established in the Ordinance, and shall be redeemed in part prior to maturity at the price of par and accrued interest thereon to the date of redemption, and without premium, on the dates and in the amounts set forth in the Ordinance. Bonds maturing November 15, 1996 are subject to mandatory redemption on May 15, 1995 and semiannually thereafter on each November 15, and May 15 through May 15, 1996. Bonds maturing November 15, 1997 are subject to mandatory redemption on May 15, 1997. Bonds maturing November 15, 2001 are subject to mandatory redemption on May 15, 1998 and semiannually thereafter on each November 15, and May 15 through May 15, 2001. Bonds maturing on November 15, 2002 are subject to mandatory redemption on May 15, 2002. Bonds maturing November 15, 2006 are subject to mandatory redemption on May 15, 2003, and semiannually thereafter on each November 15 and May 15 through May 15, 2006. The particular Bonds to be redeemed on each such date shall be chosen at random, by lot or other customary method by the Registrar; provided, however, that the principal amount of the Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Bonds which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Bonds plus accrued interest to the date of purchase thereof, and delivered to the Registrar for cancellation, (2) shall have been purchased and cancelled by said Registrar at the request of the City with moneys in the Interest and Redemption Fund at a price not exceeding the principal amount of such Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption requirement.

On and after May 15, 1997, the Bonds maturing on and after November 15, 2002 may be redeemed prior to their scheduled maturities, at the option of said City, with funds derived from any source, in whole on any date, or in part on any interest payment date, for the principal amount thereof and accrued interest thereon to the date fixed for redemption, and without premium. If less than all the Bonds of a maturity are to be so redeemed, the particular Bonds of a maturity, to be redeemed shall be selected at random, by lot or other customary method by the Registrar.

Furthermore, the Bonds maturing on November 15, 1984 through November 15, 1994, may be redeemed at the option of the City, in whole or in part (and, if in part the particular Bonds to be redeemed shall be selected by the Registrar at random, by lot or other customary method), on May 15, 1984 or on any interest payment date thereafter at the price of par and accrued interest to the date of redemption and without premium, provided the principal amount of Bonds to be redeemed shall not exceed the amount of proceeds derived from the sale of the City's participating interest in the "South Texas Project" and on hand at the time of the call for redemption.

AT LEAST thirty days prior to the date fixed for any redemption the City shall cause a written notice of such redemption (specifying the serial numbers and amount of Bonds to be redeemed), to be published at least once in a financial publication of general circulation in The City of New York, New York, and in a newspaper of general circulation in the City of Austin, Texas. By the date fixed for any such redemption due provision shall be made with the Paying Agent for the payment of the principal amount of the Bonds which are to be so redeemed and accrued interest thereon to the date fixed for redemption. If such written notice of redemption is published and if due provision for such payment is made, all as provided above, the Bonds which are to be so redeemed thereby automatically shall be redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be

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regarded as being outstanding except for the right of the bearer to receive the redemption price from the Paying Agent out of the funds provided for such payment. A similar notice shall be mailed by the City, postage prepaid, not less than 30 days prior to the redemption date, (a) to the registered owner of each of the Bonds to be redeemed addressed to such owner at the address appearing on the Bond Registration Books maintained by the Registrar, and (b) to the owner of each of the Bonds to be redeemed, which is payable to bearer, provided that each such owner previously shall have filed written instructions with the Registrar as to the name and address to which such notice should be mailed; but failure to mail or receive any such notice, or any defect therein or in the mailing thereof, shall not affect the validity of the proceedings for the redemption of such Bonds.

THE BONDS are special obligations of the City payable solely from and equally secured by a lien on and pledge of the "Net Revenues" (as such term is defined in the Ordinance) of the City's Electric Light and Power System and the "Net Revenues" of the Waterworks and Sewer System; such lien on and pledge of the "Net Revenues" of both Systems being joint and several and, also, being junior and subordinate to the payment and security of "Priority Bonds" (which the City has reserved the right to issue subject to the terms and conditions stated in the Ordinance). For a more complete description and identification of the revenues pledged to the payment of the Bonds, and other obligations of the City secured by and payable from the same source or sources as the Bonds, reference is hereby made to the Ordinance.

THE CITY has reserved the right, subject to the restrictions stated in the Ordinance, to issue and incur additional parity revenue obligations payable from and equally secured by a lien on and pledge of the Net Revenues of the Electric Light and Power System and the Net Revenues of the Waterworks and Sewer System, in the same manner and to the same extent as the Bonds. In addition, the City has expressly reserved the right to incur obligations payable from and secured by a lien on and pledge of the Net Revenues of either the Electric Light and Power System or the Waterworks and Sewer System, but not both Systems, which lien on and pledge of the respective Net-Revenues will be of equal dignity with the lien on and pledge of said respective Net Revenues in favor of the Bonds. The City has also reserved the right to issue Priority Bonds to be secured by a first lien on and pledge of the Net Revenues of Electric Light and Power System and the Net Revenues of the Waterworks and Sewer System under the terms and conditions contained in the Ordinance.

