

Control Number: 43105



Item Number: 4

Addendum StartPage: 0

House Bill (HB) 1600 and Senate Bill (SB) 567 83rd
Legislature, Regular Session, transferred the functions
relating to the economic regulation of water and sewer
utilities from the TCEQ to the PUC effective
September 1, 2014.

43105

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EXHIBIT C

Responses to Item 3

MAPS

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Item 3C: Attach a written description of the proposed service area.

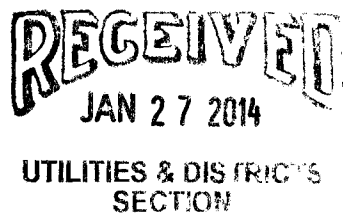
The proposed utility service area is located in a significant portion of the property currently within the city limits of Pflugerville as well as a significant portion of the City's extraterritorial jurisdiction east of city limits. The proposed utility service area is generally bounded on the north by the Travis/Williamson County line; on the east by Manda Carlson Road; on the south by Cameron Road/the city limits; and on the west by Heatherwilde Boulevard.

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EXHIBIT D

Responses to Item 5



5. EXISTING SYSTEM INFORMATION

5(G): Explain in detail the effect of granting of a certificate or an amendment, including, but not limited to regionalization, compliance and economic effects on the following:

i the applicant,

Granting the requested sewer CCN to Pflugerville will require the City to provide continuous and adequate service to the entirety of the requested service area; and there will be no immediate effect as the area is undeveloped at this time. Approval of this amendment will result in a more regionalized approach to wastewater treatment.

ii any retail public utility of the same kind already serving the proximate area; and

No other retail public utility has indicated a willingness to provide sewer service to the requested area.

iii any landowner(s) in the requested area.

If the CCN is granted to Pflugerville, landowners of the undeveloped land will be able to develop their land more densely and this will increase chances of commercial development as some businesses require centralized sewer service.


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TCEQ EXIT INTERVIEW FORM: Potential Violations and/or Records Request									
Regulated Entity/Site Name		City of Pflugerville – Upper Gilleland Creek WWTP				TCEQ Add. ID No. RN No (optional)		WQ0011845002 / RN101611440	
Investigation Type		CCI	Contact Made In-House (Y/N)		Y	Purpose of Investigation			
Regulated Entity Contact		Josh Woodard		Telephone No. (Cell)		512-909-3631		Date Contacted	
		Utility Foreman – Public Works Dept.		FAX-#/Email address		joshw@pflugervilletx.gov		FAX/Email date	
								09/12/2013	
								09/13/2013	
NOTICE: The information provided in this form is intended to provide clarity to issues that have arisen during the investigation process between the TCEQ and the regulated entity named above and does not represent final TCEQ findings related to violations. Any potential or alleged violations discovered after the date on this form will be communicated to the regulated entity representative prior to the issuance of a notice of violation or enforcement. Conclusions drawn from this investigation, including additional violations or potential violations discovered (if any) during the course of this investigation, will be documented in a final investigation report.									
For Records Request, identify the necessary records, the company contact and date due to the agency. For Alleged and Potential Violation issues, include the rule in question with the clearly described potential problem. Other type of issues: fully describe.									
No.	Type	Rule Citation (if known)				Description of Issue			
1	RR/PV	Permit pg. 2 / 30 TAC 305.125(1) – comply with all permit conditions				Demonstrate compliance with 2-hr peak limit of 12,083 gpm. Chart recorder did not show compliance; instead circle charts showed numerous instantaneous measurements (peaks) which seemed to be above limit. SCADA showed 2-hour periods that seemed to exceed the 2-hr peak limit. The data submitted on DMRs could not be verified. Permit holder must show what data was used and means for determining 2-hr peak flow. Submit information showing method used to determine 2-hr peak flow for 3 year period of 09/01/2010 thru 08/31/2013. Information due to me by 09/27/2013.			
2	AV	Permit pg. 2 / 30 TAC 305.125(1) – comply with all permit conditions				Exceeded TSS Daily Average and Daily Maximum during January 2012. Exceeded Total Phosphorus Daily Average and Daily Maximum during June 2012. Sufficient documentation received during on-site investigation to resolve this violation. No further documentation required for this violation.			
3	AV	Permit pg. 7, Monitoring & Reporting requirement #7(c) / 30 TAC 305.125(1) – comply with all permit conditions				Failure to report to TCEQ Region office when Total Phosphorus exceeded permitted limit by more than 40%. Permit holder sent notice to the Water Quality Monitoring -Enforcement Division only. Permittee is required to send notification to both Water Quality Monitoring and Region Office within 5 days of discovery of non-compliance. Documentation provided during on-site investigation was sufficient to resolve this violation; no further response required for this violation.			
4	AV	Permit pg. 6, Monitoring & Reporting requirement #5 / 30 TAC 305.125(1) – comply with all permit conditions				Failure to calibrate the effluent flow meter at least annually (every 12 months). Records indicated most recent calibration was on 04/18/2012, which was 16 months ago. All automatic flow measuring devices and all totalizing meters for measuring flows shall be accurately calibrated not less often than annually by a trained person to ensure accuracy. Submit documentation showing flow meter has been calibrated and is working properly. Information due to me by 09/27/2013.			
5	O	<div>RECEIVED JAN 27 2014</div>				Recommend permit holder use NetDMR for reporting. A discrepancy was noted on DMR summary reviewed by investigator. Permit holder submitted 3.858 MGD Daily Average flow information for March 2012; however, TCEQ data showed 3858 MGD. This type of discrepancy can be avoided by permittee entering the data via NetDMR. Electronic reporting may be required in the near future. No documentation is requested regarding this issue. See TCEQ web site for information on using NetDMR to submit reports electronically.			

6	RR	Provide documentation ensuring that backflow prevention assembly device is working properly. During on-site investigation, it was noted that backflow prevention device had not been certified since 04/18/2012, which was 16 months ago. Submit documentation showing device has been certified and is working properly. Information due to me by 09/27/2013.

Note 1: Issue Type Can Be One or More of: AV (Alleged Violation), PV (Potential Violation), O (Other), or RR (Records Request)

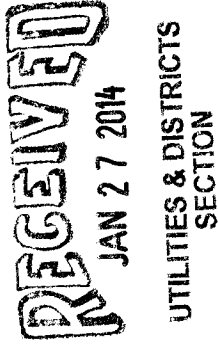
Did the TCEQ document the regulated entity named above operating without proper authorization?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Did the investigator advise the regulated entity representative that continued operation is not authorized?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Document Acknowledgment. Signature on this document establishes only that the regulated entity (RE) representative received a copy of this document and associated continuation pages on the date noted. If contact was made by telephone, the document will be sent via FAX or Email to RE; therefore, the RE signature is not required.		
	Patricia Phillips	9/13/13
Investigator Name (Signed & Printed)	Date	Regulated Entity Representative Name (Signed & Printed)
		Date

If you have questions about any information on this form, please contact your local TCEQ Regional Office. Individuals are entitled to request and review their personal information that the agency gathers on its forms. They may also have any errors in their information corrected. To review such information, call 512/239-3282.

White Copy: Regulated Entity Representative
TCEQ 20085 (4/08)

Yellow Copy: TCEQ



5. EXISTING SYSTEM INFORMATION

5(A)(v) For each system deficiency listed in the inspection report letter; attach a brief explanation listing the actions taken or being taken by the utility to correct the listed deficiencies, including the proposed completion dates.

1 – The inspector did not understand how this was calculated. She could not tell us and did not understand our explanation onsite. We emailed her an explanation of how the 2-hr peak was calculated and the issue was resolved. No further action required.

2 – Documentation provided during inspection. No further action required.

3 – Documentation provided during investigation. No further action required.

4 – Calibration Documentation provided on September 23, 2013. No further action required.

5 – The TCEQ had an error in their data entry and has requested that we use NetDMR for reporting. We are considering this. No action taken by the City. TCEQ corrected their mistake. No further action required.

6 – Inspection Documentation provided on September 23, 2013. No further action required.

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Item 5B: Provide the following information about the utility’s certified operators.

(Complete List)

Name	Classes	License Number
James Wills	Class A Wastewater Treatment Operator	WW0027990
Wiley Webb	Class A Wastewater Treatment operator	WW0017627
Darrell Winslett	Class A Wastewater Treatment Operator	WW0016571
Robert Alvarado Jr	Class B Wastewater Treatment Operator	WW0047294
Javier Gonzalez	Class 1 Wastewater Collection Operator	WW0046094
Josh Woodard	Class B Wastewater Treatment Operator	WW0034538
Phillip Scruggs	Class C Wastewater Treatment Operator	WW0042014
Matthew Woodard	Class A Wastewater Treatment Operator	WW0020221
Ronald Clough III	Class 1 Wastewater Collection Operator	WW0046089
Mark Kowalczyk	Class C Wastewater Treatment Operator	WW0025386
Max Walther III	Class B Wastewater Treatment Operator	WW0037570
Ted Martinez	Class C Wastewater Treatment Operator	WW0041368
Jesus Echeverria	Class D Wastewater Treatment Operator	WW0048031
Anthony Townsend	Class II Wastewater Collection Operator	WW0042015
Dustin Paul	Class B Wastewater Treatment Operator	WW0045100
Matthew Johns	Class B Wastewater Treatment Operator	WW0037565
Gregory Briggs	Class II Wastewater Collection Operator	WW004524

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WATER SYSTEM						SEWER SYSTEM			
	City of Pflugerville Water		Manville Water Out of City Retail Customers		Manville Water Former NTCM#5 City Retail Customers		City of Pflugerville Sewer		
Connection	Existing	Proposed	Existing	Proposed	Existing	Proposed	Connection	Existing	Proposed
5/8" or 3/4" meter	7956		2383		2651		Residential	13970	
1" meter or larger	248		17		34		Commercial	260	
Non-Metered	0		0				Industrial	0	
Other:	0		0				Other	0	162,666
Total Water	8204		2400		2685		Total Sewer	14230	162,666

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EXHIBIT E

Responses to Item 6

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FINANCIAL INFORMATION

NEW ISSUE - BOOK-ENTRY-ONLY

Ratings - Moody's: "Aa2"
 STANDARD & POOR'S: "AA-"
 SEE "RATINGS" HEREIN

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, assuming compliance with certain covenants and based on certain representations, interest on the Series 2013 Certificates is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

\$4,600,000
CITY OF PFLUGERVILLE, TEXAS
(Travis and Williamson Counties)
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2013

Dated: February 1, 2013**Due: August 1, as shown on inside front cover**

Interest on the \$4,600,000 City of Pflugerville, Texas Combination Tax and Revenue Certificates of Obligation, Series 2013 (the "Series 2013 Certificates") will accrue from February 1, 2013 as shown above, will be payable August 1 and February 1 of each year, commencing August 1, 2013, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The definitive Series 2013 Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity.

