



CITY OF KERRVILLE
MAYOR AND CITY COUNCIL
800 Junction Highway
Kerrville, Texas 78028
830-257-8000 / www.kerrvilletx.gov

RESOLUTION OF COMMENDATION

WHEREAS, TOM ANTHONY has served as a member of the Food Service Advisory Board with the date of service beginning April 10, 2007; and

WHEREAS, TOM ANTHONY has served faithfully and dutifully on said board;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, KERR COUNTY, TEXAS:

That **TOM ANTHONY** be recognized for outstanding service as a member of the Food Service Advisory Board, and that on behalf of the citizens of Kerrville, as well as for ourselves individually, we wish to express our sincere appreciation for contributions to the city and the community.

PASSED AND APPROVED, this the 26th day of January, 2010.

ATTEST:

Brenda G. Craig
Brenda G. Craig, City Secretary



Todd A. Bock
Todd A. Bock, Mayor

Bruce Motheral
Bruce Motheral, Mayor Pro Tem

Stacie Keeble
Stacie Keeble, Councilmember

T. Scott Gross
T. Scott Gross, Councilmember

Chuck Coleman
Chuck Coleman, Councilmember



CITY OF KERRVILLE
MAYOR AND CITY COUNCIL
800 Junction Highway
Kerrville, Texas 78028
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RESOLUTION OF COMMENDATION

WHEREAS, ROSE MARIE JUNDZILO has served as a member of the Food Service Advisory Board with the date of service beginning January 24, 2006; and

WHEREAS, ROSE MARIE JUNDZILO has served faithfully and dutifully on said board;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, KERR COUNTY, TEXAS:

That ROSE MARIE JUNDZILO be recognized for outstanding service as a member of the Food Service Advisory Board, and that on behalf of the citizens of Kerrville, as well as for ourselves individually, we wish to express our sincere appreciation for contributions to the city and the community.

PASSED AND APPROVED, this the 26th day of July, 2010.

ATTEST:

Brenda G. Craig
Brenda G. Craig, City Secretary

Todd A. Bock
Todd A. Bock, Mayor

Bruce Motheral
Bruce Motheral, Mayor Pro Tem

Stacie Keeble
Stacie Keeble, Councilmember

T. Scott Gross
T. Scott Gross, Councilmember

Chuck Coleman
Chuck Coleman, Councilmember



**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Recognition and commendation of Chief John Young's graduation from the 239th Session of the FBI National Academy

FOR AGENDA OF: January 26, 2010

DATE SUBMITTED: January 18, 2010

SUBMITTED BY: Todd Parton



CLEARANCES:

EXHIBITS: Graduation Certificate

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER:

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
\$	\$	\$	

PAYMENT TO BE MADE TO:

APPROVED FOR SUBMITTAL BY DIRECTOR OF ADMINISTRATIVE SERVICES:

SUMMARY STATEMENT

Mayor Todd Bock and the City Council of Kerrville, Texas would like to congratulate Police Chief John Young on his December 11, 2009 graduation from the 239th Session of the FBI National Academy. Chief Young was one of 266 students who participated in the 11 week course that serves to promote professional development of Law Enforcement Leaders. He received a yellow brick, only given to those who are successful in completing the Yellow Brick Road Fitness Challenge, an obstacle course created by the Marines.

RECOMMENDED ACTION

None.

**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Appreciation to Volunteer Fire Departments for Assistance on January 7, 2010, Lakeside Apartments Fire

FOR AGENDA OF: January 26, 2010 **DATE SUBMITTED:** January 18, 2010

SUBMITTED BY: Robert Ojeda **CLEARANCES:**
Fire Chief

EXHIBITS: None

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER:

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
\$	\$	\$	

PAYMENT TO BE MADE TO:

REVIEWED BY THE DIRECTOR OR FINANCE:



SUMMARY STATEMENT

On January 7, 2010, a fire at the Lakeside Apartments on Plaza Drive involved eight apartment units and displaced eleven people. Structural damage was extensive in four of the eight apartments and water, smoke and firefighter access damage was prevalent in the other four apartments. Volunteer firefighters from Center Point, Comfort, Ingram, and Turtle Creek assisted Kerrville firefighters with the blaze and provided other necessary support. Fredericksburg Fire Department was on standby in the event their assistance was needed. There were no reports of civilian or firefighter injuries which is amazing due to the size of the structure fire, the number of personnel on the scene and the cold and windy weather conditions. No doubt, the support provided by the volunteer fire departments played a huge part in the success of the operation, as well as allowing Kerrville to keep a reserve of personnel available to respond to other parts of the city.

RECOMMENDED ACTION

Chief Robert Ojeda of the Kerrville Fire Department wishes to express his sincere appreciation to the volunteer firefighters from the Center Point, Comfort, Ingram, Turtle Creek and Fredericksburg Fire Departments for their assistance during the January 7, 2010, fire at the Lakeside Apartments on Plaza Drive.



CITY OF KERRVILLE

MAYOR AND CITY COUNCIL

800 Junction Highway

Kerrville, Texas 78028

830-257-8000 / www.kerrvilletx.gov

PROCLAMATION

WHEREAS,

Fire Station No. 2 has been relocated from 407 Harper Road to 1750 Goat Creek Road; and

WHEREAS,

The former Fire Station No. 2 was dedicated to Captain Clifford E. Blackwell, whose untimely death occurred during the line of duty on October 20, 1967; and

WHEREAS,

the Kerrville Fire Department desires to perpetuate the name and memory of Captain Clifford E. Blackwell, in honor of his dedication to his fourteen-year career as a professional firefighter.

NOW, THEREFORE, I, Todd A. Bock, Mayor of the City of Kerrville, Texas, do hereby honor **Captain Clifford E. Blackwell** and call upon the citizens of the City of Kerrville to join in re-dedicating Fire Station 2 as the Blackwell Fire Station.

IN WITNESS WHEREOF,

I have hereunto set my hand and
caused the Seal of the City of
Kerrville to be affixed hereto,
the _____ day of _____, 2010.

Todd A. Bock, Mayor



**BUSINESS OF THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Resolution Ordering City Council General Election on May 8, 2010

FOR AGENDA OF: January 26, 2010 **DATE SUBMITTED:** January 15, 2010

SUBMITTED BY: Brenda Craig,
City Secretary *BC* **CLEARANCES:** Todd Parton, City Manager
Mike Hayes, City Attorney

EXHIBITS: Resolution and Election Calendar

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER: *pp*

Expenditure Required:	Current Balance in Account: \$	Amount Budgeted: \$	Account Number:
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PAYMENT TO BE MADE TO:

APPROVED FOR SUBMITTAL BY DIRECTOR OF FINANCE:

SUMMARY STATEMENT

The attached resolution orders a General Election to be held on Saturday May 8, 2010, to elect a mayor and two councilmembers whose terms will expire as follows:

Mayor – Todd A. Bock
Councilmember Place Three – T. Scott Gross
Councilmember Place Four – Chuck Coleman.

The period for filing an application for a place on the ballot is February 6 through March 8, 2010; write-in candidates may file through March 15, 2010.

