

before construction begins. After all approvals are obtained and before construction of the facilities begins, the District or its engineer must give written notice to the Director of City's Water and Wastewater Utility of the date on which construction is scheduled to begin, so that the City may assign an inspector. Following completion of construction, District shall provide as-built drawings to the Director of City's Water and Wastewater Utility or his designee.

Section 7.6. Required Rights-of-Way. The District shall be responsible for obtaining any easements or rights-of-way necessary for the construction of its District Water Facilities. The City shall be responsible for obtaining any easements or rights-of-way necessary for the construction of City's lines or facilities inside of the District's boundaries.

Section 7.7. Operation and Maintenance. The City shall be responsible for operation and maintenance of any facilities it constructs for the purpose of transporting water to the District or its customers. The District shall be responsible for operation and maintenance of its internal lines and facilities for the transportation and delivery of water within the District.

ARTICLE VIII

ISSUANCE OF BONDS BY DISTRICT

Section 8.1. Approval by City. No bonds shall be sold by the District except upon approval by the City and in accordance with City ordinances and the laws of the State of Texas and all applicable federal laws.

Section 8.2. Annual Audits. The District shall file a copy of its annual audit with the Director of City's Water and Wastewater Utility. The annual audit shall be filed with the City within one hundred and thirty five (135) days after the end of the District's fiscal year.

ARTICLE IX

SERVICE AREA AND LIMITATIONS ON SERVICE

Section 9.1. Limitation of District Service. Unless the prior approval of the City is obtained or unless the District is ordered to do so by the Texas Water Commission in involuntary proceedings not initiated by the District to enlarge District's service area, the District shall not: (1) construct or install water lines or facilities to serve areas outside the District except when ordered by the Texas Water Commission; (2) provide water service to areas outside the District through facilities or capacity owned by the District except when ordered by the Texas Water Commission; (3) annex any additional lands to the District; or (4) connect or serve a customer who, in turn, sells water service directly or indirectly to another person or entity except when ordered by the Texas Water Commission.

Section 9.2. Requests for Annexation or Out-of-District Service. Requests to the City for annexation and out-of-district service shall be considered by the City in accordance with City Ordinances as adopted or amended from time to time. With respect to all land for which annexation to the District or out-of-district service is hereafter requested, the

petitioner shall submit a land use plan covering the land for which annexation or out-of-district service is sought at the time such approval is requested. Any land for which annexation or out-of-district service is requested shall be developed in accordance with the approved land use plan.

ARTICLE X

TERM AND RENEWALS

Section 10.1. Term of Agreement. This Contract shall be effective from the date of its execution by both the City and the District and continues in effect for a period of 30 years unless earlier terminated by mutual agreement or at the option of either party by giving 36 months written notice to the other party. In the event of termination hereunder, the District shall exercise reasonable diligence to secure an alternative supply of treated water. In the event of termination hereunder, City shall not be responsible for any costs or expenses of District related directly or indirectly to securing alternative water service to District.

Section 10.2. Renewal. This Contract may be renewed or extended by mutual agreement of the parties for such additional periods as may be approved by the respective governing bodies of the District and City.

ARTICLE XI

CITY ANNEXATION

Section 11.1. District and City acknowledge that Section 43.076 of the Local Government Code, as may be amended from time to time, and/or such other codes or statutes as may be

adopted by the Texas Legislature that apply to water control and improvement districts similarly situated to District shall control the annexation of District's designated serviced area by the City.

ARTICLE XII

PERFORMANCE AND FORCE MAJEURE

Section 12.1. Performance by City. In every instance where the City is given a right by this Contract to furnish any facilities or material or to do or perform any act in the District, the City shall in good faith make every reasonable effort to furnish any such facilities or material or do or perform any such act but shall never be required to do so.

Section 12.2. Effect of Force Majeure. In the event either party is rendered unable by force majeure to carry out any of its obligations under this Contract, in whole or in part, then the obligations of that party, to the extent affected by the force majeure, shall be suspended during the continuance of the inability provided, however, that due diligence is exercised to resume performance at the earliest practicable time. As soon as reasonably possible after the occurrence of the force majeure relied upon to suspend performance, the party whose contractual obligations are affected thereby shall give notice and full particulars of the force majeure to the other party. The cause, as far as possible, shall be remedied with all reasonable diligence. The term "force majeure" includes acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, orders

of the government of the United States or the State of Texas or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraints of government and civil disturbances, explosions, breakage, or accidents to equipment, pipelines, or canals, partial or complete failure of water supply, and any other inabilities of either party, whether similar to those enumerated or otherwise, that are not within the control of the party claiming the inability and that could not have been avoided by the exercise of due diligence and care. 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 requirement that any force majeure be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demands of the opposing party if the settlement is unfavorable to it in the judgment of the party having the difficulty. Force majeure shall relieve the City from liability to the District or any water customer of the District for failure to provide water service due to an inability covered by this article. Force majeure shall not relieve the District of its obligation to make payments to the City as provided in this Contract.

ARTICLE XIII

ADDRESSES

Section 13.1. Address Change Procedure. The addresses of the parties shall, until changed as hereinafter provided, be as

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-15-

shown below. The parties shall have the right at any time to change their respective addresses by giving written notice of same to the other party.

1. City of Austin
P. O. Box 1088
Austin, Texas 78767-8828
Attention: City Manager
2. Travis County WCID #10
Building M. Suite 100
5524 Bee Cave Road
Austin, Texas 78746

ARTICLE XIV

DOCUMENTS IN CITY'S POSSESSION

Section 14.1. The City acknowledges that while the City currently provides certain services to the District, the District is in the process of hiring an independent contractor ("Operations Manager") to manage, operate and maintain the District Water Facilities and to bill and collect the water bills sent to District's customers by District. The City agrees to cooperate with the District and its Operations Manager in providing copies or originals of all drawings, plans, specifications, designs and similar documentation related to District Water Facilities in the possession of the City and all billing history and information pertaining to the customers of the District as reasonably requested by the District or Operations Manager. The City agrees to provide copies or originals of this information or these documents to the District within fifteen (15) working days (or such shorter

time period as may be agreed to by the parties) after District has provided written notice setting forth a description of the information or documents so requested to the Director of City's Water and Wastewater Utility. Any copies of this information or documentation to be made by City for District shall be done so at City's cost.