The Series 2013 Certificates are payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City of Pflugerville, Texas (the "City") and from a pledge of the surplus revenues derived from the operation of the City's combined Waterworks and Sewer System, after payment of all operation and maintenance expenses and all debt service, reserve and other requirements in connection with all of the City's Waterworks and Sewer System Revenue Bonds and other obligations (now or hereafter outstanding) which are payable from such revenues as provided in the ordinance authorizing the Series 2013 Certificates (the "Certificate Ordinance"). See "THE OBLIGATIONS - Security and Source of Payment".

The City intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC") but reserves the right on its behalf or on behalf of DTC to discontinue such system. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer of the Series 2013 Certificates. See "THE OBLIGATIONS - Book-Entry-Only System" herein. Principal of and interest on the Series 2013 Certificates are payable by the paying agent/registrar (the "Paying Agent/Registrar"), initially U.S. Bank National Association, Miami, Florida, to Cede & Co., as nominee of DTC, which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Series 2013 Certificates.

Proceeds from the sale of the Series 2013 Certificates will be used for the purpose of paying contractual obligations incurred or to be incurred by the City for (1) constructing, improving, extending, expanding, upgrading and/or developing City streets, intersections, drainage, sidewalk and other traffic improvement projects and related costs and purchasing any necessary right-of-way therefor, including certain portions of Pfluger Farm Lane, (2) constructing, improving and extending the City's waterworks and sewer system and related costs and the acquisition of any necessary easements or land and (3) the payment of professional services in connection therewith including legal, fiscal and engineering fees and the costs of issuance in connection with the Series 2013 Certificates. See "PLAN OF FINANCING - Purpose".

Concurrently with the issuance of the Series 2013 Certificates, the City will authorize, issue and deliver its Limited Tax Bonds, Series 2013 (the "Series 2013 Bonds"). The Series 2013 Certificates and the Series 2013 Bonds (collectively, the "Obligations") are each separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the owners, the tax status of its interest and other features.

MATURITY SCHEDULE

(See page ii)

The Series 2013 Certificates are offered for delivery when, as and if issued and received by the underwriter set forth below (the "Underwriter") and subject to the approving opinion of the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Austin, Texas. See APPENDIX C - "FORMS OF BOND COUNSEL OPINIONS". Certain other legal matters will be passed upon for the Underwriter by its counsel, Andrews Kurth LLP, Austin, Texas. It is expected that the Series 2013 Certificates will be available for delivery through the services of DTC on February 6, 2013.

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MATURITY SCHEDULE

CUSIP Prefix: 717087⁽³⁾

<u>Maturity (August 1)⁽¹⁾</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield⁽²⁾</u>	<u>CUSIP Suffix⁽³⁾</u>
2014	\$ 50,000	2.000%	0.550%	TS9
2015	100,000	2.000	0.750	TT7
2016	100,000	2.000	0.960	TU4
2017	100,000	2.000	1.190	TV2
2018	100,000	3.000	1.370	TW0
2019	100,000	3.000	1.500	TX8
2020	100,000	3.000	1.750	TY6
2021	100,000	3.000	1.970	TZ3
2022	100,000	3.000	2.190 ⁽⁴⁾	UA6
2023	100,000	3.000	2.430 ⁽⁴⁾	UB4
2024	-	-	-	-
2025	100,000	3.000	3.000	UC2
2026	400,000	3.000	3.070	UD0
2027	390,000	3.000	3.090	UE8
2028	380,000	3.000	3.140	UF5
2029	470,000	3.125	3.210	UG3
2030	425,000	3.125	3.280	UH1
2031	395,000	4.000	3.140 ⁽⁴⁾	UJ7
2032	360,000	3.250	3.350	UK4
2033	730,000	3.375	3.440	UL2

(Accrued Interest from February 1, 2013 to be added)

- ⁽¹⁾ The City reserves the right, at its option, to redeem Series 2013 Certificates having stated maturities on or after August 1, 2022 in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2021, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE OBLIGATIONS - Redemption".
- ⁽²⁾ Yield represents the initial offering yield to the public which has been established by the Underwriter for public offerings and may subsequently be changed from time to time at the sole discretion of the Underwriter.
- ⁽³⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Underwriter, the City nor the Financial Advisor are responsible for the selection or correctness of the CUSIP numbers set forth herein.
- ⁽⁴⁾ Yield calculated based upon the assumption that the Series 2013 Certificates designated and sold at a premium will be redeemed on August 1, 2021, the first optional redemption date for the Series 2013 Certificates, at the redemption price of par plus accrued interest to the redemption date.

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, assuming compliance with certain covenants and based on certain representations, interest on the Series 2013 Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

\$2,000,000
CITY OF PFLUGERVILLE, TEXAS
(Travis and Williamson Counties)
LIMITED TAX BONDS, SERIES 2013

Dated: February 1, 2013**Due: August 1, as shown on inside front cover**

Interest on the \$2,000,000 City of Pflugerville, Texas Limited Tax Bonds, Series 2013 (the "Series 2013 Bonds") will accrue from February 1, 2013 as shown above, will be payable August 1 and February 1 of each year, commencing August 1, 2013, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The definitive Series 2013 Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity.

The Series 2013 Bonds are payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City of Pflugerville, Texas (the "City") as provided in the ordinance authorizing the Series 2013 Bonds (the "Series 2013 Bond Ordinance"). See "THE OBLIGATIONS - Security and Source of Payment".

The City intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC") but reserves the right on its behalf or on behalf of DTC to discontinue such system. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer of the Series 2013 Bonds. See "THE OBLIGATIONS - Book-Entry-Only System" herein. Principal of and interest on the Series 2013 Bonds are payable by the paying agent/registrars (the "Paying Agent/Registrars"), initially U.S. Bank National Association, Miami, Florida, to Cede & Co., as nominee of DTC which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Series 2013 Bonds.

Proceeds from the sale of the Series 2013 Bonds will be used for the purpose of (1) improving, renovating and equipping the City's existing library and related infrastructure and other costs and (2) paying the costs of issuing the Series 2013 Bonds. See "PLAN OF FINANCING - Purpose."

Concurrently with the issuance of the Series 2013 Bonds, the City will authorize, issue and deliver its Combination Tax and Revenue Certificates of Obligation, Series 2013 (the "Series 2013 Certificates"). The Series 2013 Bonds and the Series 2013 Certificates (collectively, the "Obligations") are each separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the owners, the tax status of its interest and other features.

MATURITY SCHEDULE
(See page iv)

The Series 2013 Bonds are offered for delivery when, as and if issued and received by the underwriter set forth below (the "Underwriter") and subject to the approving opinion of the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Austin, Texas. See APPENDIX C - "FORMS OF BOND COUNSEL OPINIONS". Certain other legal matters will be passed upon for the Underwriter by its counsel, Andrews Kurth LLP, Austin, Texas. It is expected that the Series 2013 Bonds will be available for delivery through the services of DTC on February 6, 2013.

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MATURITY SCHEDULE

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2014	\$ 25,000	2.000%	0.550%	UM0
2015	50,000	2.000	0.750	UN8
2016	50,000	2.000	0.960	UP3
2017	50,000	2.000	1.190	UQ1
2018	50,000	3.000	1.370	UR9
2019	50,000	3.000	1.500	US7
2020	50,000	3.000	1.750	UT5
2021	50,000	3.000	1.970	UU2
2022	50,000	3.000	2.190 ⁽⁴⁾	UV0
2023	50,000	3.000	2.430 ⁽⁴⁾	UW8
2024	-	-	-	-
2025	50,000	3.000	3.000	UX6
2026	165,000	3.000	3.070	UY4
2027	160,000	3.000	3.090	UZ1
2028	155,000	3.000	3.140	VA5
2029	195,000	3.125	3.210	VB3
2030	175,000	3.125	3.280	VC1
2031	165,000	4.000	3.140 ⁽⁴⁾	VD9
2032	150,000	3.250	3.350	VE7
2033	310,000	3.375	3.440	VF4

(Accrued Interest from February 1, 2013 to be added)

- ⁽¹⁾ The City reserves the right, at its option, to redeem Series 2013 Bonds having stated maturities on or after August 1, 2022 in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2021, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE OBLIGATIONS - Redemption".
- ⁽²⁾ Yield represents the initial offering yield to the public which has been established by the Underwriter for public offerings and may subsequently be changed from time to time at the sole discretion of the Underwriter.
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- ⁽⁴⁾ Yield calculated based upon the assumption that the Series 2013 Bonds designated and sold at a premium will be redeemed on August 1, 2021, the first optional redemption date for the Series 2013 Bonds, at the redemption price of par plus accrued interest to the redemption date.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibility to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement does not constitute an offer to sell Obligations in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesman, or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of these Obligations, and if given or made, such information or representation must not be relied upon. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

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

THE INFORMATION SET FORTH OR INCLUDED IN THIS OFFICIAL STATEMENT HAS BEEN PROVIDED BY THE CITY AND OBTAINED FROM OTHER SOURCES BELIEVED BY THE CITY TO BE RELIABLE.

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

NEITHER THE CITY, THE FINANCIAL ADVISOR NOR THE UNDERWRITER MAKE ANY REPRESENTATION AS TO THE ACCURACY, COMPLETENESS, OR ADEQUACY OF THE INFORMATION SUPPLIED BY THE DEPOSITORY TRUST COMPANY FOR USE IN THIS OFFICIAL STATEMENT.