THE HOLDER HEREOF shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation.

IT IS HEREBY CERTIFIED AND RECITED that the issuance of this Bond and the Series of which it is a part is duly authorized by law; that all acts, conditions and things required to exist and to be done precedent to and in the issuance of the Bonds to render the same lawful and valid have been properly done, have happened and have been performed in regular and due time, form and manner as required by the Constitution and laws of the State of Texas and the Ordinance hereinabove mentioned; that the Bonds do not exceed any constitutional or statutory limitation; and that provision has been made for the payment of the principal of and interest on this Bond and the Series of which it is a part by irrevocably pledging the Net Revenues of the Electric Light and Power System and the Waterworks and Sewer System of the City of Austin, Texas, as hereinabove recited.

Except where defined herein, capitalized terms have the meanings assigned to them in the Ordinance.

IN TESTIMONY WHEREOF, the City Council of the City of Austin, Texas, in accordance with the provisions of Article 717j-1, V.A.T.C.S., has caused the seal of said City to be impressed or a facsimile thereof to be printed hereon, and this bond and its appurtenant coupons to be executed with the imprinted facsimile signatures of the Mayor and City Clerk of said City.

Mayor, City of Austin, Texas

COUNTERSIGNED:

City Clerk, City of Austin, Texas

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(Form of Interest Coupon)

N.O. _____

\$ _____

ON 15, .

THE CITY OF AUSTIN, a municipal corporation in the County of Travis, State of Texas, hereby promises to pay to bearer the amount shown on this interest coupon, in lawful money of the United States of America, without exchange or collection charges to the bearer, unless due provision has been made for the redemption prior to maturity of the Bond to which this interest coupon appertains, upon presentation and surrender of this interest coupon, at

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, NEW YORK, NEW YORK,

said amount being interest due on that day on the Bond, bearing the number hereinafter designated, of that issue of CITY OF AUSTIN, TEXAS, WATER, SEWER AND ELECTRIC REFUNDING REVENUE BONDS, SERIES 1982, dated March 15, 1982. The holder hereof shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation, or from any source whatsoever other than those sources described in the Bond to which this coupon appertains. Bond No.

City Clerk

Mayor

(Form of Registration Certificate)

COMPTROLLER'S REGISTRATION CERTIFICATE REGISTER NO. _____

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

Witness my signature and seal this

Comptroller of Public Accounts
of the State of Texas

(Form of Bond Registration Provisions)

BOND REGISTRATION PROVISIONS

This Bond may be registered as to principal alone on the Bond Registration Books of the City kept by Morgan Guaranty Trust Company of New York, New York, New York, as Registrar, upon presentation hereof to the Registrar, which shall make notation of such registration in the registration blank below, and this Bond thereafter may be transferred only upon a duly executed assignment of the registered owner or his duly authorized representative in such form as shall be satisfactory to the Registrar, such transfer to be made on such Bond Registration Books and endorsed thereon by the Registrar. Any such transfer of this Bond may be to bearer and thereby transferability by delivery shall be restored, but this Bond shall again be subject to successive registrations and transfers as before. The principal of this Bond, if registered, unless registered to bearer, shall be payable only to or upon the order of the registered owner or his legal representative upon presentation and surrender of this Bond to the Registrar by such registered owner (or to the bearer of this Bond if it is registered to bearer). The bearer of any coupon may be deemed and regarded by the Registrar and the City as the absolute owner for all purposes, including payment and discharge of the liability upon such coupon to the extent of such payment, and neither the Registrar nor the

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City shall be affected by any notice to the contrary. Notwithstanding the registration of this Bond as to principal, the interest coupons appertaining hereto shall remain payable to bearer and shall continue to be transferable by delivery. For every transfer the Registrar may make a charge to the owner of this Bond sufficient to reimburse it for any tax, fee, or governmental charge required to be paid with respect thereto.

Date of
Registration

Name of
Registered Owner

Signature
of Bond Registrar

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SECTION 10: *Definitions.* For all purposes of this ordinance and in particular for clarity with respect to the issuance of the Series 1982 Bonds herein authorized and the pledge and appropriation of revenues for the payment of the Bonds, the following definitions are provided:

Additional Parity Bonds—shall mean revenue bonds, Contractual Obligations or other evidences of indebtedness which the City reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 19 this Ordinance and which are equally and ratably secured with the Series 1982 Bonds by a lien on and pledge of the Net Revenues of the Systems.