ARTICLE XV

GENERAL PROVISIONS

Section 15.1. 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 and this agreement shall be construed as if such invalid or unconstitutional portion had never been contained herein.

Section 15.2. Entire Agreement. This Contract, including any exhibits attached hereto and made a part hereof for all purposes, constitutes the entire agreement between the parties relative to the subject matter of this Contract and supersedes all prior or contemporaneous agreements, covenants, representations, or warranties, whether oral or in writing, respecting the subject matter hereof.

Section 15.3. Amendment. No amendment of this Contract shall be effective unless and until it is duly approved by the governing bodies of each party and reduced to a writing signed by the authorized representatives of the District and the City, respectively, which amendment shall incorporate this Contract in every particular not otherwise changed by the amendment.

Section 15.4. Governing Law. This Contract shall be construed under and in accordance with the laws of the State of Texas and all obligations of the parties are expressly deemed performable in Travis County, Texas.

Section 15.5. Venue. Venue for any suit arising hereunder shall be in Travis County, Texas.

Section 15.6. Assignability. The rights and obligations of either party hereunder may not be assigned without the prior written consent of the other.

Section 15.7. Effective Date. This Contract shall be effective from and after the date of due execution by all parties.

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

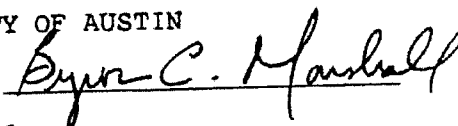
APPROVED AS TO FORM:

By:


Assistant City Attorney

CITY OF AUSTIN

By:



Title: _____

Date: _____

APPROVED AS TO FORM:

TRAVIS COUNTY WATER
CONTROL AND IMPROVEMENT
DISTRICT NO. 10

By: [Signature]

Title: Attorney

By: [Signature]

Title: President

Date: 20th AUG '90

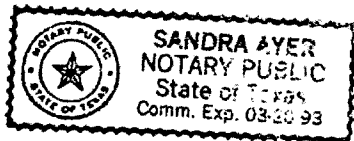
THE STATE OF TEXAS

COUNTY OF TRAVIS

§
§
§

This instrument was acknowledged before me on this
the 29th day of August, 1990, Bepson C. Marshall,
as Assistant City Manager of the City of Austin, Texas, a
municipal corporation, on behalf of said municipal corporation.

(SEAL)



Sandra Ayer
Notary Public, State of Texas

Sandra Ayer
Typed/Printed Name of Notary

My Commission Expires:

3-20-93

THE STATE OF TEXAS

COUNTY OF TRAVIS

§
§
§

This instrument was acknowledged before me on this
the 20th day of August, 1990, by Cliff W. Drummond,
as President of Travis County Water Control and
Improvement District No. 10, a water control and improvement
district, on behalf of said district.

(SEAL)

Diane Freitag Lung
Notary Public, State of Texas

Diane Freitag Lung
Typed/Printed Name of Notary

My Commission Expires:

January 31, 1994

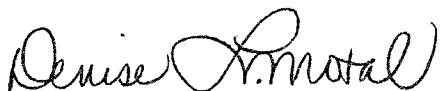
Wells Branch Municipal Utility District
c/o Armbrust & Brown, PLLC
100 Congress Avenue, Suite 1300
Austin, Texas 78701

AFFIDAVIT OF CUSTODIAN OF RECORDS

BEFORE ME, the undersigned notary public, on this day personally appeared Denise L. Motal, who, being by me duly sworn, did depose and say as follows:

"My name is Denise L. Motal. I am over 18 years of age, of sound mind, have never been convicted of a felony and am otherwise capable of making this affidavit. I am personally acquainted with the facts stated in this affidavit.

I am the custodian of the records of Wells Branch Municipal Utility District, a political subdivision of the State of Texas (the "District"). Attached hereto are 48 pages of copies of records of the District that are kept by the District in the regular course of business. The attached copies are exact duplicates of the original records."

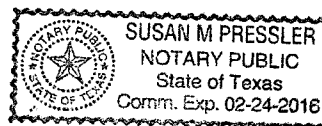


Denise L. Motal

Sworn to and subscribed before me, the undersigned authority, on this the 26th day of August, 2013.



Notary Public



{W0592354.1}

AGREEMENT CONCERNING CREATION AND OPERATION OF
NORTH AUSTIN GROWTH CORRIDOR MUNICIPAL
UTILITY DISTRICT NO. 1

THE STATE OF TEXAS §
COUNTY OF TRAVIS § KNOW ALL MEN BY THESE PRESENTS:

THAT FOR and in consideration of the mutual agreements, conditions, and covenants contained herein, the City of Austin, Texas (the "City"), Wells Branch, a joint venture ("Wells Branch"), and North Austin Growth Corridor Municipal Utility District No. 1 (the "District"), mutually contract and agree as follows:

ARTICLE I

PARTIES

This is a contract among the City, acting through Dan H. Davidson, City Manager, as authorized by specific action of the Austin City Council; the District, a municipal utility district created on March 18, 1981, by order of the Texas Water Commission and operating pursuant to Chapter 54, Texas Water Code; and Wells Branch, a joint venture of the holders of legal title to all of the land comprising the District, which consists of approximately 906.14 acres situated wholly in Travis County, Texas, and lying within the extra-territorial jurisdiction of the City.

ARTICLE II

ISSUANCE OF BONDS BY DISTRICT

A. The City has granted its consent to the creation of the District pursuant to the municipal utility district policy adopted by the City on March 20, 1980, under Ordinance No. 80 0320-E as the same may be amended, a true and correct copy of such policy as it exists on the date hereof being attached hereto as Exhibit A and incorporated herein by reference. Except as otherwise provided herein, the District agrees that it shall issue bonds and notes only for the purposes and in the manner provided by said City policy, as the same may be amended from time to time. It is specifically agreed, however, that the District's bonds, when issued, may be secured by a pledge of the District's taxes or revenues or both.