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

CITY ADMINISTRATION

ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Jeff Coleman, Mayor	5 Years	November 2013	Insurance Agent/Owner
Victor Gonzales, Mayor Pro Tem	6 Years	November 2015	Sales Manager
Wayne Cooper, Councilmember	5 Years	November 2013	Planner/Landscape Architect
Brad Marshall, Councilmember	1 Year	November 2014	Homebuilder
Omar Peña, Councilmember	Newly elected	November 2015	Business Developer
Starlet Sattler, Councilmember	4 Years	November 2014	Realtor

APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Length of Service with City</u>	<u>Length of Service Current Position</u>
Brandon Wade	City Manager	3 Years	3 Years
Lauri Gillam	Assistant City Manager	19 Years	8 Years
Trey Fletcher	Assistant City Manager	7 Years	1 Year
Tom Word	Assistant City Manager	1 Year	1 Year
Beth C. Davis	Finance Director	18 Years	5 Years
Karen Thompson	City Secretary	13 Years	13 Years
George E. Hyde, Denton, Navarro, Rocha & Bernal, P.C.	City Attorney	1 Year	1 Year
Charles Hooker	Chief of Police	29 Years	8 Years
Daniel Franz	City Engineer	½ Year	½ Year
James Wills	Public Works Director	20 Years	3 Years

CONSULTANTS AND ADVISORS

Certified Public Accountants Davis Kinard & Co., PC
Abilene, Texas

Financial Advisor Harrison Securities, Inc.
Lockhart, Texas

Bond Counsel McCall, Parkhurst & Horton L.L.P.
Austin, Texas

For additional information regarding the City, please contact:

Mr. Brandon Wade City Manager City of Pflugerville 100 East Main Street P.O. Box 589 Pflugerville, Texas 78691-0589 Telephone: (512) 990-6101 Fax: (512) 990-4364	or	Mr. Bill Harrison Financial Advisor Harrison Securities, Inc. 1875 Mineral Springs Road Lockhart, Texas 78644 Telephone: (512) 791-2503 Fax: (830) 875-6121
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SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data on this page is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Obligations to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this data page from this Official Statement or to otherwise use it without the entire Official Statement. This data page was prepared to present prospective purchasers of the Obligations information concerning the Obligations, the tax revenues pledged to payment of the Obligations, the description of the tax revenue base and other pertinent data, all as more fully described herein.

The Issuer The City of Pflugerville, Texas (the "City") is a political subdivision located in Travis and Williamson Counties operating as a home-rule city under the laws of the State of Texas and a charter approved by the voters on November 2, 1993 and amended on January 18, 1997, November 6, 2001, November 7, 2006 and November 8, 2011 (the "City Charter"). The City operates under the City Council/Manager form of government where the Mayor and five City Council members are elected for staggered three-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer.

The City is approximately 22.3 square miles in area. See APPENDIX A - "GENERAL INFORMATION REGARDING THE CITY".

The Obligations The \$4,600,000 Combination Tax and Revenue Certificates of Obligation, Series 2013 (the "Series 2013 Certificates") are issued as serial certificates maturing on August 1 in each of the years and in the amounts shown on page ii hereof.

The \$2,000,000 Limited Tax Bonds, Series 2013 (the "Series 2013 Bonds") are issued as serial bonds maturing on August 1 in each of the years and in the amounts shown on page iv hereof.

The Series 2013 Certificates and the Series 2013 Bonds are collectively referred to as the "Obligations". See "THE OBLIGATIONS - General".

Authority for Issuance . . . The Series 2013 Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1502, Texas Government Code, as amended; the City Charter; and an ordinance adopted by the City Council of the City (the "Certificate Ordinance").

The Series 2013 Bonds are being issued pursuant to the Constitution and general laws of the State, particularly Chapters 1251 and 1331 of the Texas Government Code, as amended; the City Charter; an election held within the City on May 10, 2008; and an ordinance adopted by the City Council of the City (the "Series 2013 Bond Ordinance"). See "THE OBLIGATIONS - Authority for Issuance".

The Certificate Ordinance and the Series 2013 Bond Ordinance are collectively referred to herein as the "Ordinances."

**Security for the
Obligations**

The Series 2013 Certificates constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City and from a pledge of the surplus revenues derived from the operation of the City's combined Waterworks and Sewer System, after payment of all operation and maintenance expenses and all debt service, reserve and other requirements in connection with all of the City's Waterworks and Sewer System Revenue Bonds and other obligations (now or hereafter outstanding) which are payable from such revenues, as provided in the Certificate Ordinance.

The Series 2013 Bonds constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, as provided in the Series 2013 Bond Ordinance. See "THE OBLIGATIONS - Security and Source of Payment".

Redemption The City reserves the right, at its option, to redeem Series 2013 Certificates having stated maturities on or after August 1, 2022, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2021, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

The City reserves the right, at its option, to redeem Series 2013 Bonds having stated maturities on or after August 1, 2022, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2021, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE OBLIGATIONS - Redemption".

Tax Exemption In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, assuming compliance with certain covenants and based on certain representations, interest on the Series 2013 Certificates and Series 2013 Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

Use of Proceeds Proceeds from the sale of the Series 2013 Certificates will be used for the purpose of paying contractual obligations incurred or to be incurred by the City for (1) constructing, improving, extending, expanding, upgrading and/or developing City streets, intersections, drainage, sidewalk and other traffic improvement projects and related costs and purchasing any necessary right-of-way therefor, including certain portions of Pfluger Farm Lane, (2) constructing, improving and extending the City's waterworks and sewer system and related costs and the acquisition of any necessary easements or land and (3) the payment of professional services in connection therewith including legal, fiscal and engineering fees and the costs of issuance in connection with the Series 2013 Certificates.

Proceeds from the sale of the Series 2013 Bonds will be used for the purpose of (1) improving, renovating and equipping the City's existing library and related infrastructure and other costs and (2) paying the costs of issuing the Series 2013 Bonds. See "PLAN OF FINANCING - Purpose".

Ratings The Obligations and the currently outstanding uninsured ad valorem tax supported debt of the City have an underlying rating of "Aa2" by Moody's Investors Service

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Book-Entry-Only

System The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Series 2013 Certificates and the Series 2013 Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. It is contemplated that no physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "THE OBLIGATIONS -Book-Entry-Only System".

Payment Record The City has never defaulted in the payment of its outstanding debt.

Separate Issues The Series 2013 Certificates and the Series 2013 Bonds are each separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Series 2013 Certificates and the Series 2013 Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the owners, the tax status of its interest and other features.

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OFFICIAL STATEMENT

RELATING TO

**\$4,600,000
CITY OF PFLUGERVILLE, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2013**

**\$2,000,000
CITY OF PFLUGERVILLE, TEXAS
LIMITED TAX BONDS, SERIES 2013**

INTRODUCTION

This Official Statement, which includes the cover pages and Appendices hereto, provides certain information in connection with the issuance by the City of Pflugerville, Texas (the "City") of its \$4,600,000 Combination Tax and Revenue Certificates of Obligation, Series 2013 (the "Series 2013 Certificates") and its \$2,000,000 Limited Tax Bonds, Series 2013 (the "Series 2013 Bonds"). The Series 2013 Certificates and the Series 2013 Bonds are collectively referred to herein as the "Obligations". The Obligations are being issued pursuant to two separate ordinances approved by the City Council on the date of the sale of the Obligations. The ordinance authorizing the issuance of the Series 2013 Certificates (the "Certificate Ordinance") and the ordinance authorizing the issuance of the Series 2013 Bonds (the "Series 2013 Bond Ordinance") are collectively referred to herein as the "Ordinances." Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the respective Ordinances, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the plan of financing, the Obligations, the Ordinances and certain information about the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained for reasonable mailing and handling charges from the City's financial advisor, Harrison Securities, Inc., 1875 Mineral Springs Road, Lockhart, Texas 78644, (512) 791-2503.

PLAN OF FINANCING

Purpose

The Series 2013 Certificates are being issued for the purpose of paying contractual obligations incurred or to be incurred by the City for (1) constructing, improving, extending, expanding, upgrading and/or developing City streets, intersections, drainage, sidewalk and other traffic improvement projects and related costs and purchasing any necessary right-of-way therefor, including certain portions of Pfluger Farm Lane, (2) constructing, improving and extending the City's waterworks and sewer system and related costs and the acquisition of any necessary easements or land and (3) the payment of professional services in connection therewith including legal, fiscal and engineering fees and the costs of issuance in connection with the Series 2013 Certificates.

The Series 2013 Bonds are being issued for the purpose of (1) improving, renovating and equipping the City's existing library and related infrastructure and other costs, and (2) paying the costs of issuing the Series 2013 Bonds.

Sources and Uses of Proceeds

The proceeds from the sale of the Series 2013 Certificates and the Series 2013 Bonds, respectively, will be applied approximately as follows:

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<u>Sources</u>	<u>Series 2013 Certificates</u>	<u>Series 2013 Bonds</u>
Principal	\$4,600,000.00	\$2,000,000.00
Net Original Issue Premium	42,006.45	22,320.10
Accrued Interest from 2/1/13 to 2/6/13	<u>1,988.98</u>	<u>859.72</u>
Total Sources	<u>\$4,643,995.43</u>	<u>\$2,023,179.82</u>
<u>Uses</u>		
Deposit to Construction Fund	\$4,505,046.93	\$1,945,973.94
Deposit to Interest and Sinking Fund	1,988.98	859.72
Costs of Issuance ⁽¹⁾	<u>136,959.52</u>	<u>76,346.16</u>
Total Uses	<u>\$4,643,995.43</u>	<u>\$2,023,179.82</u>

⁽¹⁾ Includes Underwriter's discount.

THE OBLIGATIONS

General

The Series 2013 Certificates are dated February 1, 2013, and mature on August 1 in each of the years and in the amounts shown on page ii hereof. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on August 1 and February 1, commencing August 1, 2013, until maturity or earlier redemption.

The Series 2013 Bonds are dated February 1, 2013, and mature on August 1 in each of the years and in the amounts shown on page iv hereof. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on August 1 and February 1, commencing August 1, 2013, until maturity or earlier redemption.

The definitive Series 2013 Certificates and the definitive Series 2013 Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry Only System described herein. **No physical delivery of the Obligations will be made to the owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "-Book-Entry-Only System" herein.

Authority for Issuance

The Series 2013 Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1502, Texas Government Code, as amended; the City's home-rule charter adopted November 2, 1993 and amended on January 18, 1997, November 6, 2001, November 7, 2006, and November 8, 2011 (the "City Charter"); and the Certificate Ordinance.

The Series 2013 Bonds are being issued pursuant to the Constitution and general laws of the State, particularly Chapters 1251 and 1331 of the Texas Government Code, as amended; the City Charter; an election held within the City on May 10, 2008; and the Series 2013 Bond Ordinance.