Approval of the resolution will establish the period of early voting by personal appearance and establish the date and time for canvassing the election. The city secretary recommends the following:

1. Early voting by personal appearance be held April 26 through May 4 at the Cailloux City Center at 910 Main Street as follows:
 - Monday, April 26: 7 a.m. to 7 p.m.
 - Tuesday, April 27: 7 a.m. to 7 p.m.
 - Wednesday, April 28 through Tuesday, May 4: 8 a.m. to 5 p.m.
2. Election Day is Saturday, May 8, 2010, from 7:00 a.m. to 7:00 p.m. at the Cailloux City Center at 910 Main Street.
3. Official canvass of the election be held on May 18, 2010, at 10:00 a.m.

RECOMMENDED ACTION

The city secretary recommends approval of the resolution calling the General Election on May 8, 2010, establishing the period and location of early voting by personal appearance, and establishing the date and time for the official canvass of the May 8, 2010 General Election for May 18, 2010, at 10:00 a.m.

**CITY OF KERRVILLE, TEXAS
RESOLUTION NO. ____-2010**

**A RESOLUTION ORDERING THAT A GENERAL ELECTION BE HELD
ON MAY 8, 2010, FOR THE ELECTION OF MAYOR AND TWO CITY
COUNCILMEMBERS**

WHEREAS, Section 2.03 of the City Charter establishes that terms of offices for Councilmembers shall be for two years and until their successor is elected; and

WHEREAS, the term of office for Mayor, Councilmember Place Three, and Councilmember Place Four, will expire in May 2010; and

WHEREAS, the City Council of the City of Kerrville, Texas, finds it to be in the public interest to call a General Election to be held on May 8, 2010, for the election of persons to the offices of Mayor, Councilmember Place Three, and Councilmember Place Four;

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY
OF KERRVILLE, KERR COUNTY, TEXAS:**

SECTION ONE. A General Election will be held in the City of Kerrville, Texas, on the 8th day of May 2010 for the purpose of electing people to the offices of Mayor, Councilmember Place Three, and Councilmember Place Four for the City of Kerrville, Texas.

SECTION TWO. The method of voting shall be by the Hart Voting System, which is an electronic touch screen voting system.

SECTION THREE. The municipal polling place for such election shall be the Kathleen C. Cailloux City Center of the Performing Arts, 910 Main Street, Kerrville, Texas, 78028.

SECTION FOUR. On election day, the polls shall be open from 7:00 AM to 7:00 PM. Early voting shall be conducted at the Kathleen C. Cailloux City Center of the Performing Arts, 910 Main Street, Kerrville, Texas, 78028, April 26th through May 4th as follows:

Monday, April 26, 2010	7:00 AM to 7:00 PM
Tuesday, April 27, 2010	7:00 AM to 7:00 PM
Wednesday, April 28, 2010 through	
Tuesday, May 4, 2010	8:00 AM to 5:00 PM

SECTION FIVE. Applications for ballot by mail shall be addressed to: Brenda G. Craig, Early Voting Clerk, 800 Junction Highway, Kerrville, Texas, 78028, and must be received no later than 5:00 PM on April 30, 2010.

SECTION SIX. City Council will conduct the official canvass of the election at a special meeting on Tuesday, May 18, 2010, beginning at 10:00 AM in the Council Chambers, City Hall, 800 Junction Highway.

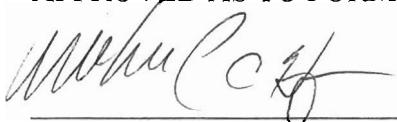
PASSED AND APPROVED ON this the _____ day of _____, A.D., 2010.

Todd A. Bock, Mayor

ATTEST:

Brenda G. Craig, City Secretary

APPROVED AS TO FORM:



Michael C. Hayes, City Attorney

CITY COUNCIL ELECTION CALENDAR

This memo gives the dates for the various actions connected with the regular city election to be held on May 8, 2010, and lists the councilmembers whose terms are expiring. Please mark these dates on your calendar:

Feb. 6 – Mar. 8	Candidate may file application for place on ballot from 8:00 a.m. to 5:00 p.m. Monday-Friday The name of the candidate and place for which he is filing will be affixed by the city secretary at the time of issuance of a petition form.
Feb. 6 – Mar. 15	Write-In candidate may file to declare candidacy at city secretary's office 8:00 a.m.-5:00 p.m. Monday-Friday
Mar. 11	City secretary conducts drawing for order of names on ballot at 3:00 p.m.
Apr. 8	Last day for submitting voter registration application or for requesting transfer of registration in time to vote in the election.
Apr. 26 – May 4	Early voting by personal appearance at Cailloux City Center at 910 Main Street on April 26 through May 4: - Monday, April 26: 7 a.m. to 7 p.m. - Tuesday, April 27: 7 a.m. to 7 p.m. - Wednesday, April 28 through Tuesday, May 4: 8 a.m. to 5 p.m.
May 8	ELECTION DAY, voting from 7:00 a.m. to 7:00 p.m. at Cailloux City Center, at 910 Main Street. Early voting results will be available at the Kerr County Courthouse after 7:00 p.m., and the unofficial tabulation results of election day will be available after 7:30 p.m. at the courthouse.
May 18	City council meeting at 10:00 a.m. to officially canvass election returns by city council, certificates of election issued, oaths of office given, newly elected officers assume duties, and mayor pro tem may be elected by city council.
May 25	Regular city council meeting at 6:00 p.m. at city hall, 800 Junction Highway.

Councilmembers whose terms are expiring are:

Mayor – Todd A. Bock
Place Three – T. Scott Gross
Place Four – Chuck Coleman

**NEGOCIO DEL AYNTAMIENTO
CUIDAD DE KERRVILLE, TEXAS**

TEMA: Elección general del Ayuntamiento de la resolución que ordena el 8 de Mayo de 2010

FECHA DE LA AGENDA: Enero 26, 2010 **LA FECHA SOMETIO:** January 15, 2010

SOMETIDO: Brenda Craig, *BC*
Secretaria de la ciudad

SEPARACIONES: Todd Parton, *TP*
Administrador de la ciudad
Mike Hayes,
Abogado de la ciudad

OBJETOS EXPUESTOS: Calendario de la resolución y de la elección

Declaración sumaria

La resolution de este documento es mandatoria para la election General que se llevara a cabo el Sabado 8 del mes de Mayo del 2010. Para elejir uno alcalde, dos miembros del consejo quienes sus terminos terminaran, ellos son:

Alcalde – Todd A. Bock
Miembro del consejo Plazo Tres – T. Scott Gross
Miembro del Consejo Plazo Cuatro – Chuck Coleman

El periodo para llenar la application para un lugar en la boleta se llevara acabo el 6 de Frebrero hasta el 8 de Marzo, del 2010.

Los candidatos inscritos pueden aplicar hasta el 15 de Marzo del 2010.