B. Water and wastewater trunk lines to serve the District will be constructed by the District pursuant to the Utility Construction Contract between the City and the District, a copy of which is attached hereto as Exhibit B. The District is hereby authorized to issue the bonds described in the Utility Construction Contract. Upon completion of construction by the District, the City shall own and operate said lines, but shall reserve adequate capacity therein to serve all land within the District. The District hereby agrees to pay a pro rata share of the cost of said lines based upon the capacity reserved for service to the District. The District shall make payments to the City semi-annually not later than fifteen (15) days prior to each principal and interest payment date on the bonds issued to finance said lines, in an amount equal to the percentages of the principal and/or interest due on said bonds on such date as follows:

Water Approach Main	66.7%
Wastewater Approach Main	35 %
Walnut Creek Extension	5 %
(Described on Exhibit B)	

All such payments shall bear interest at the rate of ten percent (10%) per annum from their due date until paid.

C. The parties hereto acknowledge and agree that this Contract and the City's municipal utility district policy have the effect of restricting the general statutory purposes for which the District may issue bonds and notes. The parties further recognize and agree that neither this Contract nor said policy restrict or limit the powers and authority of the District otherwise to acquire, own, operate and maintain water or wastewater systems, drainage facilities, recreational facilities, or any other systems, facilities, assets or properties of or serving the District. The District may use funds and assets from any other lawful source available to it to provide for such acquisition, ownership, maintenance and operation, as well as to accomplish any purpose and exercise any function, act, power or right authorized by law. Such funds and assets shall include, without limiting the generality of the foregoing, revenues from any of the systems, facilities, properties and assets of the District not otherwise committed for the payment of indebtedness of the District; maintenance taxes; loans, gifts, grants and donations from public or private sources; and revenues from any other source lawfully available to the District; provided, however, that no payment for such purposes shall be made from the proceeds of bonds issued by the District, or from tax or other revenues pledged to the retirement of the bonded indebtedness of the District or payable to the City pursuant to the terms hereof.

ARTICLE III

WATER SUPPLY

A. The City agrees to sell and to deliver to the District all water reasonably required by users within the boundaries of the District for domestic and commercial uses, such water to be supplied from the City's water distribution system as extended by the District pursuant to the Utility Construction Contract, at a point or points of delivery adjacent to the boundaries of the District to be designated by the District's engineer and approved by the City. ~~The sale of water to the District shall be nondiscriminatory~~ and shall be uniform with the policy or policies established by the Austin City Council for the provision of utilities outside the City limits. Water as used in this Article III means potable water meeting the requirements of the Texas Department of Health for human consumption and other domestic uses. The City presently has, and shall maintain, an adequate water supply to provide service to the District. Without limiting the generality of the foregoing, the City agrees that it will maintain the capability to deliver to the District a minimum of 10,000 gallons of water per minute.

B. The City shall furnish, install, operate, and maintain, at its expense, at each point of delivery to the District, the necessary metering equipment to measure the water delivered to the District under this Contract, including a meter house or pit and metering devices of standard type for properly measuring the quantity of water delivered to the District. The City shall calibrate the metering equipment whenever requested by the District, but no more frequently than once every twelve (12) months. A meter registering not more than two percent (2%) above or below the test result shall be

deemed to be accurate. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless the City and the District agree on a different amount. The metering equipment shall be read once each calendar month.

C. Rates for customers of the District for water delivered pursuant to this Article III shall not be less than those normally charged by the City for comparable customers within the City or more than those normally charged by the City for comparable customers outside the City, all as established from time to time by the Austin City Council.

D. Billings and payments will be rendered to customers of the District in substantial compliance with the procedures established in the City of Austin Utility Service Regulations, as now in effect or hereafter amended; provided, however, the District may vary the procedures to the extent required by law.

ARTICLE IV

SEWAGE TREATMENT

A. The City agrees to receive, treat, and dispose of all sewage collected by the District and delivered to the City at a point or points of delivery into the City's sanitary sewer trunk line as extended by the District pursuant to the Utility Construction Contract, said point or points of delivery to be designated by the District's engineer and approved by the City. Sewage treatment and disposal services provided to the District shall be non-discriminatory and uniform with the policy or policies established by the

Austin City Council for the provision of utilities outside the City limits. The City presently has, and will maintain, adequate sewage treatment capacity to provide service to the District. Without limiting the generality of the foregoing, the City agrees that it will maintain the capability to receive, treat, and dispose of 2,000 gallons per minute average sewage flow from the District.

B. Rates for customers of the District for sanitary sewer service shall not be less than those normally charged by the City for comparable customers within the City or more than those normally charged by the City for comparable customers outside the City, all as established from time to time by the Austin City Council.

C. Billings and payments will be rendered to customers of the District in substantial compliance with the procedures established in the City of Austin Utility Service Regulations, as now in effect or hereafter amended; provided, however, the District may vary the procedures to the extent required by law.

ARTICLE V

OPERATION AND MAINTENANCE

The District shall operate and maintain the water and wastewater system within the District, unless the City and the District enter into a contract for the City to operate the system. The City shall have the right to inspect all water and wastewater connections made in the District. Water meters shall be purchased by the District from the City's Water and Wastewater Department at cost.

ARTICLE VI

AREA OF AND LIMITATIONS ON SERVICE

Except as provided in the Utility Construction Contract, the District may not construct or install water or wastewater lines or facilities to serve areas outside the District, or sell or deliver City water or wastewater service to areas outside the District, or annex any additional lands to the District without the prior approval of the Austin City Council.

ARTICLE II

LIMITATION OF LIABILITY

The City shall not be liable to Wells Branch, any member thereof, the District, or any customer of the District for the failure of the City to provide water or sewer service where the failure results from the impairment of facilities by strikes or other conditions beyond the City's control so long as the City uses reasonable efforts to correct such condition.