Bonds—shall mean collectively the Series 1982 Bonds and Additional Parity Bonds.

Capital Additions—shall mean those properties and facilities which by their nature, and as incorporated into the Systems, either or both, will add additional capacity, or are to replace existing capacity, of the Systems, either or both, or substantially increase revenue-producing capabilities.

Capital Improvements—shall mean those property improvements or any combination of property improvements which will constitute enlargements, extensions, betterments or repairs to the then existing facilities or properties of the Systems, either or both.

City—shall mean the City of Austin, Texas, located in the County of Travis.

Contractual Obligations—shall mean those obligations (i) issued or incurred by the City payable from the Net Revenues of the Electric Light and Power System and the Net Revenues of the Waterworks and Sewer System and (ii) incurred pursuant to express charter or statutory authority heretofore or hereafter adopted or enacted and (iii) which by the terms of the ordinance authorizing their issuance or the incurring of the obligation provide for payments to be made by the City for the retirement or payment thereof to be equally and ratably secured with the Priority Bonds or the Bonds by a lien on and pledge of the Net Revenues of the Systems.

Electric Light and Power System—shall mean all facilities and plants currently owned, operated and maintained by the City, wholly or partially in participation with others, for the generation, transmission, supply and distribution of electrical energy and power, together with all future extensions, improvements, replacements and additions thereto, and all replacements thereof; provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term "Electric Light and Power System" shall not mean to include facilities of any kind (including any electric power generating and transmission facilities) which are declared not to be a part of the Electric Light and Power System and which are acquired or constructed by the City, or in participation with others, with the proceeds from the issuance of "Special Facilities Bonds", which are hereby defined as being special revenue obligations of the City which are not Priority Bonds, Bonds or Separate Lien Obligations but which are payable from and secured by other liens on and pledges of any revenues, sources or payments not pledged to the payment of the Priority Bonds, the Bonds or Separate Lien Obligations including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

Fiscal Year—shall mean the twelve month period used by the City in connection with the operation of the Systems which may be any twelve consecutive month period established by the City.

Government Obligations—shall mean direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, which may be United States Treasury obligations such as its State and Local Government Series, and which may be in book-entry form.

Gross Revenues—shall mean, with respect to the Electric Light and Power System or the Waterworks and Sewer System, all income, receipts and revenues of every nature derived or received from the operation and ownership (excluding refundable meter deposits, restricted gifts and grants and proceeds derived from the sale or other disposition of all or part of the City's participating interest in the South Texas Project and revenues, sources or payment from facilities acquired or constructed.

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with "Special Facilities Bonds") of the respective system, including earnings and income derived from the investment or deposit of moneys in any special funds or accounts created and established by the City for the payment and security of the Priority Bonds or the Bonds or Separate Lien Obligations.

Independent Engineer—shall mean an individual, firm or corporation engaged in the engineering profession, selected by the City Council, of recognized good standing and having specific experience in respect of business and properties of a character similar to those of the Systems, which individual, firm or corporation has no substantial interest, direct or indirect, in the City and in the case of an individual, is not a member of the City Council, officer or employee of the City, and in the case of a firm or corporation, does not have a partner, director, officer or employee who is a member of the City Council, officer or employee of the City.

Maintenance and Operating Expenses—shall mean, with respect to the Electric Light and Power System or the Waterworks and Sewer System, all current expenses of operating and maintaining the respective system, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the City Council, reasonably and fairly exercised, are necessary to maintain the operations and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair the Priority Bonds or the Bonds shall be deducted in determining "Net Revenues". Depreciation shall never be considered as an expense of Maintenance and Operation. Maintenance and Operating Expenses shall include payments under contracts for the purchase of power and energy, water supply or other materials, goods or services for the Systems to the extent authorized by law and the provisions of such contract.

Net Earnings—shall have the meaning assigned to such term by Section 19 hereof.

Net Revenues—shall mean, with respect to the Electric Light and Power System or the Waterworks and Sewer System, Gross Revenues of the respective system after deducting the system's Maintenance and Operating Expenses.

Places of Payment—shall have the meaning assigned to such term by Section 4 hereof.

Priority Bonds—shall mean all revenue bonds, Contractual Obligations or other evidences of indebtedness which may hereafter be issued and incurred in accordance with the provisions of Section 19 hereof, and secured by a first lien on and pledge of the Net Revenues of the (i) Electric Light and Power System and (ii) Waterworks and Sewer System.