La resolution aprobada establecera el periodo del voto temprano personal
Y establecida por la fecha y tiempo para la solicitud de votos
De elecciones. La Secretaria de la Ciudad recomienda lo siguiente:

1. El voto temprano personal comenzara el 26 Abril hasta el dia 4 de Mayo en El Cailloux Centro Publico obicado en La calle Main numero 910, Horario:
 - Lunes, 26 de Abril: 7 a.m. to 7 p.m.
 - Martes, 27 de Abril: 7 a.m. to 7 p.m.
 - Miercoles, 28 de Abril hasta el Martes, 4 de Mayo: 8 a.m. to 5 p.m.
2. El dia electoral sera el Sabado 8 del mes de Mayo, de las 7:00 a.m hasta alas 7:00 p.m. en El Cailloux Centro Publico obicado en La calle Main numero 910.
3. La eleccion oficial se llevara acabo el 18 de Mayo del 2010, alas 10:00 a.m

ACTION RECOMENDADA

La Secretaria de la Ciudad recomienda la aprovanza de la eleccion general se lleve acabo el 8 de Mayo del 2010, para establecer el periodo del voto temprano personal. Y establecer la fecha y hora para la eleccion general el 8 de Mayo del 2010, alas 10:00 a.m.

CIUDAD DE KERRVILLE, TEXAS
RESOLUCION NO. -2010

UNA RESOLUCIÓN QUE PIDE QUE UNA ELECCIÓN GENERAL ESTÉ DADO EL 8 DE MAYO DE 2010, PARA LA ELECCIÓN UNO ALCALDE, DOS MIEMBROS DEL AYUNTAMIENTO DE LA CIUDAD.

CONSIDERANDO QUE la sección 2.03 de la Carta de la Ciudad establece que los términos de los cargos para los miembros del ayuntamiento serán por dos años y hasta que se elige a su sucesor; y

CONSIDERANDO QUE el término de los cargos uno Alcalde, Miembro del Ayuntamiento del Lugar Tres y Miembro del Ayuntamiento Lugar Cuatro, expirará Mayo de 2010; y

CONSIDERANDO QUE el Ayuntamiento de la Ciudad de Kerrville, Texas, lo encuentra estar en el interés público para llamar una elección general que se tendrá el 8 de Mayo de 2010, para la elección de personas a los cargos, uno Alcalde, el Miembro del Ayuntamiento Lugar Tres, y el Miembro del Ayuntamiento Lugar Cuatro;

AHORA, POR LO TANTO, SEA RESUELTO POR EL AYUNTAMIENTO DE LA CIUDAD DE KERRVILLE, CONDADO DE KERR, TEXAS:

SECCIÓN UNA. Una elección general se tendrá en la Ciudad de Kerrville, Texas, el 8mo día de Mayo de 2010 con el propósito de elegir a gente a los cargos del Miembro del Ayuntamiento Lugar Tres y del Miembro del Ayuntamiento Lugar Cuatro para la Ciudad de Kerrville, Texas.

SECCIÓN DOS. El método de votación estará por el Sistema de Votación de Hart, que es un sistema de votación con una pantalla de tacto electrónica.

SECCIÓN TRES. El sitio de votación para tal elección será el Kathleen C. Cailloux City Center of the Performing Arts, 910 Calle Main, Kerrville, Texas, 78028.

SECCIÓN CUATRO. El día de la elección, los sitios de votación estarán abiertos a partir de las 7:00 A.M. hasta las 7:00 P.M.. La votación temprana se tomará lugar en el Kathleen C. Cailloux City Center of the Performing Arts, 910 Calle Main, Kerrville, Texas, 78028, del 26 de Abril al primero de Mayo, y el 4 de Mayo:

- Lunes, 26 de Abril: 7 a.m. to 7 p.m.
- Martes, 27 de Abril: 7 a.m. to 7 p.m.
- Miércoles, 28 de Abril hasta el Martes, 4 de Mayo: 8 a.m. to 5 p.m.

SECCIÓN CINCO. Las solicitudes para una balota por correo se dirigirán a: Brenda G. Craig, Early Voting Clerk (la oficinista encargada de la votación temprana), 800 Junction

Highway, Kerrville, Texas, 78020, y se debe recibir no más adelante de las 5:00 P.M. el 30 de Abril de 2010.

SECCIÓN SEIS. El Ayuntamiento de la Ciudad conducirá el sondeo oficial de la elección en una reunión especial el martes, el 18 de Mayo de 2010, empezando a las 10:00 A.M. en los Compartimientos del Ayuntamiento, City Hall, 800 Junction Highway.

ACCEPTADA Y APROBADA el _____ día de _____, A.D., 2010.

Todd A. Bock, Alcalde

ATTESTIGUADO:

Brenda G. Craig, Oficinista Municipal

APROBADA A PARTIR DE LA FORMA:

Michael C. Hayes, Abogado Municipal

CALENDARIO DE LA ELECCIÓN DEL AYUNTAMIENTO DE LA CIUDAD

Este memorándum da las fechas para las varias acciones conectadas con la elección municipal que se tiene lugar el 8 de mayo, 2010 y lista los concejales cuyos períodos se acabarán.

6 Feb. – 8 Mar.	El candidato puede registrar su aplicación para una posición en la balota desde las 8 a.m. hasta las 5 p.m. Lunes-Viernes. El nombre del candidato y la posición para que registre será añadido por el Oficinista de la Ciudad a la emisión de una forma de petición.
6 Feb. – 15 Mar.	Un candidato no oficial (añadido por escrito) puede registrar para declarar su candidatura en la oficina del Oficinista de la Ciudad para a las 8 a.m.- 5 p.m. Lunes – Viernes.
11 Mar.	El Oficinista de la Ciudad hace un sorteo para la orden de los nombres en la balota a las 3 p.m.
8 Abr.	El último día para entregar la aplicación para la inscripción de votante o para pedir cambio de inscripción con tiempo para votar en la elección.
26 Abr.– 4 Mayo	Votar temprano por aparecer personalmente al Calilloux City Center en 910 Main Street de la noche y el 26 abr. 4 de mayo: - Lunes, 26 de Abril: 7 a.m. to 7 p.m. - Martes, 27 de Abril: 7 a.m. to 7 p.m. - Miércoles, 28 de Abril hasta el Martes, 4 de Mayo 8 a.m. to 5 p.m.
8 Mayo	DÍA DE ELECCIÓN, se puede votar desde las 7 a.m. hasta las 7 p.m. en Cailloux City Center, en 910 Main Street. Los resultados del voto temprano serán disponibles en la corte del condado de Kerr a las 7 p.m., y los resultados del día de la elección serán disponibles a eso de las 7:30 p.m. poco más tarde en la corte.
18 Mayo	La reunión del Ayuntamiento de la Ciudad a las 10 a.m. para examinar oficialmente los resultados de la elección por el Ayuntamiento de la Ciudad, entregar certificados de la elección, dar juramentos de oficio, los delegados recientemente elegidos asumen el cargo, y escoger el alcalde <i>pro tem</i> elegido por el Ayuntamiento.
25 Mayo	La reunión regular del Ayuntamiento de la Ciudad a las 6:00 p.m. a la oficina del ayuntamiento, 800 Junction Highway.