ARTICLE VIII

CITY ANNEXATION

A. The District agrees that at least 90% of the facilities and amenities for which the District bonds have been authorized will be installed within twelve (12) years from the date of execution of this Contract by the District. If such facilities are installed prior to such date, the City may annex the District at anytime thereafter. If installation of 90% or more of the facilities and amenities for which District bonds have been authorized has not been accomplished within the twelve (12) year period, the City, at its option, may

revoke its authorization for or approval of the installation of any further facilities or amentities and also may revoke its authorization for the issuance of the balance of the District's unissued bonds; provided, however, that the City's right to revoke such authorization may be exercised only if the City concurrently annexes to the City the entire District as it then exists; and provided further that, if the installation of any items of authorized facilities has commenced in good faith in compliance with and in reliance on the provisions hereof and is in progress at the time the City proposes to revoke such authorizations, the annexation of the District to the City and the revocation of such authorizations shall be postponed until the installation of the items has been completed and the purchase of such items with the proceeds from the sale of District bonds or other funds of the District has been accomplished.

B. The District shall charge and collect a special water and sewer service surcharge in the amount of \$8.89 per month for each single-family residential customer or the equivalent of the District's water or sewer system. The surcharge shall be charged in addition to the regular water and sewer rates in the District. The District shall pay to the City each month all surcharges as collected and such payments shall be credited by the City to the amounts due the City for the District's pro rate share of the cost of the water and sewer trunk lines serving the District, as provided in Article II, Paragraph B of this Contract. At such time as the District has deposited surcharge payments with the City equal in amount to the next semi-annual payment due the City pursuant to Article II, Paragraph B hereof, all further surcharge payments made by the District prior to the due date of said

semi-annual payment shall be credited against the amounts due the City for water and sewer service pursuant to Articles III and IV hereof.

C. The parties hereby agree that the amount of said surcharge has been calculated pursuant to Paragraph IV of Part 1 of the City's municipal utility district policy. The surcharge shall be continued by the City after annexation of the District as authorized by Section 54.016(h), Texas Water Code, until the bonded indebtedness of the District has been retired. The surcharge may be charged in addition to the City's normal water and sewer rates.

D. All contract obligations and responsibilities of Wells Branch and the District under this Contract shall terminate when the area within the District is annexed to the City.

ARTICLE IX

ADDITIONAL REQUIREMENTS

Wells Branch and the District hereby respectively agree to comply with all applicable requirements contained in Paragraph VI of Part 1 of the City's municipal utility district policy, except that where said requirements are inconsistent with the provisions of this Contract, the provisions of this Contract shall control.

ARTICLE X

CONSTRUCTION OF DISTRICT FACILITIES

All water, wastewater, and drainage facilities to be acquired or constructed by the District may be constructed by Wells Branch, with the con-

sent of the District. Neither Wells Branch nor the District shall commence construction of any facility unless the plans and specifications for such facility have been approved by the City, the Texas Department of Water Resources, the Texas Department of Health, where applicable, and all other governmental agencies having jurisdiction. Upon issuance and sale of its bonds for such purposes, the District shall pay Wells Branch the cost of construction of any such facilities constructed by Wells Branch to the extent authorized by the Texas Department of Water Resources and permitted by the City's municipal utility district policy. To the extent the District is not permitted to pay Wells Branch for any such facilities, Wells Branch shall dedicate the facilities to the District without compensation.

ARTICLE XI

LAND AND EASEMENT COSTS

Easements and rights-of-way needed for District purposes within the District will be dedicated to the District by Wells Branch or its assigns. The District may acquire land from Wells Branch in accordance with the rules of the Texas Department of Water Resources. Land and rights-of-way outside the District needed by the District may be acquired by the District in accordance with the usual and customary public purchasing standards and procedures applicable to the District.

ARTICLE XII

ASSIGNMENT OF CONTRACT

Wells Branch from time to time may transfer, convey or assign its rights and obligations under this Contract with respect to all or any part of the land owned by it. Upon prior approval by the City of the assignee or assignees (which approval will not be unreasonably withheld), and only upon the condition that the assignee or assignees assume the liabilities, responsibilities and obligations of this Contract, the party assigning this Contract shall be released from the liabilities, responsibilities and obligations under this Contract to the extent of the land involved in the assignment or assignments, or as may be otherwise approved by the City. Neither the District nor the City shall assign this Contract without written consent of each of the other parties hereto.

ARTICLE XIII

TERM OF CONTRACT

This Contract shall be effective from the date of execution hereof by the City and shall continue in effect for a period of forty (40) years.

ARTICLE XIV

BENEFITS OF CONTRACT

This Contract is for the benefit of the City, the District, and Wells Branch and shall not be construed to confer any benefit on any other party except as expressly provided herein. This Contract may be executed by the City and Wells Branch prior to creation of the District and shall be binding

upon said parties for a period of one year pending creation and confirmation of the District and approval and execution of this Contract by the Board of Directors thereof and shall thereafter be binding upon all parties in accordance with its terms.

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

CITY OF AUSTIN, TEXAS

By: 
City Manager

Executed on 4/13, 1981.

NORTH AUSTIN GROWTH CORRIDOR
MUNICIPAL UTILITY DISTRICT NO. 1

By: 
President, Board of Directors

Executed on 4/13, 1981.

WELLS BRANCH, a Joint Venture

By: 
Its duly authorized Manager

Executed on 4/13, 1981.

DBA25G

ORDINANCE NO. 80 0320-E

AN ORDINANCE ESTABLISHING A MUNICIPAL UTILITY DISTRICT (MUD) POLICY FOR THE CITY OF AUSTIN; ESTABLISHING THEREIN BASIC QUALIFICATIONS FOR CONSENT TO THE CREATION OF A MUD; 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 Municipal Utility 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 the creation of Municipal Utility 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 Municipal Utility 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 this Municipal Utility District Policy be adopted pursuant to the provisions of the Texas Water Code, to be equitably applied to all petitioners for new Municipal Utility Districts within Growth Management Areas III and IV of the City's Extra-territorial Jurisdiction.