Security and Source of Payment

The Series 2013 Certificates constitute direct obligations of the City, payable from a continuing, direct annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and a pledge of the surplus revenues derived from the operation of the City's combined Waterworks and Sewer System, after payment of all operation and maintenance expenses and all debt service, reserve and other requirements in connection with all of the City's Waterworks and Sewer System Revenue Bonds and other obligations (now or hereafter outstanding) which are payable from such revenues, as provided in the Certificate Ordinance.

The Series 2013 Bonds constitute direct obligations of the City, payable from a continuing, direct annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Series 2013 Bond Ordinance.

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt of the City within the limits prescribed by law. The City operates under its home-rule City Charter as authorized by Article XI, Section 5 of the Constitution of the State of Texas. Article XI, Section 5 of the Constitution establishes a maximum tax rate of \$2.50 per \$100 Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for general obligation debt service. The City's 2012-2013 tax rate is \$0.5940, of which \$0.2025 is for debt service purposes.

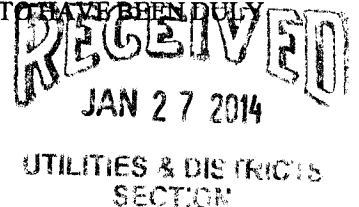
Redemption

Optional Redemption. The City reserves the right, at its option, to redeem Series 2013 Certificates having stated maturities on or after August 1, 2022 in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2021, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Series 2013 Certificates are to be redeemed and if less than all of a maturity is to be redeemed, the Paying Agent/Registrar (or DTC while the Series 2013 Certificates are in book-entry-only form) will determine by lot the Series 2013 Certificates, or portions thereof, within such maturity to be redeemed. If a Series 2013 Certificate (or any portion of the principal sum thereof) has been called for redemption and notice of such redemption has been given, such Series 2013 Certificate (or the principal amount thereof to be redeemed) will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

The City reserves the right, at its option, to redeem Series 2013 Bonds having stated maturities on or after August 1, 2022 in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2021, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Series 2013 Bonds are to be redeemed and if less than all of a maturity is to be redeemed, the Paying Agent/Registrar (or DTC while the Series 2013 Bonds are in book-entry-only form) will determine by lot the Series 2013 Bonds, or portions thereof, within such maturity to be redeemed. If a Series 2013 Bond (or any portion of the principal sum thereof) has been called for redemption and notice of such redemption has been given, such Series 2013 Bond (or the principal amount thereof to be redeemed) will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Obligations, the City must cause a notice of redemption to be sent by United States mail, first-class, postage prepaid, to the registered owners of the Obligations to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED WILL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY



GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE OBLIGATIONS CALLED FOR REDEMPTION WILL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH OBLIGATION OR PORTION THEREOF WILL CEASE TO ACCRUE.

With respect to any optional redemption of the Obligations, unless certain prerequisites to such redemption required by the respective Ordinances have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Obligations to be redeemed have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice must state that any redemption may, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in the notice of redemption. If a conditional notice of redemption is given and the prerequisites to the redemption are not met and sufficient moneys are not received, such notice will have no effect, the City will not redeem the Obligations and the Paying Agent/Registrar must give notice, in the manner in which the notice of redemption was given, to the effect that the Obligations have not been redeemed.

Defeasance

General. The Ordinances provide for the defeasance of the Obligations and the termination of the pledge of taxes and/or revenues, as applicable, and all other general defeasance covenants in the respective Ordinances under certain circumstances. Any Obligation and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Obligation") within the meaning of the Ordinances, except to the extent provided below for the Paying Agent/Registrar to continue payments and for the City to retain the right to call Defeased Obligations to be paid at maturity, when the payment of all principal and interest payable with respect to such Obligation to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption or the establishment of irrevocable provisions for the giving of such notice) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the City with the Paying Agent/Registrar or an eligible trust company or commercial bank for the payment of its services until after all Defeased Obligations shall have become due and payable or (3) any combination of (1) and (2). At such time as a Obligation shall be deemed to be a Defeased Obligation, such Obligation and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes or revenues levied and pledged as provided in the respective Ordinances, and such principal and interest shall be payable solely from such money or Defeasance Securities.

The deposit under clause (ii) above shall be deemed a payment of an Obligation when proper notice of redemption of such Obligations shall have been given or the establishment of irrevocable provisions for the giving of such notice, in accordance with the Ordinances. Any money so deposited with the Paying Agent/Registrar or an eligible trust company or commercial bank may at the discretion of the City also be invested in Defeasance Securities, maturing in the amounts and at the times as set forth in the respective Ordinances, and all income from such Defeasance Securities received by the Paying Agent/Registrar or an eligible trust company or commercial bank that is not required for the payment of the Obligations and interest thereon, with respect to which such money has been so deposited, shall be turned over to the City.

All money or Defeasance Securities set aside and held in trust pursuant to the provisions of the Ordinances for the payment of principal of the Obligations and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Obligations and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Obligations shall have become due and payable, the Paying Agent/Registrar shall perform the services of Registrar for such

Defeased Obligations the same as if they had not been defeased, and the City shall make proper arrangements to provide and pay for such services as required by the Ordinances.

If money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or an eligible trust company or commercial bank for the payment of Obligations and such Obligations shall not have in fact been actually paid in full, no amendment of the defeasance provisions of the Ordinances shall be made without the consent of the registered owner of each Obligation affected thereby.

Retention of Rights. To the extent that, upon the defeasance of any Defeased Obligation to be paid at its maturity, the City retains the right under Texas law to later call that Defeased Obligation for redemption in accordance with the provisions of the Ordinances, the City may call such Defeased Obligation for redemption upon complying with the provisions of Texas law and upon the satisfaction of the provisions set forth above regarding such Defeased Obligation as though it was being defeased at the time of the exercise of the option to redeem the Defeased Obligation and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Obligation.

Investments. Any escrow agreement or other instrument entered into between the City and the Paying Agent/Registrar or an eligible trust company or commercial bank pursuant to which money and/or Defeasance Securities are held by the Paying Agent/Registrar or an eligible trust company or commercial bank for the payment of Defeased Obligations may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent/Registrar or an eligible trust company or commercial bank which is not required for the payment of the Obligations and interest thereon, with respect to which such money has been so deposited, will be remitted to the City.

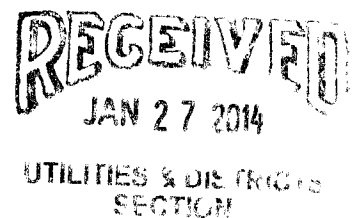
For the purposes of these provisions, "Defeasance Securities" means (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provides for the funding of an escrow to effect the defeasance of the Obligations are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the City adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provides for the funding of an escrow to effect the defeasance of the Obligations, are rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent and (iv) any other then authorized securities or obligations under applicable State law in existence at the time of such defeasance that may be used to defease obligations such as the Obligations. For the purposes of these provisions, "Federal Securities" means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (including the interest component of bonds issued by the Resolution Funding Corporation).

Because the Ordinances provide that securities or obligations that may be authorized under future State law may also be used to defease the Obligations registered owners are deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law.

There is no assurance that the ratings for U.S. Treasury securities or any other Defeasance Securities that may be used to defease the Obligations as described in this section will be maintained at any particular rating category.

Amendments

In the Ordinances, the City has reserved the right to amend the Ordinances without consent of any holder for the purpose of amending or supplementing the Ordinances to (i) cure any ambiguity, defect or omission in the Ordinances that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions



of the Ordinances that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinances under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under the Ordinances that are not inconsistent with the provisions of the Ordinances and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

Each of the Ordinances further provide that the holders of the respective Obligations aggregating in principal amount 51% of the principal amount outstanding shall have the right from time to time to approve any amendment not described above to the respective Ordinances if it is deemed necessary or desirable by the City; provided, however, that without the consent of the respective holders of 100% in aggregate principal amount of the then outstanding respective Obligations, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding respective Obligations; (ii) reducing the rate of interest borne by any of the outstanding respective Obligations; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding respective Obligations; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding respective Obligations or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the respective Obligations necessary for consent to such amendment. Reference is made to each of the Ordinances for further provisions relating to the amendment of the Ordinances.

Book-Entry-Only System

This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and credited by the Depository Trust Company ("DTC") New York, NY, while the Obligations are registered in its nominee's name. The information in this section concerning DTC and the book-entry-only system has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also

available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. Please note that this website address is included herein as an active textual reference only, and the information contained on (or accessed through) this website is not incorporated herein and should not be construed as part of this Official Statement.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase.

Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

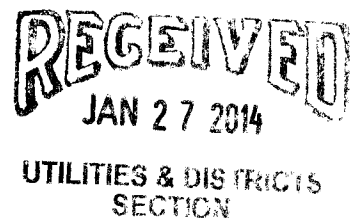
To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

All payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the



accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

DTC Redemption Provisions

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Obligations, will send any notice of redemption, notice of proposed amendment to the Ordinances or other notices with respect to the Obligations only to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the beneficial owner, shall not affect the validity of the redemption of the Obligations called for redemption or any other action premised on any such notice. Redemption of portions of the Obligations by the City will reduce the outstanding principal amount of such Obligations held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Obligations held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Obligations and such redemption will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or the persons for whom DTC Participants act as nominees with respect to the payments on the Obligations or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Obligations for redemption. See " - Book-Entry-Only System" herein.

Paying Agent/Registrar

The initial Paying Agent/Registrar is U.S. Bank National Association, Miami, Florida. In the Ordinances, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times while the Obligations are outstanding and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations. Upon any change in the Paying Agent/Registrar for the Obligations, the City will promptly cause a written notice thereof to be sent to each registered owner of the Obligations by United States mail, first-class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Transfer, Exchange and Registration

In the event the Book-Entry-Only System should be discontinued, the Series 2013 Certificates and the Series 2013 Bonds may each be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar and such transfer or exchange will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Series 2013 Certificate or a Series 2013 Bond may be assigned by the execution of an assignment form on such Obligation or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Obligation or Obligations will be delivered by the Paying Agent/Registrar, in lieu of the respective Obligation being transferred or exchanged, at the principal office of the Paying Agent/Registrar, or sent by United States mail, first-class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Series 2013 Certificates or Series 2013 Bonds issued in an exchange or transfer of such Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Series 2013 Certificates or Series 2013 Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the respective Obligation or Obligations surrendered for exchange or transfer. See "Book-Entry-Only System" herein.