Los concejales cuyos períodos se acabarán son:

Alcalde – Todd A. Bock

Lugar Tres – T. Scott Gross

Lugar Cuatro – Chuck Coleman

**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Authorization for the City Manager to execute a contract with T. F. Harper for \$243,013.00 for the installation of a Spray Park and Storage Building at Carver Park through the Texas Buy Board and authorize the City Manager to execute contingency change orders in an amount not to exceed \$6,987.00.

FOR AGENDA OF: January 26, 2010 **DATE SUBMITTED:** January 18, 2010

SUBMITTED BY: Michael Wellborn^{MW} **CLEARANCES:** Kristine Ondrias 
Director of Engineering Assistant City Manager

Malcolm Matthews
Director of Parks and
Recreation

EXHIBITS: Contract, Conceptual Drawings

PAYMENT TO BE MADE TO: T. F. Harper
103 Red Bird Lane
Austin, TX. 78745

APPROVED FOR SUBMITTAL BY CITY MANAGER: 

Expenditure	Current Balance	Amount	Account
Required:	in Account:	Budgeted:	Number:
\$250,000.00	\$250,000.00	\$250,000.00	G94

REVIEWED BY THE FINANCE DIRECTOR: 

SUMMARY STATEMENT

In FY 08, the City Council appropriated \$30,000 of Parkland Dedication Funds for improvements to Carver Park. In an effort to better understand the desires of the community, the Parks and Recreation Department held a public input meeting on June 26, 2008, at the Doyle Community Center to gather information and priorities for upcoming park improvements. Following the meeting, staff compiled the suggestions that were identified and prioritized by the community and hired Halff Associates, a Landscape Architectural firm, to develop four conceptual drawings highlighting the citizens' suggestions.

A second public input meeting was held on September 16, 2008, to present the four conceptual drawings. A brief presentation was given describing the process and steps involved for improving the park. Following the presentation, the residents reviewed each of the four conceptual drawings and again prioritized which park amenities and concept they thought best reflected their vision for improvements resulting in a final site master plan for Carver Park.

The site master plan for Carver Park was presented to the Parks and Recreation Advisory Board and it was approved on October 16, 2008. The City Council approved the plan on November 11, 2008.

Upon approval of the site master plan, staff began to line out improvements for the Park Land Dedication Funds and the FY09 Bond Funds. On June 25, 2009, the Parks and Recreation Advisory Board along with staff held a public information meeting at Carver Park to update the neighborhood on the improvements, further discuss the closing of Martin Pool, and to fund the construction of a spray park in Carver Park.

Included in the FY10 CIP, the Carver Park Spray Ground was budgeted at \$250,000.00, funded by cost savings from the Martin Pool closure and a low interest loan from the City of Kerrville Post Closure Landfill Fund. The spray park will operate on a recirculation system for water conservation purposes, similar to a swimming pool. The spray park will be covered in the Water Management Plan and will cease operation during Stages 4 and 5.

Due to the time constraints of being able to have the project completed by the 2010 summer season, and given the specialized nature of spray park materials and construction, the most efficient procurement method for this project is through the Texas Buy Board Program.

T. F. Harper and Associates, a Texas based park equipment supplier, is an approved vendor through the Texas Buy Board Program. They submitted a materials and installation proposal to the City in the amount of \$243,013.00. The timeline for the project includes delivery and installation of the equipment 12 to 16 weeks after receipt of the order from the City of Kerrville.

RECOMMENDED ACTION

The Director of Engineering recommends the City Council authorize the City Manager to execute a contract with T. F. Harper and Associates for the construction of the Spray Park and Storage Building in the amount of \$243,013.00 through the Texas Buy Board and authorize the City Manager to execute contingency change orders in an amount not to exceed \$6,987.00.

Equipment Purchase and Installation Agreement by and Between the City of Kerrville and T.F. Harper & Associates L.P.
Carver Park Sprayground

This Agreement, entered into this 27 day of January, 2010 by and between the City of Kerrville, Texas ("City,") and T.F. Harper & Associates L.P. ("Contractor") as follows:

I. PARTY ADDRESSES

City:

City of Kerrville
800 Junction Highway
Kerrville, Texas 78028

Contractor:

T.F. Harper & Associates LP
103 Red Bird Lane
Austin, Texas 78745-3122
Thomas F. Harper Partner
512-440-0707 800-976-0107

II. CONTRACT DOCUMENTS

The Agreement between the parties consists of this Agreement, T. F. Harper Quote Number #TM 141209, associated plans, and warranties and are as fully a part of the Agreement as if attached to this Agreement or repeated herein. The Agreement represents the entire and integrated agreement between the parties hereto and supersedes prior negotiations, representations, or agreements, either written or oral.

III. WORK TO BE PERFORMED

Contractor shall provide all materials, labor, and incidentals necessary to complete the Carver Park Sprayground project, as per the T.F. Harper Quote #TM141209 and all associated plans that are due at the pre-construction meeting. The Contractor shall fully execute the work described in the Agreement, except to the extent specifically indicated to be the responsibility of others.

IV. DATE OF COMMENCEMENT, SUBSTANTIAL COMPLETION, AND OPERATIONAL DATE

- a. The date of commencement shall be the effective date of the Agreement which shall be the date that the City Council authorizes this Agreement.
- b. Payment and performance bonds and certificates shall be provided at the pre construction meeting.

c. The Contractor shall achieve substantial completion within 120 calendar days from the date of commencement. Substantial completion shall be defined as the condition of work performed by the Contractor to allow for project operation.

c. The project must be operational and staff training to be provided by Contractor by May 27, 2010, as long as the project start date is on/or before January 27. 2010. Inclement weather or other delays will be subject to review and approval by the City.

V. CONTRACT SUM

City shall pay the Contractor two hundred forty three thousand thirteen dollars and no cents Dollars (\$243,013.00), pursuant to the payment schedule.

VI. PAYMENTS

a. Progress Payments

i. Based upon applications for payment submitted to the City by the Contractor, the City shall make progress payments on account of the contract sum to the Contractor as provided below and elsewhere in the Agreement.

ii. The period covered by each application for payment shall be one calendar month ending on the last day of the month. Application for payment may be submitted on the 25th day of the month, projecting work through the last day of the calendar month.

iii. City shall submit payment by the City within (15) calendar days after the City receives the application for payment.

iv. Each application for payment shall be based on the most recent schedule of values submitted by the Contractor in accordance with the Agreement. The schedule of values shall allocate the entire contract sum among the various portions of the work. This schedule shall be used as a basis for reviewing the Contractor's applications for payment.

v. Applications for payment shall indicate the percentage of completion of each portion of work as of the end of the period covered by the application for payment.

vi. Subject to other provisions of the Agreement, the amount of each progress payment shall be computed as follows:

(a) Take that portion of the contract sum properly allocable to completed work as determined by multiplying the percentage completion of each portion of the work by the share of the contract sum allocated to that portion of the work in the schedule of values, less retainage of percent (5%).