I. BASIC QUALIFICATIONS FOR CONSENT TO THE CREATION OF A MUNICIPAL UTILITY DISTRICT (MUD).

A. The MUD shall contain acreage necessary to assure the economic viability of the District, but in no event shall a MUD contain less than 100 acres.

B. The land to be included within the MUD must lie entirely outside the City limits.

C. The economic viability of the district must be shown in the same manner as required by the State.

D. The consent agreement must reflect, and conform to, all the applicable stipulations of this policy.

EXHIBIT A

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 MUD within Growth Management Areas III or IV, it shall be evaluated in accordance with the policy set forth herein. When a petition is received for creation of a MUD in Area V, it shall be evaluated on a case by case basis and considered individually on its merits and not under this policy.

II. PERCENTAGES ALLOWED FOR BOND FINANCING.

A. A MUD 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. Exceptions to the percentage limitations in Exhibit "A" may be granted by the City Council only where a proposed MUD will serve established residential areas and is not being created primarily to serve undeveloped land.

B. Where a MUD overlaps any of the boundary lines in Exhibit "A", the percentage shall be apportioned according to the number of living unit equivalents acres 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 the number of miles beyond the City limits.

3. "Internal water lines" or "Internal wastewater lines" means those lines, constructed within the MUD, 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 MUD, and provided such construction is approved by the Engineering Department of the City of Austin.
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 9 of this section.
8. "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 debt retirement fund of the City of Austin.
9. Water approach mains and Wastewater approach mains are defined as those items included in the approach main policy of the City of Austin.

III. BONDING PACKAGE.

A. WATER, WASTEWATER AND DRAINAGE

A Municipal Utility 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. 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 boundaries of the MUD may be financed with bonds. In the case of such an oversize

portion constructed under the approach main policy, the subsequent use fee (both principal and interest) will be paid to the MUD 1) for ten years after the approach main is accepted by the City instead of the five years required in the City approach main policy or 2) until the date of annexation by the City or 3) until the MUD retires its bonds (whichever date occurs first). 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 MUD, or any property owned by the developers of the MUD, 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").
2. Curbs, gutters, inlets, culverts, and bridges.
3. Drainage improvement, except storm sewers and regional facilities, in accordance with Exhibit "A".

B. 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 improve the need for each item, the site 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 MUD.
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 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 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.

A. The bonded indebtedness used to calculate the special rate shall be that for construction, land and easement costs for water and wastewater internal lines, and all drainage, as set out in Exhibit "A".

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 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 district rate which regular rate 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 MUDs, and these requirements shall be stipulated by the consent 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 Criteria Manual" of the City of Austin. Drainage plans must be approved by the Director of Engineering 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.

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 MUD 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 on or after a specified date, such date not being sooner than 15 years after the date of issue.

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.

- 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.
- M. The City shall review and approve the adequacy, type, and construction of all roadways in the MUD.
- 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 Municipal Utility 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. Rights-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 Edwards' 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.

PART 2. The rule requiring that ordinances shall be read on three separate days is hereby suspended, and this ordinance shall become effective ten (10) days following the date of its passage.

PASSED AND APPROVED

March 20, 1980

X
X
X
X
X
Caesli Kinton M. Kinton
Mayor

APPROVED: Albert De La Rosa
City Attorney

ATTEST: Grace Monroe
City Clerk

ADLR:cf

1 Growth Management	2 Extra- Territorial Jurisdiction Area	3 Internal Water Lines	4 Internal Wastewater Lines	5 Storm Sewer Drainage	6 Regional Drainage	7 Water Approach Mains	8 Wastewater Approach Mains	9 Water Facilities	10 Wastewater Facilities	11 Irrigation Land
III	0-2 mi.	100%	100%	75%	100%	100%	100%	100%	100%	100%
III	2-5 mi.	75%	75%	65%	100%	90%	90%	90%	90%	100%
IV	0-2 mi.	40%	40%	0	100%	60%	60%	60%	60%	100%
IV	2-5 mi.	30%	30%	0	100%	40%	40%	40%	40%	100%

EXHIBIT "A"

6	7	8	9	10	11
Regional Drainage	Water Approach Mains	Wastewater Approach Mains	Water Facilities	Wastewater Facilities	Irrigation Land
100%	100%	100%	100%	100%	100%
100%	90%	90%	90%	90%	100%
100%	50%	60%	60%	60%	100%
100%	40%	40%	40%	40%	100%

474-1704- 60-665- 416 - 482-5522

Northwood- C8-77-46 70x120
C8-79-82

— Walnut Crossing - C8F-79-70 60x115 mostly
79-125 65x110

- Milwood- C8-77-110.1 70x120
78-123

Lamplight- C8F-79-102 70x110

Gracy Woods-

UTILITY CONSTRUCTION CONTRACT
BETWEEN
CITY OF AUSTIN, TEXAS
NORTH AUSTIN GROWTH CORRIDOR
MUNICIPAL UTILITY DISTRICT NO. 1

This Contract is entered into as of the 13th day of April, 1981, by and between the CITY OF AUSTIN, TEXAS (the "City"), a Home Rule City located in Travis County, Texas, and NORTH AUSTIN GROWTH CORRIDOR 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, Texas Water Code.

RECITALS

The City operates a water supply system and a sanitary sewer collection and treatment system serving areas within and adjacent to the City and has decided to extend its water supply and sanitary sewer collection facilities into a designated preferred growth corridor north of the present City limits in order to provide water and sanitary sewer service within said area to protect the health and welfare of present and future residents of the area and of portions of the City in proximity thereto.