Refunded Bonds—shall mean the City's presently outstanding and unpaid Electric, Waterworks and Sewer System Refunding Revenue Bonds, Series 1979 and Utility System Revenue Bonds, Series 1 through 10, more particularly described in the preamble of this Ordinance.

Required Reserve—shall mean the amount required to be accumulated and maintained in the Reserve Fund under the provisions of Section 15.

Separate Lien Obligations—shall mean those obligations (i) issued or incurred by the City payable solely from the Net Revenues of either the Electric Light and Power System or the Net Revenues of the Waterworks and Sewer System, but not both (ii) incurred pursuant to express charter or statutory authority heretofore or hereafter adopted or enacted and (iii) which by the terms of the ordinance authorizing their issuance or the incurring of the obligation provide for payments to be made by the City for the retirement or payment thereof to be secured solely by a lien on and pledge of the Net Revenues of the Electric Light and Power System or the Net Revenues of the Waterworks and Sewer System, but not both, of equal dignity with the lien on and pledge of said Net Revenues securing the payment of the Bonds.

Series 1982 Bonds—shall mean the "City of Austin, Texas, Water, Sewer and Electric Refunding Revenue Bonds, Series 1982" authorized by this Ordinance.

South Texas Project—shall mean the City's ownership interest in two nuclear steam electric generating units and related land and facilities, as more particularly defined in the South Texas Project Participation Agreement effective as of December 1, 1973, as amended.

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Systems—shall mean collectively the Electric Light and Power System and the Waterworks and Sewer System.

Waterworks and Sewer System—means all properties, facilities and plants currently owned, operated and maintained by the City for the supply, treatment and transmission of treated potable water and the collection, treatment and disposal of water-carried wastes, together with all future extensions, improvements, replacements and additions thereto; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term "Waterworks and Sewer System" shall not mean to include facilities of any kind which are declared not to be a part of the Waterworks and Sewer System and which are acquired or constructed by or on behalf of the City with the proceeds from the issuance of "Special Facilities Bonds", which are hereby defined as being special revenue obligations of the City which are not Priority Bonds, Bonds or Separate Lien Obligations but which are payable from and secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of Priority Bonds, the Bonds or Separate Lien Obligation including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

SECTION 11: *Pledge*. That the City hereby covenants and agrees that, subject only to any prior lien on and pledge of the Net Revenues of both the Electric Light and Power System and Waterworks and Sewer System to the payment and security of the Priority Bonds, including the establishment and maintenance of the special funds hereafter created and established for the payment and security of the Priority Bonds, the Net Revenues of both Systems, with the exception of those in excess of the amounts required for the payment and security of the Bonds, are hereby irrevocably pledged, jointly and severally, to the payment and security of the Bonds, including the establishment and maintenance of the special funds created, and established by Sections 15 and 16 of this Ordinance, all as hereinafter provided; provided, however, the City has retained the right to issue or incur Separate Lien Obligations.

SECTION 12: *Rates and Charges*. That, for the benefit of the holders of the Bonds and in addition to all provisions and covenants in the laws of the State of Texas and in this Ordinance, the City hereby expressly stipulates and agrees, while any of the Priority Bonds or the Bonds are outstanding and unpaid, to establish and maintain rates and charges for facilities and services afforded by the Electric Light and Power System and the Waterworks and Sewer System to provide Gross Revenues in each Fiscal Year from each System sufficient:

- (1) To pay the respective Maintenance and Operating Expenses thereof.
- (2) To provide amounts required to establish, maintain or restore, as the case may be, a required balance in any reserve or contingency fund created for the payment and security of Separate Lien Obligations.
- (3) To produce combined Net Revenues of the Systems sufficient to pay the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Priority Bonds, the Bonds, and other obligations or evidences of indebtedness issued or incurred that are payable only from and secured solely by a lien on and pledge of the combined Net Revenues of the Systems, and
- (4) To produce combined Net Revenues of the Systems (after satisfaction of the amounts required to be paid in 2 and 3 above) equal to at least the sum of (i) 1.25 times the annual principal and interest requirements (or other similar payments) for the then outstanding Priority Bonds and Separate Lien Obligations and (ii) 1.10 times the total annual principal and interest requirements (or other similar payments) for the then outstanding Bonds and all other indebtedness (except Priority Bonds and Separate Lien Obligations) payable only from and secured solely by lien on and pledge of the Net Revenues of the Systems, either or both.

SECTION 13: *Electric Light and Power System Fund*. The City hereby covenants and agrees that Gross Revenues of the Electric Light and Power System shall be, as collected, deposited into a separate account hereby created and established with a depository bank of the City and to be known as the "Electric Light and Power System Fund" (herein called the "Electric Fund") and to keep such revenues of the Electric

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