(b) Subtract the aggregate of previous payments made by the City; and

(c) Subtract amounts, if any, for which the City has withheld or nullified from previous applications for payment.

vii. The progress payment amount determined in accordance with (vi) shall be further modified under the following circumstance:

Add, upon substantial completion of the work, a sum sufficient to increase the total payments to the full amount of the contract sum, less such amounts as the City shall determine for incomplete work, retainage applicable to such work and unsettled claims.

b. Final Payment

- i. Final payment, constituting the entire unpaid balance of the contract sum, shall be made by the City to the Contractor when the City has provided Contractor written notification of final acceptance of the project.
- ii. The City's final payment to the Contractor shall be made no later than 15 calendar days after the issuance of the City's notification of project acceptance.

VII. LIQUIDATED DAMAGES

Liquidated damages are hereby established for work which is not substantially complete in the amount of Three Hundred Dollars (\$300.00) per each working day after the substantial completion date identified in Section IV. The City may offset any such liquidated damages against any sums from time to time due by the City to Contractor, by written notice. The time for completion shall not be extended except by written memorandum executed by the Contractor and the City. Contractor shall make written application to the City not later than seven (7) calendar days after the day, event, or cause claimed by Contractor to be a delay. Failure to make such written claim within such time shall result in a waiver by Contractor of an extension based on those particular days, events, or causes.

The said amount per day is not a penalty but an agreed amount of actual damages to City which are difficult to calculate. Such damages include loss of staff time, answering complaints by citizens who have been inconvenienced by the work, City Council time, loss of use, and other damages difficult to reasonably anticipate or calculate.

VIII. INDEMNITY

THE CONTRACTOR AGREES TO INDEMNIFY, DEFEND, AND HOLD HARMLESS THE CITY OF KERRVILLE, TEXAS, AND ALL OF THEIR RESPECTIVE OFFICERS, AGENTS AND EMPLOYEES FROM ALL SUITS, ACTIONS, CLAIMS, DAMAGES, PERSONAL INJURIES, LOSSES, PROPERTY DAMAGES, AND EXPENSES OF ANY CHARACTER WHATSOEVER, INCLUDING ATTORNEY'S FEES BROUGHT FOR OR ON ACCOUNT OF ANY INJURIES OR DAMAGES RECEIVED OR SUSTAINED BY ANY PERSON OR

PROPERTY ON ACCOUNT OF ANY NEGLIGENT ACT OF THE CONTRACTOR, THE CITY OF KERRVILLE, TEXAS, OR ANY OF THEIR RESPECTIVE OFFICERS, EMPLOYEES, AGENTS, REPRESENTATIVES, OR SUBCONTRACTORS IN THE EXECUTION, SUPERVISION, AND OPERATIONS GROWING OUT OF OR IN ANY WAY CONNECTED WITH THE PERFORMANCE OF THIS AGREEMENT, WHETHER OR NOT THE ACT OR OMISSION OF THE CITY OR ANY OF THEIR RESPECTIVE OFFICERS, EMPLOYEES, OR AGENTS WAS THE SOLE PROXIMATE CAUSE OF THE INJURY OR DAMAGE OR A PROXIMATE CAUSE JOINTLY AND CONCURRENTLY WITH THE NEGLIGENCE OF THE CONTRACTOR OR ITS OFFICERS, EMPLOYEES, AGENTS, CONTRACTORS, OR SUBCONTRACTORS, IN THE EXECUTION, SUPERVISION AND OPERATIONS GROWING OUT OF OR IN ANY WAY CONNECTED WITH THE PERFORMANCE OF THIS AGREEMENT.

IX. LIABILITY INSURANCE

Prior to the commencement of any work and not later than ten (10) calendar days following the execution of this contract, the Contractor shall furnish the City copies of paid-up policies to the City Risk Manager providing Liability and Workman's Compensation Coverage as follows minimum limits:

	TYPE OF INSURANCE	LIMITS
a.	Workman's Compensation covering all employees	Statutory
b.	Employer's Liability	<u>\$100,000.00</u>
c.	Comprehensive General Liability Bodily Injury & Property Damage (per occurrence)	<u>\$1,000,000.00</u>
	Aggregate	<u>\$1,000,000.00</u>

(Premises/Operations Products/Completed Operations/Independent

Contractors/Contractual Liability/Coverages may not be excluded). XCU must be supplied if any exposure.

d. Business Automobile Liability covering owned vehicles, rented and non-owned vehicles and employee non-ownership

Bodily Injury Property Damage (per occurrence)	<u>\$1,000,000.00</u>
Aggregate	<u>\$1,000,000.00</u>

The Commercial General Liability and the Automobile Liability policies shall name the City of Kerrville, Texas, as additional insured and all policies shall provide for a waiver of subrogation in favor of the City of Kerrville. The policy and any renewal certificate shall provide that the City be notified thirty (30) days prior to cancellation or modification of any coverage. Language to the effect that the company will "Endeavor"

or "Attempt" to so notify the City of Kerrville is not sufficient. Renewal certificates must be received by the City at least ten (10) days prior to any cancellation date. Policies will be in effect until final acceptance or cancellation of this contract, unless otherwise specified.

It shall be the responsibility of the Contractor to insure that all Subcontractors comply with the same insurance requirements as the said Contractor.

X. CASUALTY INSURANCE

In the event the work includes structures or buildings susceptible to damage by fire, windstorm, or other casualty, then the Contractor before being authorized to begin work shall furnish the City a duplicate original of an insurance policy naming the City of Kerrville as an additionally insured. Such insurance shall insure both the City of Kerrville and Contractor, during the term of the work, against loss by fire, windstorm, vandalism, theft, or other casualty. Such policy shall be in the total amount of this contract. Commencement, substantial completion, and operational dates, as specified in Section IV of the Agreement begin on the effective date of the Agreement.

XI. QUALITY OF WORK

All work shall be of good workmanship. Contractor shall comply with all applicable City of Kerrville Codes and standards as well as all applicable professional and technical standards. Materials shall be of first quality.

XI. MISCELLANEOUS PROVISIONS

a. The City's representative is:

Malcolm Matthews: 830-258-5506

b. The Contractor's representative is:

Tim McIntyre: 512-786-7096

c. Neither the City's nor the Contractor's representative shall be changed without ten days written notice to the other party.

d. Contractor shall ensure the project conforms to federal, state, and local codes.

e. Contractor shall be responsible for all means, methods, techniques, sequences, and procedures, and for coordinating all portions of the work.

f. Contractor shall warrant to the City that workmanship, materials, and equipment furnished under this Agreement will be of good quality and new, unless otherwise permitted by the City in writing.

g. Contractor shall guarantee workmanship and materials for a period of one (1) year from the date of completion, unless included in manufacturer's warranty, at the pre construction meeting.

h. Contractor shall pay all sales, consumer, use and similar taxes required by federal, state, and local law. The City is a tax-exempt organization and will provide a tax-exempt certificate if requested by the Contractor.

i. Contractor shall keep the premises and surrounding area free from accumulation of waste materials or rubbish caused by operations under this Agreement.

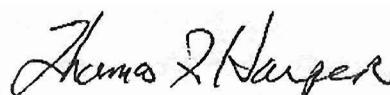
This Agreement is entered into as of the day and year first written above and is executed in at least three original copies, of which one is to be delivered to the Contractor and two to the City.