The District is located within said north preferred growth corridor and desires to obtain access to the City's water supply in order to provide a dependable supply of potable water for the District and access to the City's sanitary sewer system in order to provide for the transportation, treatment,

EXHIBIT B

and disposal of sewage from within the District. The District is authorized by Chapter 54, Texas Water Code 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, and the Board of Directors of the District has determined that it is in the best interest of the District to cooperate with the City in the acquisition and construction of extensions to the City's water supply and sanitary sewer collection facilities.

The City and the District are authorized to make and enter into this Contract by Article 1109j, Texas Civil Statutes, as amended.

WHEREFORE, in consideration of the premises and the mutual obligations and benefits herein contained, the City and the District contract and agree as follows:

AGREEMENT

Section 1. DEFINITIONS. The terms and expressions used in this Contract, unless the context shows clearly otherwise, shall have meanings as follows:

- (a) "Project" means the water main and sanitary sewer main extension described in Exhibit "A" to this Contract.
- (b) "Board" and "Board of Directors" means the Board of Directors of the District.
- (c) "Bonds" means the bonds issued by the District for acquiring, by purchase and/or construction, the Project, whether in one of more series or issues.
- (d) "Bond Resolution" means any resolution of the Board of Directors authorizing the issuance of Bonds and

providing for their security and payment, as such resolution(s) may be amended from time to time as therein permitted.

Section 2. OBLIGATION OF DISTRICT TO ACQUIRE. Subject to the limitations set forth herein, the District will acquire, by purchase and/or construction, the Project and agrees to pay, and will pay, all of the actual costs of acquiring the Project through the issuance of Bonds to provide the money for such payment, all in the manner hereinafter described. The District agrees to proceed promptly to obtain the necessary approvals to issue the Bonds and acquire the Project. Upon obtaining said approvals, the District will 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 complete the Project as soon as practicable, but shall not be liable for any damages occasioned by delays in completion of the Project.

The City may, at its option, amend the Project to include the construction of the Walnut Creek sewer line extension ("Walnut Creek Extension") more fully described on Exhibit B. In such event, the City agrees as follows:

(1) Construction of the Walnut Creek Extension will not commence until the District has sold the bonds for this purpose;

(2) The City will supervise and administer the actual construction; and

(3) The City agrees that the Walnut Creek Extension will be completed at or prior to the date the Project described on Exhibit A is completed.

Section 3. DISTRICT'S BOND RESOLUTION. The proceeds from the sale of the Bonds will be used to pay all of the District's expenses and costs in connection with the Project and the Bonds, including, without limitation, all financing, legal, printing, and other expenses incurred in connection with the issuance, sale, and delivery of the Bonds. Such Bonds will be issued in an amount sufficient to cover the costs of the Project and all the aforesaid expenses and to provide for the payment of interest on the Bonds for a period not to exceed two (2) years. A substantial draft of each Bond Resolution of the District, showing the principal amount, maturities, the funds created, and other pertinent features with respect to the Bonds authorized thereby, must be delivered to and approved by the City prior to the delivery to the purchaser of any Bonds authorized by such Bond Resolution; and the approval of such draft by the City will constitute agreement by the City that the amount of the Bonds and all provisions of the Bond Resolution are in compliance with this Contract in all respects.

Section 4. CONSULTING ENGINEERS. The District and the City shall agree on the "Consulting Engineers" for the Project and the Project will be constructed in accordance with plans and specifications which have been 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 agreement of both the District and the City.

Section 5. ACQUISITION CONTRACTS; BOND PROCEEDS. The District may enter into such contracts as are necessary to provide for acquiring,

by purchase and construction, the entire Project, and 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 as directed by the City. In addition, each such contract must be submitted to and approved by the City prior to execution by the District. The City shall have the right to supervise bid lettings and shall also have the right to approve, reject or award such bids. The District shall deposit all proceeds from the sale of Bonds (after deducting therefrom any amounts required to be deposited into any fund created by a Bond Resolution and the amount of all expenses of issuing the Bonds) into a Project Acquisition Fund, at a depository of the District. The District shall draw on and use said Project Acquisition Fund to pay the costs of acquiring the Project, provided that expenditures from the Project Acquisition Fund must be for project costs recommended for payment by the Consulting Engineers. Any Bond proceeds remaining in the Project Acquisition Fund after completion of the Project shall be deposited into the debt service fund created by the Bond Resolution and thereby reduce to such extent the amounts which otherwise would be required to be deposited therein from payments required to be made by the City under this Contract.

Section 6. OWNERSHIP AND OPERATION. Upon completion of the purchase and construction of the Project by the District, the City shall become the owner of the Project after final acceptance by the City and will thereafter operate and maintain the Project at its expense.

Section 7. PAYMENTS BY CITY.

(a) In consideration of the District's acquiring the Project for the benefit of the City and its inhabitants, the City agrees to make the payments hereinafter specified. It is further agreed that the City's obligation to make such payments will terminate when all of the District's Bonds issued in connection with the Project have been paid in full and are no longer outstanding. 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, is from the payments to be made by the City to the District under this Contract.

(b) The City agrees to make the following payments to the District for so long as any of the District's Bonds issued in connection with the Project are outstanding:

1. Such amounts, payable semiannually on or before the 10th day preceding each interest payment date on the District's Bonds, as are necessary to pay (a) the principal and/or interest coming due on the District's Bonds on the next succeeding interest payment date, plus 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.
2. Such amounts, payable upon the receipt of a statement therefor, as are necessary to pay, or reimburse the District for, the actual cost of any routine annual accounting audits, any extraordinary or unexpected expenses or costs reasonable and necessarily incurred by the District in connection with the Bonds and the Project, such as expenses of litigation, if any, and costs of special studies and special professional services, if and when required by any governmental directive or regulation, or as may be agreed between the City and the District.
3. Such amounts as are necessary to make all payments into any special or reserve fund required to be

established and/or maintained by the provisions of any Bond Resolution.

4. Such amounts as are necessary to pay any deficiency in any funds or account required to be accumulated and maintained by the provisions of any Bond Resolution.