Limitation on Transfer of Obligations

Neither the City nor the Paying Agent/Registrar are required to transfer or exchange any Obligation (i) during the period commencing at the close of business on the Record Date and ending at the opening of business on the next interest payment date, and (ii) called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer will not be applicable to an exchange by the registered owner of the uncalled balance of an Obligation.

Record Date for Interest Payment

The record date ("Record Date") for determining the person to whom interest is payable on any interest payment date means the close of business on the 15th day of the month next preceding such interest payment date.

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

Principal of the Obligations will be payable to the registered owner at maturity or prior redemption upon presentation at the principal office of the Paying Agent/Registrar. Interest on the Obligations will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date. If the date for the payment of the principal of or interest on the Obligations is a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

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Obligationholders' Remedies

The Ordinances establish specific events of default with respect to the Obligations. If the City defaults in the payment of the principal of or interest on the Obligations when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinances, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinances provide that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Obligations or the Ordinances and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the Obligationholders upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. No assurance can be given that a mandamus or other legal action to enforce a default under the Ordinances would be successful.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Obligations may not be able to bring such a suit against the City for breach of the Obligations or covenants in the Ordinances. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Obligationholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Obligations are qualified with respect to the customary rights of debtors relative to their creditors.

TAX INFORMATION

Ad Valorem Tax Law

The appraisal of property within the City is the responsibility of the Travis Central Appraisal District and the Williamson Central Appraisal District (collectively, the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead regardless of whether residential use is considered to be the highest and best use

of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed either the lesser of (1) the property's market value for the most recent tax year in which it was appraised or (2) the sum of (a) 10% of the property's appraised value for the preceding tax year, plus (b) the property's appraised value for the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Reference is made to the Texas Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes. See also "- The Tax Code as it Applies to the City" below.

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

Under Article VIII, Section 1-b, and State law, the governing body of a political subdivision, at its option, may grant, or upon presentation of a petition must call an election on whether to grant: (1) an exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; and (2) an exemption of up to 20% of the market value of residence homesteads, with the minimum exemption under this provision being \$5,000. In addition, cities are authorized to refrain from increasing the total ad valorem tax (except for increases attributable to certain improvements) on the residence homestead of the disabled or persons 65 years of age or older and their spouses above the amount of tax imposed in the later of (1) the year such residence qualified for an exemption based the disability or age of the owner or (2) the year the city chooses to establish the above-referenced limitation. On the receipt of a petition signed by five percent of the registered voters of the City, the City must call an election to determine by majority vote whether to establish such a tax limitation. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded.

State law and Article VIII, Section 2, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000 depending upon the degree of disability or whether the exemption is applicable to a surviving spouse or children. A veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead; additionally, effective January 1, 2012, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber

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production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

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

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

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

A city may utilize tax increment financing, pursuant to the Tax Increment Financing Act, Texas Tax Code, Chapter 311, to encourage development and redevelopment within a designated reinvestment zone. Taxes collected from increases in valuation above the base value (the "captured appraised value") by each taxing unit that levies ad valorem taxes on real property in the reinvestment zone may be used to pay costs of infrastructure or other public improvements in the reinvestment zone and to supplement or act as a catalyst for private development in the defined area of the reinvestment zone. The tax increment base value for a taxing unit is the total appraised value of all real property taxable by the taxing unit and located in the reinvestment zone as of January 1 of the year in which the city created the reinvestment zone. Each taxing unit can choose to dedicate all, any portion, or none of its taxes collected from the captured appraised value to the costs of improvements in the reinvestment zone. The amount of a taxing unit's tax increment for a year is the amount of property taxes levied by the taxing unit for that year on the captured appraised value of real property taxable by the taxing unit and located in the reinvestment zone, multiplied by the taxing unit's percentage level of participation.

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

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

Effective Tax Rate and Rollback Tax Rate

By the later of September 30 or the 60th day after the date the certified appraisal roll is received by the City, the City is required to adopt a tax rate per \$100 taxable value for the current year. If the City does not adopt a tax rate by such required date, the tax rate for that tax year is the lower of the effective tax rate selected for that tax year or the tax rate adopted by the City for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service. The City's 2012-2013 tax rate is \$0.5940 per \$100 of taxable assessed valuation.

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

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

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

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

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

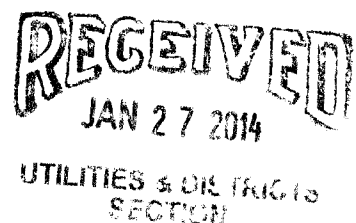
Property Assessment and Tax Payment

Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Effective January 1, 2012, oil and gas reserves are assessed on the basis of a valuation process which uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1.

Tax Procedures for Persons 65 or Older

Section 33.06 of the Property Tax Code (the "Tax Code Section") provides that an individual who is 65 years of age or older or is disabled may defer the collection of delinquent property taxes on his or her residence homestead by filing an affidavit with the appraisal district. Such deferral prohibits the filing of a lawsuit to collect delinquent taxes until the 181st day after the taxpayer no longer owns and occupies the property as a residence homestead. If a lawsuit to collect taxes is filed prior to the filing of such an affidavit, the taxpayer may obtain an abatement of such suit until the 181st day after the taxpayer no longer owns and occupies the property as a residence homestead. Taxes and interest continue to accrue against the property, and the lien securing such taxes and interest remains in existence during the deferral or abatement period.

Section 31.031 of the Tax Code provides that a taxpayer who is disabled or 65 years of age or older may also pay the property taxes levied by the City on his or her residence homestead in four equal installments without penalty and interest if the taxpayer has (i) paid at least one-fourth (1/4) of the taxes imposed on the property by the City before the date the taxes become delinquent and (ii) given notice to the City with the initial tax payment that he or she will pay the remaining taxes in installments.



The Tax Code as it Applies to the City

The City currently grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$35,000; the disabled are also granted this exemption.

The City has not granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of \$5,000.

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

The City does not tax freeport property. The City does not tax goods-in-transit.

The City does not tax nonbusiness personal property; and Travis County collects taxes for the City.

The City has not entered into any tax abatement agreements, but it has adopted a formal tax abatement policy.

On December 14, 2010, the City created Reinvestment Zone No. One of the City of Pflugerville (Falcon Pointe TIRZ). The zone is comprised of approximately 399 acres with a taxable assessed valuation of \$6,554,896 for the base year. The City will contribute 100% of its tax increment revenue to improvements within the zone.

The City has not established a freeze on the taxes on residential homesteads of individuals who are 65 years of age or older or who are disabled.

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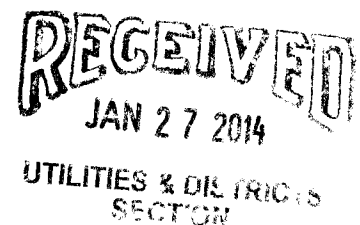
Valuation and Exemptions - Table 1

	2012-2013	
2012 Market Valuation Established by the Travis Central Appraisal District and the Williamson Central Appraisal District ⁽¹⁾		\$3,128,992,565
Less: Exemptions/Reductions at 100% of Market Value:		
Over 65 Years of Age Exemptions	\$45,579,552	
Disabled / Disabled Veterans Exemptions	23,720,440	
Agricultural and Open-Space Land Use	74,649,811	
Other Exemptions	162,759	
Reductions		
Homestead 10% Cap Lost	923,247	
Totally exempt and freeport property	119,039,410	264,075,219
Net Taxable Assessed Valuation		<u>\$2,864,917,346</u>
Tax Supported Debt Obligations		
City Funded Debt Secured by Ad Valorem Tax Pledge (as of 9-30-12) ⁽²⁾ :		
Ad Valorem Tax Bonds	\$86,885,000	
Combination Tax and Revenue Certificates of Obligation	64,195,000	
The Series 2013 Certificates	4,600,000	
The Series 2013 Bonds	<u>2,000,000</u>	\$157,680,000
Less Self-Supporting Debt ⁽³⁾		<u>\$77,214,800</u>
Net General Purpose Funded Debt Secured by Ad Valorem Tax Pledge		<u>\$80,465,200</u>
Interest and Sinking Fund (as of 9-30-12 unaudited)		\$2,988,820
Ratio of Net General Purpose Funded Debt to 2012-2013 Net Taxable Assessed Valuation		2.81%
Fiscal Year 2013 Estimated Population - 49,079		
Per Capita Net Taxable Assessed Valuation - \$58,373.59		
Per Capita Net General Purpose Funded Debt Payable From Ad Valorem Taxes - \$1,639.50		

⁽¹⁾ As of November 7, 2012.

⁽²⁾ Includes the Obligations.

⁽³⁾ See Footnote 1 under "TAX DEBT INFORMATION - Debt Service Requirements for General Obligation Debt - Table 6."



Taxable Assessed Valuations by Category, Five Year History - Table 2

Taxable Appraised Value For Fiscal Year Ended September 30,

Category	2013 ⁽¹⁾		2012		2011	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$2,190,505,136	70.01	\$2,262,387,929	73.33	\$2,193,806,610	71.96
Real, Residential, Multi-Family	86,486,137	2.76	81,535,503	2.64	80,021,006	2.62
Real, Vacant Lots/Tracts	48,057,587	1.54	43,467,553	1.41	58,587,106	1.92
Real, Acreage (Land Only) ⁽²⁾	102,334,429	3.27	109,338,394	3.54	107,477,584	3.53
Real, Farm and Ranch Improvements	4,145,585	0.13	4,224,727	0.14	4,213,576	0.14
Real Property, Commercial ⁽²⁾	343,969,652	10.99	314,920,593	10.21	309,417,486	10.15
Real Property, Industrial	- 0 -	-	- 0 -	-	- 0 -	-
Real Property, Utilities	34,942,533	1.21	34,240,219	1.11	35,410,118	1.16
Tangible Personal, Commercial, Industrial and Utilities ⁽²⁾	232,081,649	7.42	162,893,661	5.28	287,099,222	6.14
Tangible Personal, Mobile Homes	9,079,766	0.29	9,195,900	0.30	8,981,481	0.29
Totally Exempt Property	<u>77,390,091</u>	<u>2.47</u>	<u>63,044,044</u>	<u>2.04</u>	<u>63,729,704</u>	<u>2.09</u>
Total Appraised Value Before Exemptions	\$3,128,992,565	100%	\$3,085,248,523	100%	\$3,048,743,893	100%
Less: Total Exemptions/Reductions ⁽²⁾	<u>264,075,219</u>		<u>231,415,306</u>		<u>235,132,531</u>	
Net Taxable Assessed Value	<u>\$2,864,917,346</u>		<u>\$2,853,833,217</u>		<u>\$2,813,611,362</u>	