SIGNED AND AGREED THIS _____ DAY OF January, 2010

OWNER, City of Kerrville, Texas

By: _____
Todd Parton, City Manager

CONTRACTOR,
T.F. Harper & Associates L.P.
By: Harper Services, LLC, General
Partner of T. F. Harper & Associates
LP

By: 
1/15/2010
Thomas F. Harper, Manager
of Harper Services, LLC, in its capacity as
general partner for T. F. Harper & Associates, LP

ATTEST:

Brenda G. Craig, City Secretary

APPROVED AS TO FORM:


Heather Stebbins, City Attorney
Assistant

**t.f. harper
& associates LP**

BUYBOARD QUOTE

103 Red Bird Lane
Austin, Texas 78745
e-mail: playground@tfharper.com

800-976-0107 Phone
512-440-0707 Phone
512-440-0736 Fax

TO: City of Kerrville
Attn: Malcolm Matthews
Address: 800 Junction Highway
Kerrville, TX 78028
Phone: 830-792-5506
Fax: 830-896-6220
Email: malcom.matthews@kerrilletx.gov

Contract #269-07
FOR PURCHASE THRU BUYBOARD
PLEASE FAX YOUR PURCHASE
ORDER & SIGNED QUOTE TO
BUYBOARD & TF HARPER TO
INSURE COMPLIANCE AND
RECEIPT OF YOUR ORDER

Date: December 14th, 2009
Quote # TM 141209

Revised 23 Dec 09

QTY	DESCRIPTION OF EQUIPMENT	PRICE	COST
1	Vortex #7010.0002R03 - Water Jelly No 3 (EM)		\$2,350.00
1	Vortex #555.20000R01 - Aqua Dome No 1 (SW,PC)		\$3,120.00
1	Vortex #0548.0000R02 - Rainbow No 2 (EM,PC)		\$9,200.00
2	Vortex #301.40000R03 - Ground Geyser (SW)	\$560.00	\$1,120.00
1	Vortex #7518.0000R01 - Side Winder (EM)		\$1,040.00
1	Vortex #7372.2008R01 - Three Bells No 1 (SW,PC)		\$8,370.00
2	Safe Swap No. 1 w/ spray cap (SW)	\$1,350.00	\$2,700.00
1	Vortex #7640.40000R01 - Team Spray No 1 (EM)		\$4,760.00
1	Vortex #309-0000R04 - Water Tunnel No 2 (EM)		\$2,030.00
1	Vortex #611.2008R01 - Bollard Activator No 3 (SW,PC)		\$3,100.00
2	Vortex #1000.0001R03 - Deck Drain 12" x 12" x 16" w/ H Strainer	\$910.00	\$1,820.00
1	Vortex #V-5312.0000R06 - Water Quality Management System		\$55,610.00
1	Vortex #5322.0000R01 - Debris Trap HDPE w/ Rain Diverter		\$10,280.00
1	Vortex #5311 - 3,000 Gallon Holding Tank		\$19,570.00
	Buyboard Discount		(\$8,754.00)
1	18'x12' Equipment Room - CMU - 4'x7' Door with vent/fan		
	2 lights, 1 outlet, switch and fan build on 3000 PSI concrete slab		\$14,684.00
Customer to Provide:			
	Power, Water & Sewer Line to 10' from Edge of Splashpad		
	Power Needed: 230V 3-Phase 60amp Circuit for Recirculation System;		
	120V Power for Control Panel		
	Water Needed: Minimum 2" Water Line		
	Location for Holding Tank		
	Freight on Above Equipment		\$4,500.00
	Normal Installation on Above Equipment Including Start Up and Training		\$72,985.00
1,850	S.F. Concrete Pad 5" Thick, #4 Rebar at 12" OC Both Ways, 1' x 2'		\$21,830.00
	Perimeter Beams and Cross Beams w/ 2 #3's top, middle, & bottom		
	& #3 Stirrups on 3' Centers, and #4 Corner Bars, Poured over 4"		
	Compacted Stone Base		
1,850	S.F. Cool Deck No Slip Staining Installed over Concrete, Standard Color		\$6,161.00
1	Cost of Obtaining Performance/Payment Bond		\$6,537.00
	TOTAL		\$243,013.00

Carver Park 4 Jan

BUYBOARD QUOTE

Page 2 of 3

THIS QUOTE IS VALID FOR 30 DAYS DUE TO RISING FUEL AND MATERIAL COSTS

EXCLUDES SOIL TESTING, ANY PERMITS THAT ARE NECESSARY

**NOT INCLUDED: Sales Tax, Permits (if required), Site Work In Excess of Normal Installation
(example: site prep - excavation/infill, french drains, excess rock removal that are not shown on
drawings or listed on the quote)**

Any installation charges quoted are based upon a soil work site (not rocky) that is freely accessible by truck, no fencing, tree/landscaping or utility obstacles, etc.), and level (+/- 1-2% max slope). Any site work not expressly described is excluded. Landscape timbers are not warranted. All underground utilities must be located and clearly marked before any work can begin. Installation of all products (equipment, borders, ground cover, amenities) are as quoted and approved by acceptance of quote/drawings.

DELIVERY & INSTALLATION: 12 TO 16 WEEKS AFTER RECEIPT OF ORDER

Payment Terms: Per section V of the contract.

Accepted by: _____

Date: _____ **P.O. #:** _____ **(if applicable)**

PLEASE ISSUE PURCHASE ORDER IN VENDOR NAME OF T.F. HARPER & ASSOCIATES, LP

Thank you for giving us the opportunity to quote this equipment.