(c) All payments required to be made by the City under this Contract shall be made from connection fees charged by the City for water or sewer customers connecting to either of the lines comprising the Project or from surplus revenues for the City's water and/or sewer system remaining after paying all expenses of operation and maintenance of said systems and after paying all debt service, reserve, and other requirements in connection with the City's water and/or sewer system revenue bonds now or hereafter outstanding; and said connection fees and surplus revenues are hereby pledged to making such payments required under this Contract; but if said connection fees and surplus revenues should not be available or sufficient at any time for making such payments, or any necessary part thereof, required under this Contract, then, to the extent required, such payments shall be made from the City's General Fund and the City's ad valorem taxes, all as hereinafter provided. The City shall make provision in each annual City Budget for the payment of all amounts required to be paid by the City under this Contract. In preparing the budget the City may take into consideration the estimated connection fees and surplus revenues of the City's water and sewer systems to be remaining after paying all expenses of operation and maintenance of said systems and after paying all debt service, reserve, and other requirements in connection with the City's water and/or sewer system revenue bonds now or hereafter outstanding; and the City hereby covenants and

agrees that it will fix, charge, and collect rates and fees for water and sewer services in such amounts as will produce fees and revenues as aforesaid sufficient to provide for making all payments required to be made by the City under this Contract. However, to the extent that such fees and revenues are not available at any time to make such payments, then the City's ad valorem taxes in the City's General Fund shall be used to make such payments, and the proceeds of an annual ad valorem tax are hereby pledged for such payments to the extent so required, in accordance with Article 1109j, Texas Civil Statutes. During the current year, and during each year hereafter, the governing body of the City shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money necessary to make all or any necessary part of the payments required to be made by the City under this Contract, and in every year said tax shall be sufficient to create a sinking fund of at least 2% as required by Article XI, Section 5 of the Texas Constitution. Said rate and amount of ad valorem tax is hereby pledged to such payments, to the extent required, and it shall be assessed, levied, and collected against all taxable property in the City for each such year.

(d) Recognizing that the District will use the payments received from the City hereunder to pay, secure, and finance the issuance of the Bonds, it is hereby agreed that if and when any Bonds are delivered, the City shall be unconditionally obligated to make the payments required by this Contract, and the holders of the Bonds shall be entitled to rely on the foregoing agreement and representation, regardless of any other agreement between the District and the City.

Section 8. CONDITIONS PRECEDENT. The obligation of the District to acquire the Project shall be conditioned upon the following:

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

Section 9. USE OF CITY'S PROPERTY. By these presents, the City authorizes use by the District of any and all real property, streets, alleys, public ways and places, and general utility or water easements of the City for acquisition and 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 that it will provide right-of-way for the Project and will 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 Project costs and will be reimbursed by the District out of Bond proceeds.

Section 10. FORCE MAJEURE. If, by reason of Force Majeure, any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Contract then such party shall give notice and full particulars of such Force Majeure in writing to the other party within a reasonable time after occurrence of the event or cause relied upon, and the obligation of the party giving such notice, so far as it is affected by such

Force Majeure, shall be suspended during the continuance of the inability then 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. The term Force Majeure as employed herein, shall mean acts of God, strikes, lockouts, or other industrial disturbances, act of public enemy, orders of any kind of the Government of the United States or the State of Texas or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquake, 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. 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 payments to the District as required by Section 7 of this Contract.

Section 11. REGULATORY BODIES. This Contract, and the acquisition of the Project, 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 or any authorized representative thereof.

Section 12. 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.

Section 13. 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.

Section 14. TERM OF CONTRACT. This Contract shall be force and effect for so long as the Bonds, or any of them, remain outstanding and unpaid, provided that in no event shall the term of this Contract exceed forty (40) years.

Section 15. 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 year pending creation and confirmation of the District and approval 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.

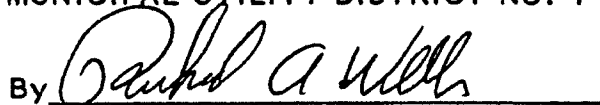
IN WITNESS WHEREOF, the District and the City, acting under authority of their respective governing bodies, have caused multiple copies of

this Contract to be duly executed, each of such copies to be of equal dignity, all as of the date and year first herein written.