Taxable Appraised Value for Fiscal Year Ended September 30,

Category	2010		2009	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$2,104,237,304	72.14	\$1,927,483,453	72.71
Real, Residential, Multi-Family	76,374,754	2.62	73,278,782	2.76
Real, Vacant Lots/Tracts	40,780,555	1.40	25,618,460	0.97
Real, Acreage (Land Only)	111,878,075	3.84	108,071,474	4.08
Real, Farm and Ranch Improvements	4,325,685	0.15	4,718,786	0.18
Real Property, Commercial	286,174,194	9.81	246,501,387	9.30
Real Property, Industrial	62,030	0.00	49,460	0.00
Real Property, Utilities	35,200,398	1.21	33,678,135	1.27
Tangible Personal, Commercial, Industrial and Utilities ⁽²⁾	187,823,670	6.44	170,041,509	6.41
Tangible Personal, Mobile Homes	10,386,312	0.36	9,068,467	0.34
Totally Exempt Property	<u>59,624,790</u>	<u>2.04</u>	<u>52,296,925</u>	<u>1.97</u>
Total Appraised Value Before Exemptions	\$2,916,867,767	100%	\$2,650,806,838	100%
Less: Total Exemptions/Reductions ⁽²⁾	<u>293,270,168⁽²⁾</u>		<u>174,166,430⁽²⁾</u>	
Net Taxable Assessed Value	<u>\$2,623,597,599</u>		<u>\$2,476,640,408</u>	

⁽¹⁾ Source: Travis Central Appraisal District and Williamson Central Appraisal District as of November 7, 2012.

⁽²⁾ Includes totally exempt property, production (agricultural) loss and homestead cap.

Valuation and Funded Debt Ten Year History - Table 3

Fiscal Year Ended 9-30	Estimated Population ⁽¹⁾	Net Taxable Assessed Valuation	Net Taxable Assessed Valuation Per Capita	Net General Purpose Funded Debt Outstanding ⁽²⁾ at End of Year	Ratio of Net General Purpose Funded Debt to Net Taxable Assessed	Net General Purpose Funded Debt Per Capita
2004	26,111	\$1,201,345,481	\$46,009	\$34,634,983	2.88%	\$1,326.45
2005	28,416	1,310,450,828	46,117	36,663,000	2.80	1,290.22
2006	28,939	1,408,716,503	48,679	38,456,342	2.73	1,328.88
2007	35,468	1,527,080,050	43,055	43,045,011	2.82	1,213.63
2008	41,817	1,901,389,444	45,469	51,881,650	2.73	1,240.68
2009	47,417	2,476,640,408	52,231	64,789,336	2.62	1,366.37
2010	50,850	2,683,597,599	52,774	70,709,835	2.63	1,390.56
2011	50,387	2,813,611,362	55,840	78,660,968	2.80	1,561.14
2012	50,891	2,853,833,217	56,077	75,837,720	2.66	1,490.20
2013	49,079 ⁽³⁾	2,864,917,346	58,374	80,465,200 ⁽⁴⁾	2.81	1,639.50

(1) Source: City of Pflugerville.

(2) Excludes self-supporting debt.

(3) Projected.

(4) Includes the Obligations.

Tax Rate, Levy and Collection Ten Year History - Table 4

Fiscal Year Ending 9-30	Tax Rate	Distribution		Tax Levy	% Current Collections	% Total Collections
		General Fund	Interest and Sinking Fund			
2003	\$0.6299	\$0.3986	\$ 0.2313	\$ 7,404,392	99.86%	99.86%
2004	0.6417	0.4175	0.2242	7,692,549	98.73	99.85
2005	0.6400	0.4372	0.2028	8,348,419	99.81	99.91
2006	0.6350	0.4199	0.2151	8,926,348	99.09	99.90
2007	0.6240	0.4125	0.2115	9,474,175	98.43	99.87
2008	0.6190	0.4236	0.1954	11,668,894	99.55	99.73
2009	0.6140	0.4371	0.1769	15,055,257	99.32	99.67
2010	0.6090	0.4114	0.1976	16,260,264	98.79	99.46
2011	0.6040	0.4101	0.1939	16,957,109	98.95	99.55
2012 ⁽¹⁾	0.5990	0.3937	0.2053	17,053,592	99.24	97.30
2013 ⁽¹⁾	0.5940	0.3915	0.2025	16,774,401	*	*

(1) Unaudited.

* In the process of collection.

Property within the City is assessed as of January 1 of each year (except for business inventory which may, at the option of the taxpayer, be assessed as of September 1); taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Split payments are not permitted. Discounts are not allowed. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

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

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

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and

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

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), enacted on August 9, 1989, contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the FDIC.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but (i) no real property of the FDIC is subject to foreclosure or sale without the consent of the FDIC and no involuntary lien will attach to such property, (ii) the FDIC or RTC is not liable for any penalties or fines, including those arising from the failure to pay any real property tax when due and (iii) notwithstanding the failure of a person to challenge an appraisal in accordance with State law, such value will be determined as of the period for which such tax is imposed.

Principal Taxpayers - Table 5

Name of Taxpayer	Nature of Property	2011-12	% of Total
		Net Taxable Assessed Valuation	Net Taxable Assessed Valuation
A-S 93 SH 130 - SH45, LP	Comm./Real Estate	\$ 59,385,416	2.10%
Avaya Inc.	Communications	39,050,747	1.38
FSC Swenson Farms LLC	Real Estate	24,654,000	0.87
Pflugerville Covington	Apartments	22,000,000	0.78
Target Corporation	Retail	20,849,233	0.74
Oncor Electric Delivery Company	Electric Utility	20,426,597	0.72
Wal-Mart Real Estate Business Trust	Retail	16,223,035	0.57
Timmermann Terrell	Real Estate	13,810,515	0.49
Home Depot	Retail	12,940,222	0.46
HEB Grocery Co.	Retail	10,185,000	0.36
		<u>\$ 239,524,765</u>	<u>8.47%</u>

Tax Rate Limitation

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

TAX DEBT INFORMATION

Debt Service Requirements for General Obligation Debt - Table 6

Fiscal Year Ended	Outstanding Ad Valorem	The Series 2013 Bonds		The Series 2013 Certificates		Total Ad Valorem	Less Self Supporting	Net Debt Payable from
9/30	Tax Debt	Principal	Interest	Principal	Interest	Tax Debt	Debt ⁽¹⁾	Ad Valorem
2013	\$11,075,825	-	\$30,950	-	\$71,603	\$11,178,378	\$5,435,916	\$5,742,462
2014	11,067,428	\$25,000	61,900	\$50,000	143,206	11,347,534	5,430,110	5,917,423
2015	11,038,503	50,000	61,400	100,000	142,206	11,392,109	5,543,810	5,848,299
2016	11,013,128	50,000	60,400	100,000	140,206	11,363,734	5,545,925	5,817,809
2017	11,266,193	50,000	59,400	100,000	138,206	11,613,799	5,647,513	5,966,286
2018	11,264,171	50,000	58,400	100,000	136,206	11,608,778	5,654,236	5,954,541
2019	11,193,881	50,000	56,900	100,000	133,206	11,533,988	5,595,989	5,937,999
2020	11,188,535	50,000	55,400	100,000	130,206	11,524,141	5,597,231	5,926,910
2021	11,113,448	50,000	53,900	100,000	127,206	11,444,554	5,589,929	5,854,624
2022	10,818,398	50,000	52,400	100,000	124,206	11,145,004	5,441,142	5,703,862
2023	10,803,173	50,000	50,900	100,000	121,206	11,125,279	5,448,622	5,676,657
2024	10,994,054	-	49,400	-	118,206	11,161,660	4,084,234	7,077,426
2025	10,982,754	50,000	49,400	100,000	118,206	11,300,360	5,651,380	5,648,980
2026	10,231,860	165,000	47,900	400,000	115,206	10,959,966	5,865,957	5,094,009
2027	10,234,400	160,000	42,950	390,000	103,206	10,930,556	5,836,657	5,093,900
2028	10,232,218	155,000	38,150	380,000	91,506	10,896,874	5,805,929	5,090,944
2029	10,228,211	195,000	33,500	470,000	80,106	11,006,818	5,909,649	5,097,168
2030	10,228,179	175,000	27,406	425,000	65,419	10,921,004	5,826,481	5,094,522
2031	10,241,421	165,000	21,938	395,000	52,138	10,875,496	5,778,766	5,096,730
2032	10,230,531	150,000	15,338	360,000	36,338	10,792,206	5,696,444	5,095,762
2033	10,210,600	310,000	10,463	730,000	24,638	11,285,700	6,192,002	5,093,698
2034	10,052,903	-	-	-	-	10,052,903	5,073,510	4,979,392
2035	9,784,359	-	-	-	-	9,784,359	4,695,589	5,088,769
	\$245,494,169	\$2,000,000	\$938,394	\$4,600,000	\$2,212,635	\$255,245,197	\$127,347,023	\$127,898,174

(1) Consists of approximately \$204,750 (45%) of the City's \$455,000 Series 2002 Combination Tax and Revenue Certificates of Obligation; approximately \$859,200 (96%) of the City's \$895,000 Series 2003 Combination Tax and Revenue Certificates of Obligation; approximately \$360,000 (100%) of the City's \$360,000 Series 2003A Combination Tax and Revenue Certificates of Obligation; approximately \$1,790,100 (81%) of the City's \$2,210,000 Series 2004 Combination Tax and Revenue Certificates of Obligation; approximately \$11,210,100 (79%) of the City's \$14,190,000 Series 2005 Combination Tax and Revenue Certificates of Obligation; approximately \$1,545,600 (48%) of the City's \$3,220,000 Series 2009 Limited Tax Refunding Bonds; approximately \$5,631,450 (33%) of the City's \$17,065,000 Series 2009A Combination Tax and Revenue Certificates of Obligation; approximately \$5,565,600 (36%) of the City's \$15,460,000 Series 2010 Limited Tax Refunding Bonds; and approximately \$47,443,000 (76%) of the City's \$62,425,000 Series 2012 Limited Tax Refunding Bonds which are supported by the revenues of the City's Waterworks and Sewer System. Also consists of approximately \$2,605,000 (15.27%) of the Combination Tax and Revenue Certificates of Obligation, Series 2009A which are supported by a reimbursement agreement with the Pflugerville Community Development Corporation (a Texas 4B Economic Development Corporation).