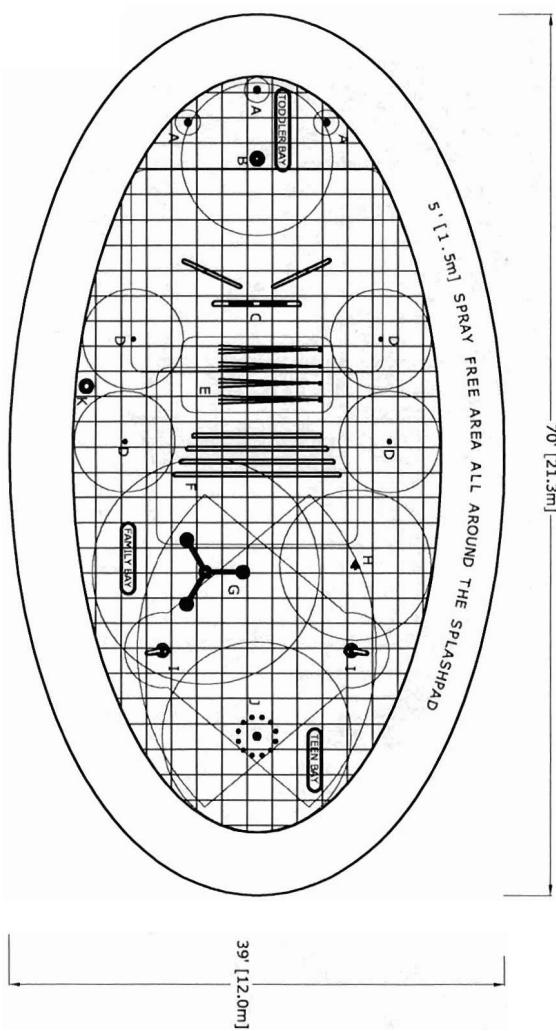
Tommy Harper, Sales Representative

SPLASHPAD DIMENSION

TOTAL AREA: 2175ft² / 2022m²

SPRAY AREA: 1376ft² / 127m²

GRID DIMENSION: 2 ft x 2 ft / 0.6m X 0.6m



PRODUCT LEGEND

PRODUCT CODE	QTY	TOTAL FLOW BAY
A WATER JELLY №1 VOR-7010.0002	3	33 GPM 123 LPM TODDLER
B AQUA DOME №1 VOR-555	1	14 GPM 52 LPM TODDLER
C BULLFROG VOR-524	1	17 GPM 62 LPM FAMILY
D GROUND GEYSER VOR-301	4	18 GPM 68 LPM FAMILY
E WATER TUNNEL №2 VOR-309	1	6 GPM 22 LPM FAMILY
F RAINBOW №1 VOR-517	1	30 GPM 113 LPM FAMILY
G THREE BELLS №1 VOR-532	1	12 GPM 45 LPM FAMILY
H SIDE WINDER VOR-7518	1	15 GPM 56 LPM FAMILY
I LOOP №1 VOR-7719	2	15 GPM 56 LPM TEEN
J TEAM SPRAY №2 VOR-8051	1	34 GPM 128 LPM TEEN
K BOLLARD ACTIVATOR №3 VOR-611	1	



CARVER PARK SPLASHPAD, TX, view 1

VORTEX AQUATIC STRUCTURES INTERNATIONAL INC. WWW.VORTEX.INTL.COM 1-877-VORTEX © 2008 VORTEX INTERNATIONAL, ALL RIGHTS RESERVED.

VORTEX
Splashing Fun



**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Authorization for the City Manager to execute a contract with CH2MHill in the amount of \$100,000.00 for engineering services for phase two of the ASR # 3 well project.

FOR AGENDA OF: January 26, 2010 **DATE SUBMITTED:** January 15, 2010

SUBMITTED BY: Michael Wellborn, P. E. *MM* **CLEARANCES:** Kristine Ondrias *KO*
Director of Engineering Assistant City Manager

EXHIBITS: Professional Services Agreement, Scope of Services, Map

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER: *JL*

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
\$100,000.00	\$1,278,023.73	\$1,347,908.00	E10

PAYMENT TO BE MADE TO: CH2MHill
12301 Research Blvd.
Building 4, Suite 250
Austin, Texas 78759

REVIEWED BY THE FINANCE DIRECTOR: *JL*

SUMMARY STATEMENT

In the 2008 CIP, city council approved a project for the design and construction of the Aquifer Storage and Recovery Well (ASR) # 3 to be located off of Legion Drive and Loop 534 (map attached). CH2MHill was engaged to perform Phase 1 well design services for drilling the well in December 2008 for a fee of \$24,980.00. The well design was completed in October of 2009. A construction contract was awarded to C & C Groundwater Services (the lowest qualified bidder) for this phase of the project in the amount of \$357,225.60 at the December 8, 2009 city council meeting. A construction administration contract in the amount of \$35,838.00 was awarded to CH2MHill for phase one of this project at the December 8, 2009 city council meeting.

The scope of services for phase two of the design includes site improvements for a concrete slab, pump pedestal, fencing, gates and drainage improvements; design of approximately 200 feet of all weather access road, pipeline to connect the ASR # 3 to the existing distribution system; design of the chlorination system, electrical system; design of the wellhead piping and valve systems; design of the well pump and motor; design of a two room structure to house the electrical and disinfection equipment; and develop the process and instrumentation diagram and equipment list for the SCADA system required for the ASR # 3.

The following timeline was provided to the city council at the December 8, 2009 city council meeting and provides the timeline and cost estimates to complete the project.

Task	Timeline	CIP Budget	Cost / Estimate
Phase 1 - Well Design (Complete)	210 days October 2009	\$44,908.00	\$24,890.00
Phase 1 - Construction Administration (In process)	70 days Jan 2010 - March 2010		\$38,838.00
Phase 1 - Construction (In process)	70 days Jan 2010 - March 2010	\$1,158,000.00	\$357,225.60
Phase 2 - Surface Pipe and Pump Final Design (Current request)	90 days February 2010 - May 2010	\$145,000.00	\$100,000.00
Phase 2 - Construction (Future)	90 days June 2010 - September 2010	Included in Budgeted amount of \$1,158,000.00	\$800,000.00 Engineers Estimate
TOTAL		\$1,347,908.00	\$1,317,953.60

RECOMMENDED ACTION

The Director of Engineering recommends that the city council authorize the City Manager to execute a contract with CH2MHill in an amount not to exceed \$100,000.00 for the final engineering design services for phase 2 of the ASR # 3 well project.

Professional Services Agreement

Between

CH2M Hill and City of Kerrville

THIS AGREEMENT is made as of this 14th day of January, 2010, between the CITY OF KERRVILLE, a Texas home rule municipality with principal offices at 800 Junction Highway, Kerrville, Texas, 78028-5069, hereinafter referred to as "CLIENT", and CH2M Hill, with its offices at 12301 Research Blvd., Building 4, Suite 250, Austin, Texas 78759, hereinafter referred to as "ENGINEER", for the performance of professional engineering services in consideration of the following terms, conditions, and agreements:

PART I. SERVICES

ENGINEER shall perform all work described in the proposal attached hereto as **Exhibit A** (the "Project").

- A. ENGINEER shall be responsible for the professional quality, technical accuracy, timely completion, and the coordination of all designs, drawings, specifications, reports, and other services furnished by ENGINEER under this Agreement, ENGINEER shall, without additional compensation, correct or revise any errors, omissions or other deficiencies in his designs, drawings, specifications, reports and others services.
- B. ENGINEER hereby agrees to comply with all federal, state, and local laws and ordinances applicable to the work or services under this Agreement.
- C. ENGINEER shall hold periodic conferences with CLIENT or CLIENT's representatives to the end that the Project as developed shall have the full benefit of CLIENT's experience and knowledge and be consistent with CLIENT's objectives for this Project.
- D. ENGINEER shall periodically report Project status to CLIENT as is appropriate to keep CLIENT informed regarding project progress.
- E. ENGINEER shall perform all services under this Agreement in a manner which is consistent with generally accepted standards of professional engineering practice.

PART II. CLIENT'S RESPONSIBILITIES

- A. CLIENT shall provide all criteria and full information as to CLIENT's requirements for the Project; designate a person to act with authority on CLIENT's behalf in respect of all aspects of the Project; examine and respond promptly to ENGINEER's submissions; and give prompt written notice to

ENGINEER whenever CLIENT observes or otherwise becomes aware of any defect in ENGINEER's submissions.