CITY OF AUSTIN, TEXAS

By 
City Manager

NORTH AUSTIN GROWTH CORRIDOR
MUNICIPAL UTILITY DISTRICT NO. 1

By 
President, Board of Directors

DBA25/H

Proposed
NORTH AUSTIN GROWTH CORRIDOR
MUNICIPAL UTILITY DISTRICT NO.1
OFF SITE APPROACH MAINS

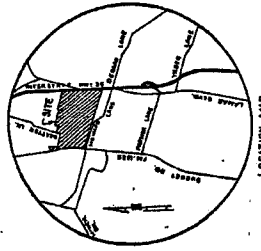
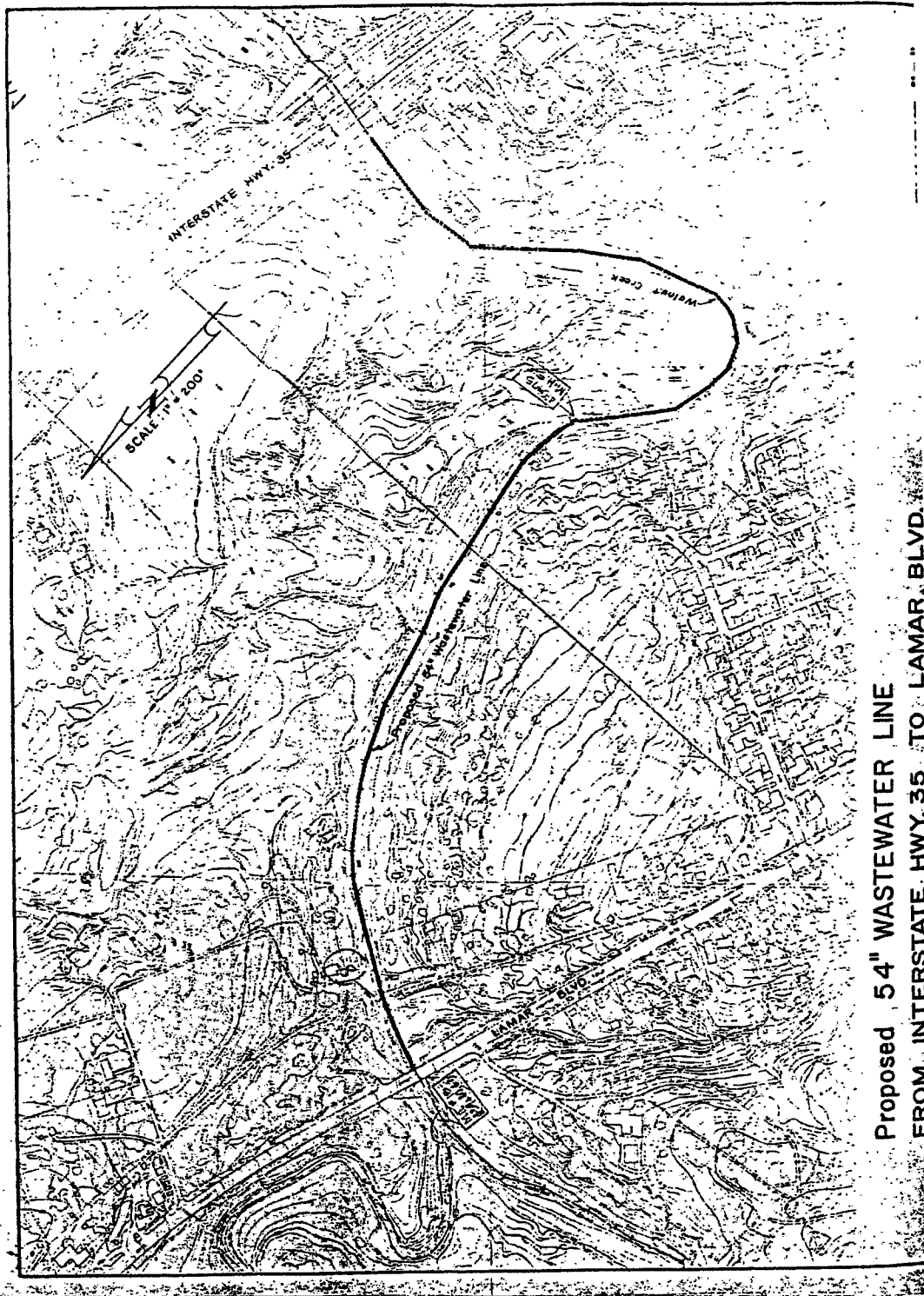


EXHIBIT "A"



Proposed 54" WASTEWATER LINE
FROM INTERSTATE HWY. 35 TO LAMAR BLVD.

AMENDMENT TO
UTILITY CONSTRUCTION CONTRACT
AND CREATION AGREEMENT
BETWEEN
CITY OF AUSTIN, TEXAS
AND
NORTH AUSTIN GROWTH CORRIDOR
MUNICIPAL UTILITY DISTRICT NO. 1

This agreement is entered into as of the 17th day of August, 1988, by and between the CITY OF AUSTIN, TEXAS (the "City"), and NORTH AUSTIN GROWTH CORRIDOR MUNICIPAL UTILITY DISTRICT NO. 1 (the "District") for the purpose of amending the Utility Construction Contract (the "Contract"), dated April 13, 1981, between said parties and the herein-mentioned Creation Agreement.

RECITALS

Pursuant to the Contract, the District issued \$5,960,000 City of Austin Contract Bonds, Series 1981 (the "Bonds"), and used the proceeds of the Bonds to acquire and construct certain extensions to the City's water supply and sanitary sewer collection facilities (the "Project"). The Project has subsequently been completed and accepted by the City. In consideration of the acquisition and construction of the Project by the District, the Contract requires the City to make semiannual payments to the District in such amounts as are necessary to pay, among other things, the principal and/or interest due on the Bonds, plus the fees and charges of the paying agent for paying or redeeming the Bonds.

The City and the District are also parties to an Agreement Concerning Creation and Operation of North Austin Growth Corridor Municipal Utility District No. 1 (the "Creation Agreement"), executed by the City on January 16, 1981, and by the District on April 13, 1981, pursuant to which the District agreed, among other matters, to make semiannual payments to the City, equal to a percentage of the principal and/or interest due on the Bonds.

Because interest rates prevailing in the bond markets have declined since the issuance of the Bonds, the City and the District have determined that another series of bonds should be issued by the District on a parity with the Bonds for the purpose of refunding a portion of the Bonds and thereby reducing proportionately the semiannual payments of both parties described above.

AGREEMENT

For and in consideration then of the mutual obligations and benefits to be derived thereby, the City and the District hereby amend the Contract by adding subsection (e) to Section 7 thereof as follows:

(e) With the consent and approval of the City, the District may from time to time issue refunding bonds for the purpose of refunding all or part of the Bonds and paying expenses incurred in connection therewith, and such refunding bonds shall be issued on a parity with the Bonds. The City agrees that such refunding bonds shall be considered to be "Bonds" for purposes of Section 7 and Section 14 of this Contract, and when such refunding bonds are issued and delivered by the District, the City shall be unconditionally obligated to make payments as provided in this Section 7 in support of said refunding bonds. The proceeds of all such refunding bonds shall be deposited with an escrow agent or trustee and shall be used as provided in the resolution or trust indenture adopted by the District and approved by the City in connection with such refunding.

The City and the District further hereby amend the Creation Agreement by adding a new Paragraph D to Article II thereof as follows:

D. Following the issuance of refunding bonds by the District, the District's obligation to make payments to the City pursuant to Article II.B. of this Contract shall be based on the principal and interest payments due on such refunding bonds and on any bonds which have not been refunded.

Except as provided above, the Contract and the Creation Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the District and the City, each acting under authority of their respective governing bodies, have caused multiple originals of this agreement to be duly