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Estimated Direct and Overlapping Funded Debt Payable from Ad Valorem Taxes (As of 9/30/12) - Table 7

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

<u>Taxing Jurisdiction</u>	<u>Total Funded Debt</u>	<u>Estimated % Applicable</u>	<u>Overlapping Funded Debt</u>
City of Pflugerville	\$ 80,465,200 ⁽¹⁾	100.00%	\$ 80,465,200 ⁽¹⁾
Pflugerville Independent School District	329,690,000	38.17	125,842,673
Travis County	639,369,987	2.66	17,007,242
Travis County Emergency Services District #2	1,520,000	44.23	672,296
Williamson County	790,319,942	0.04	316,128
Northeast Travis County Utility District	17,480,000	3.20	559,360
Travis County Municipal Utility District #15	6,615,000	100.00	<u>6,615,000</u>
Total Overlapping Debt			\$231,477,899
Ratio of Total Overlapping Funded Debt to 2012-13 Net Taxable Assessed Valuation			8.08%
Per Capita Overlapping Funded Debt ⁽²⁾			\$4,719.32

(1) Excludes all self-supported ad valorem tax debt. Includes the Obligations.
 (2) Calculated using a fiscal year 2013 population of 49,079.

Interest and Sinking Fund Budget Projection - Table 8

Debt Service Requirements of Net Funded Debt Payable from Ad Valorem Taxes,	
Fiscal Year Ending 9-30-13	\$ 5,742,462
Unaudited Interest and Sinking Fund, 9-30-12	\$ 2,988,820
2012-13 Interest and Sinking Fund Tax Levy (\$0.2025 at 100% collection)	\$ 5,801,458
Estimated Balance, 9-30-13	<u>\$ 3,047,816</u>

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Tax Adequacy* - Table 9

2012 Net Taxable Assessed Valuation	\$2,864,917,346
Average Annual Principal and Interest Requirements 2013-2035	\$5,560,790
0.2044 Tax Rate at 95% Collection Produces	\$5,563,097
Maximum Annual Principal and Interest Requirements, 2024	\$7,077,426
0.2601 Tax Rate at 95% Collection Produces	\$7,079,068

* Includes the Obligations in the process of issuance. Excludes self supporting debt. See Footnote 1 under "TAX DEBT INFORMATION - Debt Service Requirements for GO Debt - Table 6."

Authorized But Unissued Ad Valorem Tax Debt - Table 10

After the issuance of the Series 2013 Bonds, the City will have no remaining authorized but unissued bonds payable from ad valorem taxes. Under State law, the City can issue certificates of obligation or short term notes payable from ad valorem taxes without an election.

Anticipated Issuance of General Obligation Debt

The City anticipates issuing no additional tax-supported debt in Fiscal Year 2013.

Funded Debt Limitation

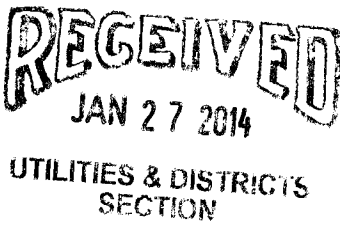
No direct funded debt limitation is imposed on the City under current State law or the City Charter. Article XI, Section 5 of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 assessed valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for general obligation debt.

Other Obligations - Table 11

Non-Funded Debt

The City currently has no unfunded debt.

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FINANCIAL INFORMATION

General Fund Revenues and Expenditures - Table 12

Set forth below are the City's General Fund Revenues and Expenditures for the Fiscal Years Ended September 30, 2008 through September 30, 2012.

	Fiscal Year Ended				
	9-30-2012 ⁽¹⁾	9-30-2011	9-30-2010	9-30-2009	9-30-2008
<u>Revenues</u>					
Ad Valorem Taxes	\$ 11,213,831	\$ 11,313,762	\$ 11,000,421	\$10,742,315	\$ 8,067,601
Non-Property Taxes	7,348,226	6,924,709	5,981,331	5,677,604	4,924,400
Licenses, Permits & Fees	927,777	673,440	565,878	588,416	1,323,468
Fines	1,113,808	1,064,155	965,294	968,771	841,474
Intergovernmental/Grants	48,540	140,093	93,715	455,064	126,384
Charges for Services	798,880	559,760	2,028,632	2,495,620	1,348,534
Interest	15,583	15,910	21,571	91,195	353,964
Miscellaneous	150,346	357,004	440,756	529,659	371,518
Total Revenues	<u>\$ 21,616,991</u>	<u>\$ 21,048,833</u>	<u>\$ 21,097,598</u>	<u>\$21,548,644</u>	<u>\$ 17,357,343</u>
<u>Expenditures</u>					
General Government	\$ 4,878,806	\$ 4,802,521	\$ 4,580,692	\$ 4,486,866	\$ 4,176,453
Public Safety	9,018,209	8,506,104	9,724,106	8,808,421	7,318,161
Public Works	3,101,863	1,841,229	1,673,767	1,909,833	2,682,318
Parks & Recreation/Library	3,642,198	3,175,848	3,141,428	3,039,136	2,835,263
Capital Outlay	949,722	1,975,574	3,803,415	1,896,417	1,476,342
Total Expenditures	<u>\$ 21,590,799</u>	<u>\$ 20,301,276</u>	<u>\$ 22,923,408</u>	<u>\$20,140,673</u>	<u>\$ 18,488,537</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 26,192	\$ 747,557	\$ (1,825,810)	\$ 1,407,971	\$(1,131,194)
<u>Other Financing Sources/Uses</u>					
Transfer ⁽²⁾	\$ 865,932	\$ 795,636	\$ 506,872	\$ 500,000	\$ 500,000
Insurance Recoveries	26,702	101,028	28,638	5,734	5,700
Sale of Fixed Assets	18,978	27,256	9,432	7,028	990
Total Other Financing Sources	<u>\$ 911,612</u>	<u>\$ 923,920</u>	<u>\$ 544,942</u>	<u>\$ 512,762</u>	<u>\$ 506,690</u>
Net Change in Fund Balances	<u>\$ 937,804</u>	<u>\$ 1,671,477</u>	<u>\$(1,280,868)</u>	<u>\$ 1,920,733</u>	<u>\$ (624,504)</u>
Fund Balance at Beginning of Year	\$ 9,609,295	\$ 7,896,787	\$ 9,397,669	\$ 7,837,714	\$ 8,068,089
Prior Year Adjustment	-	41,031	(220,014)	(360,778)	394,129
Fund Balance at End of Year	<u>\$ 10,547,099</u>	<u>\$ 9,609,295</u>	<u>\$ 7,896,787</u>	<u>\$ 9,397,669</u>	<u>\$ 7,837,714</u>

(1) Unaudited.

(2) Transfers from other funds.

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Municipal Sales Tax Ten Year History - Table 13

The City has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. Revenue from this source, for the years shown, has been:

<u>Fiscal Year Ended 9-30</u>	<u>Total Collected⁽¹⁾</u>	<u>% of Ad Valorem Tax Levy</u>	<u>Equivalent of Ad Valorem Tax Rate</u>
2003	\$1,155,270	15.58	\$0.10
2004	1,266,597	15.10	0.10
2005	1,554,751	17.33	0.11
2006	1,745,341	17.62	0.11
2007	2,203,000	18.32	0.11
2008	2,659,130	22.66	0.14
2009	3,213,189	21.04	0.13
2010	3,363,739	20.65	0.13
2011	3,897,835	23.01	0.14
2012 ⁽²⁾	4,418,653	26.34	0.16

⁽¹⁾ Excludes revenues collected from a 0.5% sales and use tax levied for the City's economic development corporation created pursuant to section 4B of the Development Corporation Act of 1979 (now codified as Chapter 505, Texas Local Government Code) to fund economic development.

⁽²⁾ Unaudited.

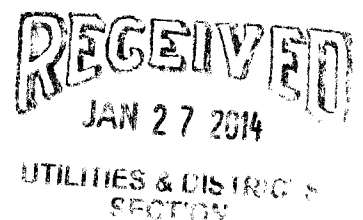
In addition, the Tax Code provides certain cities the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the estimated amount of the sales tax revenues to be generated in the current year. Subject to the approval of a majority of the voters in a local option election, state law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic and industrial development, municipal street maintenance and repair, and sports and community venues.

State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6¼%).

In addition to the one percent (1%) local sales and use tax referred to above, voters have approved the City's imposition of an additional one-half percent (1/2%) sales and use tax for economic development. Levy of the additional sales and use tax began on January 1, 2002.

Financial Policies

Basis of Accounting . . . The City's accounting system is conducted on the modified accrual basis of accounting for all governmental fund types, expendable trust funds and agency funds. Under this basis, expenditures are recorded when liabilities are incurred; and, revenues are recorded when they become measurable and available as net current assets. The accrual basis of accounting is followed for the proprietary and non-expendable trust funds. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.



General Fund Balance . . . The City Charter requires that the adopted budget include a general fund reserve balance that is equal to at least 25% of the general fund expenditures for the year.

Debt Service Fund Balance . . . A reasonable debt service fund balance is maintained in order to compensate for unforeseen events.

Budgetary Procedures . . . On or before July 1, the City Manager submits to the City Council a proposed operating budget for the year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayers' comments. On September 15th, or as soon as practical thereafter, the budget is adopted and legally enacted through passage of an ordinance.

WATERWORKS SYSTEM

Source

The City obtains the majority of its water through a contract with the Lower Colorado River Authority ("LCRA"). The agreement, in effect through 2042, allows the City to purchase 12,000 acre feet of water per year. The Highland Lakes water level determines how much water the City can pump at a given time. The water is pumped from the Colorado River into Lake Pflugerville. The water is then treated at the City's surface water treatment plant, and such water is very high quality and has a much lower hardness and total dissolved solids level than water produced by the wells. The surface water treatment plant is capable of producing a maximum of 15.5 gallons per day. The City had a peak water usage of 10.63 million gallons on June 18, 2012.

The City of Pflugerville also obtains a small portion of its water supply from two wells, located on the southwest side of the City, fed by the Edwards Aquifer. With recent rains the Edwards Aquifer levels are higher than they have been for several years. With the Edwards Aquifer level up, the well captivity is currently 6.04 million gallons per day.

Distribution

The present distribution system is comprised of 6, 8, 12, 16, 18 and 30 inch water lines. Most of the distribution system is less than 25 years old. The old distribution was replaced in 1986 when the City upgraded its streets system in the older parts of the City.

Storage

The City has a total storage capacity of 8.5 million gallons of water, consisting of (i) two standpipes with a total capacity of 2.5 million gallons, (ii) 0.50 million gallons of elevated storage and (iii) 5.5 million gallons of ground storage.

Water Agreements

The City has entered into a water service area agreement with the Manville Water Supply Corporation, Inc. ("Manville"), a nonprofit corporation, that specifies the areas where the City and Manville may each provide retail water service to customers. Pursuant to the water service area agreement, the City and Manville have also entered into a wholesale water supply contract whereby in certain specified areas, the City has the exclusive right to provide retail water services to customers within subdivisions, and such customers are considered retail customers of the City. In these specified areas Manville provides wholesale water services to the City, and is responsible for maintaining and operating the related facilities. In March of 2006, the City and Manville entered into an agreement pursuant to which the City acquired a portion of Manville's water service territory and the City agreed to provide up to 1 million gallons of water per day to Manville for the agreement's 32 year term.

During fiscal year 2009, the City entered into three take-or-pay wholesale water supply contracts. These agreements with the City of Manor, Manville Water Supply Corporation and Windermere Utility Company provide for the sale of a combined total of more than 2.0 million gallons of water per day for a five-year term. The contracted amount of water is a daily average within a year and the "take or pay" provision requires the buyer to pay the City at the end of each fiscal year for the contracted amount of water whether or not the entire amount is taken by the buyer. The contract with Manville is in addition to the City's existing contracts with Manville.

Water Consumption - Table 14

Fiscal Year Ended	Annual Water Sold	Peak Day Usage
<u>9-30</u>	<u>(In Gallons)</u>	<u>(In Gallons)</u>
2003	992,061,800	6,163,100
2004	972,483,400	8,662,700
2005	1,144,561,600	7,641,900
2006	1,324,146,724	8,904,936
2007	1,386,837,800	6,586,190
2008	1,960,822,900	9,896,000
2009	2,427,175,200	10,236,000
2010	2,314,439,900	10,254,000
2011	3,025,072,200	11,755,000
2012	2,835,781,200	10,626,358

Principal Water Customers - Table 15

<u>User</u>	Annual Consumption <u>(In Gallons)⁽¹⁾</u>
Manville Water Supply Co.	696,622,900
Windermere Utility Co.	99,186,000
City of Manor	54,792,000
Pflugerville Independent School District	33,980,600
Highland Park Res. Comm.	21,037,300
Falcon Pointe Comm. Assoc.	20,644,200
Sun Communities	18,339,400
FSC Swenson Farms, LLC	17,823,900
NewQuest Properties	16,729,800
Encinas Group	<u>8,001,500</u>
Total	<u><u>987,157,600</u></u>

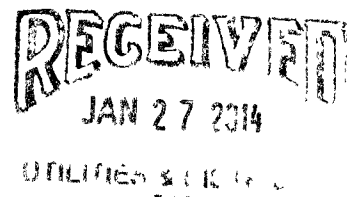
(1) For fiscal year ending September 30, 2012.

SEWER SYSTEM

Treatment

The City's central wastewater treatment plant, the Gilleland Creek plant, was originally constructed in 1986 and expanded in 2007. It currently has a treatment capacity of 5.3 million gallons per day.

Additionally, in January 2006, the City purchased a 300,000 gallon per day wastewater treatment plant, the Wilke Lane plant, from Wilke Lane Utilities.



A permit has been granted by the Texas Commission on Environmental Quality (the "TCEQ") that would allow for the City to construct a 3 million gallon per day wastewater treatment plant which would serve the New Sweden Municipal Utility Districts No. 1, No. 2 and No. 3, which are located outside the boundaries of the City near the intersection of FM 973 and New Sweden Gin Road, and other surrounding areas. The City currently plans to finance the construction of the plant primarily through impact fees imposed upon the plant's customers.

A permit has been granted by the TCEQ that would allow for the City to construct a regional wastewater treatment plant which would serve the Wilbarger Creek Basin. The plant will be constructed in phases, starting with a capacity of 2 million gallons per day, with a final build out of 15.75 million gallons per day. The City currently plans to finance the construction of the plant through impact fees imposed on the plant's customers and debt.

Sewage Flows - Table 16

<u>Fiscal Year Ended 9-30</u>	<u>Annual Sewage Flow</u>	<u>Peak Daily Flow</u>
2003	794,231,000	5,221,100*
2004	790,166,000	5,213,000*
2005	878,185,000	5,544,000*
2006	914,766,000	4,411,000
2007	1,119,965,000	6,281,000*
2008	1,100,552,000	4,252,000
2009	1,072,456,000	4,911,000
2010	1,351,114,000	6,826,000
2011	1,153,492,000	5,211,000
2012	1,135,940,000	7,310,000

* Represents periods of heavy rainfall.

BILLING PROCEDURE AND RATE STRUCTURE - Table 17

Current City billing procedures provide three billing cycles. Bills mailed on the 1st of the month are due on the 15th, bills mailed on the 10th of the month are due on the 25th and bills mailed on the 20th are due on the 5th of the next month. Any bill not paid by the due date is considered past due and a penalty of 10 percent of the current bill is assessed. If a bill continues to be past due for a period of 30 days, all services will be turned off.

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Current monthly water and sewer service rates for residential and commercial use as set forth in the City's most recently adopted rate ordinance, effective September 27, 2007, are as follows:

Water Rates

Retail Water Rates. . . The City charges every utility customer served by the City from the City's water system a Monthly Base Charge and an additional Volume Charge at the following rates:

- Within City limits:

Monthly Base Charges		Volume Charges	
<u>Meter Size</u>	<u>Rates</u>	Plus <u>Gallons Used</u>	<u>Rates</u>
5/8 - 3/4"	\$13.68	First 12,000	\$4.35/m
1"	22.84	Next 14,000	4.61/m
1 1/2"	45.11	Over 26,000	4.73/m
2"	72.85		
3"	136.68		
4"	227.83		
6"	455.52		
8"	728.84		

Water customers outside the City limits are billed the same as customers inside the City limits, except as noted below.

- Within the Meadows of Blackhawk, Park at Blackhawk, Commons at Rowe, Estates of Rowe Lane, Lakeside at Blackhawk, Reserve at West Creek Subdivisions and Reserve at Blackhawk:

Monthly Base Charges		Volume Charges	
<u>Meter Size</u>	<u>Rates</u>	Plus <u>Gallons Used</u>	<u>Rates</u>
5/8 - 3/4"	\$16.00	First 7,000	\$3.90/m
1"	21.00	Next 8,000	4.10/m
1 1/2"	33.16	Over 15,000	4.80/m
2"	48.30		

- Within the Avalon Subdivision:

Monthly Base Charges		Volume Charges	
<u>Meter Size</u>	<u>Rates</u>	Plus <u>Gallons Used</u>	<u>Rates</u>
5/8 - 3/4"	\$13.68	First 7,000	\$4.00/m
1"	22.84	Next 8,000	4.20/m
1 1/2"	45.11	Over 15,000	4.90/m
2"	72.85		

Wholesale Water Rates - Windermere Utility Company . . . The City charges Windermere Utility Company \$3.25 per 1,000 gallons of water.

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Sewer Rates

Retail Wastewater Rates . . . The City charges every utility customer served by the City's wastewater system whose wastewater is treated by the City a Monthly Base Charge and an additional Volume Charge at rates set forth below. Volume Charges for residential sewer rates are based on November, December, January and February average water consumption; and Commercial rates are based on actual monthly water consumption.

- Within City limits:

Monthly Base Charges		Volume Charges		
	In City		Plus	
<u>Meter Size</u>	<u>Customer Rates</u>		<u>Gallons Used</u>	<u>Rates/m</u>
5/8" - 3/4"	\$18.50	First	3,000	n/a
1"	19.51	Over	3,000	\$3.51/m
1 1/2"	21.99			
2"	24.96			

Maximum charge - 20,000 gallons. New or non-water customers - \$27.45 per month.

Sewer customers outside the City limits are billed as noted below:

- Within the Avalon, Meadows of Blackhawk, Park at Blackhawk, Commons at Rowe, Estates of Rowe Lane, Lakeside at Blackhawk, Reserve at West Creek Subdivisions and Reserve at Blackhawk customers are charged \$40.00 per month.
- Within the Hidden Lakes, Boulder Ridge North and Pflugerville Estates subdivisions:

Monthly Base Charges		Volume Charges		
	In City		Plus	
<u>Meter Size</u>	<u>Customer Rates</u>		<u>Gallons Used</u>	<u>Rates/m</u>
5/8" - 3/4"	\$23.50	First	3,000	n/a
1"	24.51	Over	3,000	\$3.51/m
1 1/2"	26.99			
2"	26.96			

Maximum charge - 20,000 gallons. New or non-water customers - \$35.61 per month.

- Within the Pflugerville Heights Subdivision customers are charged a monthly base charge of \$32.20 plus a volume charge of \$5.64 per 1,000 gallons and new customers are charged a fee of \$60.40 per month.

*Wilke Lane Treatment Plant...*The City charges a rate of \$26.50 per living unit equivalent per month to all wholesale customers served from its Wilke Lane treatment plant.

Current Water and Sewer Information

The following table sets forth certain information concerning the City's water and sewer system customers for the month of September 2012.

<u>Water Revenue</u>	<u>Sewer Revenue</u>	<u>Water Customers</u>	<u>Sewer Customers</u>	<u>Average Monthly Water Bill</u>	<u>Average Monthly Sewer Bill</u>
\$1,301,630	\$493,404	13,213	14,115	\$98.51	\$34.96

Top Ten Sewer Customers

	<u>Dollar Amount⁽¹⁾</u>
City of Hutto	\$195,840
Pflugerville Independent School District	78,158
Sun Communities	62,019
FSC Swenson Farms, LLC	44,342
Encinas Group	22,124
Pflugerville Care Center	18,206
Wal-Mart Stores of TX LP 5479	13,146
Heatherwilde Assisted Living	12,891
HEB	12,670
Travis County-TNR	<u>12,258</u>
Total	<u>\$471,654</u>

⁽¹⁾ For fiscal year ending September 30, 2012.

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