B. CLIENT shall also do the following and pay all costs incident thereto:

1. Furnish to ENGINEER, upon ENGINEER's notification that data is required, data including but not limited to core borings, probings and subsurface explorations, hydrographic surveys, laboratory tests and inspections of samples, materials and equipment and similar data; appropriate professional interpretations of all of the foregoing; environmental assessment and impact statements; geologic assessments, environmental impact studies, and endangered species studies; and any other information previously made available to CLIENT, which may be required by ENGINEER; all of which ENGINEER may rely upon as accurate in performing ENGINEER's services provided, however, ENGINEER shall not be entitled to rely on any inaccuracy or incompleteness of information or services provided by CLIENT or at CLIENT's direction if a professional ENGINEER using generally accepted engineering practices and procedures would have discovered such inaccuracy or incompleteness reviewing any other data other than the document or information provided.
2. Guarantee access to and make all provisions for ENGINEER to enter upon public and private property.
3. Provide such legal, accounting, independent cost estimating and insurance counseling services as may be required for the Project.

C. CLIENT shall pay all non-labor costs incident to obtaining bids or proposals from contractor(s).

PART III. WORK ORDER AMENDMENTS

- A. CLIENT may at any time, by written Work Order, make changes relating to services to be performed. If such changes cause an increase or decrease in ENGINEER's cost of, or time required for, performance of any services, an agreeable equitable adjustment shall be made and reflected in a properly executed Work Order. ENGINEER must assert any claim for adjustment under this clause in writing within thirty (30) calendar days from the date of receipt by ENGINEER of the notification of change, unless CLIENT grants a further period of time before the date of final payment under this Agreement.
- B. No services for which additional compensation will be charged by ENGINEER shall be furnished without a properly executed Work Order signed by CLIENT.
- C. In the event that there are modifications and/or additions to regulatory requirements relating to the services to be performed under this Agreement after

the date of execution of this Agreement, the increased or decreased cost of performance of the services provided in this Agreement and subsequent Work Orders shall be reflected in an appropriate Work Order.

PART IV. COMPENSATION

CLIENT agrees to pay ENGINEER for Professional Services in accordance with the descriptions, definitions, terms and conditions as set forth in **Exhibit A**.

PART V. PAYMENTS

ENGINEER will invoice CLIENT monthly in accordance with the terms and conditions as set forth in **Exhibit A**. CLIENT agrees to promptly pay ENGINEER at its office at 213 "C" Street, Kerrville, Texas 78028, the full amount of each such invoice upon receipt. In no event shall ENGINEER's failure to invoice constitute a default under the terms and conditions of this Agreement.

PART VI. INSURANCE

ENGINEER shall procure and maintain the following types and limits of insurance for the duration of this Agreement:

Type of Insurance	Minimum Limits of Liability
Workers' Compensation	Statutory
Employer's Liability	\$250,000.00
Commercial General Liability-Personal Injury/Property Damage	\$1,000,000.00 combined single limit per occurrence
Automobile Liability	\$1,000,000.00 combined single limit per occurrence – Hired car, owned and non-owned autos

The commercial general liability insurance required above will include contractual liability coverage. The commercial general liability and automobile liability policies shall be endorsed to name the CLIENT as an additional insured, and all policies shall be endorsed to show a waiver of subrogation in favor of CLIENT. ENGINEER shall direct that a certificate of insurance be delivered to CLIENT before any services are performed pursuant to this Agreement. Such certification of insurance shall provide for not less than thirty (30) days written notice to CLIENT prior to cancellation or material modification by endorsement of any insurance referenced therein and shall indicate that all required coverage and endorsements are in effect.

PART VII. TERMINATION

A. CONDITIONS OF TERMINATION

This Agreement and/or Work Order(s) may be terminated without cause at any time prior to completion of ENGINEER's services, either by CLIENT or by ENGINEER, upon written notice to the other at the address of record. Upon receipt of written notice from CLIENT to discontinue work, ENGINEER shall discontinue work under this Agreement immediately. In the event CLIENT terminates the Agreement based on CLIENT's reasonable opinion ENGINEER has failed or refused to prosecute the work efficiently, promptly, or with diligence, ENGINEER shall have fifteen (15) business days, from the receipt of written notification by CLIENT, to cure such failure to perform in accordance with the terms of the Agreement.

B. ACTIONS ON TERMINATION

Upon any termination, ENGINEER shall: (1) promptly discontinue all services affected (unless a termination notice from CLIENT directs otherwise); and (2) upon full payment for services, deliver or otherwise make available to CLIENT all documents, data, drawings, specifications, reports, estimates, summaries, and such other information and materials as may have been accumulated by ENGINEER in performing this Agreement, whether completed or in process.

C. COMPENSATION PAYABLE ON TERMINATION

On termination, by either CLIENT or ENGINEER, CLIENT shall pay ENGINEER with respect to all contracted services rendered and expenses incurred before termination an amount fixed by applying the ENGINEER's Standard hourly rates, in force at the time of termination, to all services performed to date, in addition to termination settlement costs ENGINEER reasonably incurs relating to commitments which had become firm before the termination; however, in no case shall CLIENT be required to pay ENGINEER more than the amount set forth in this Agreement.

PART VIII. RISK ALLOCATION

In recognition of the relative risks, rewards and benefits of the project to both the Owner and the ENGINEER, the risks have been allocated such that the Owner agrees that, to the fullest extent permitted by law, the ENGINEER's total liability to the Owner for any and all injuries, claims, losses, expenses, damages or claim expenses arising out of this Agreement from any cause or causes, shall not exceed total Fees paid to the ENGINEER. Such causes include, but are not limited to, the ENGINEER's negligence, errors, omissions, strict liability, breach of contract or breach of warranty.

PART IX. MISCELLANEOUS

A. REUSE OF DOCUMENTS

All documents, including Drawings and Specifications prepared or furnished by ENGINEER pursuant to this Agreement, are instruments of service with respect to the PROJECT, are the property of both CLIENT and ENGINEER, and may be used by both CLIENT and ENGINEER, as they deem necessary in their reasonable discretion. Either CLIENT or ENGINEER may retain copies, reproduce copies, and disseminate copies of said Instruments of Service as are reasonably necessary for the construction and on-going maintenance of the Project. Not later than 90 days after substantial completion, ENGINEER shall deliver to CLIENT one (1) set of Record Drawings in CADD format incorporating all Addenda and Change Orders and consisting of one set of compact disks; provided, however, ENGINEER reserves the right to remove all indicia of ownership and/or involvement from the disc/magnetic tape provided to CLIENT. The original CADD data will be retained by ENGINEER. CLIENT hereby releases and holds harmless ENGINEER from any claims, losses, or liability resulting from CLIENT's use of the Instruments of Service in a manner not authorized on this project by this Agreement. Any reuse without written verification or adaptation by ENGINEER, for the specific purposes intended will be at CLIENT's sole risk and without liability or legal exposure to ENGINEER. Any such verification or adaptation by ENGINEER will entitle ENGINEER to further compensation at rates to be agreed upon by CLIENT and ENGINEER.

B. OPINION OF COST

Since ENGINEER has no control over the cost of labor, materials, equipment or services furnished by others, or over the contractor(s)' method of determining prices, or over competitive bidding or market conditions, ENGINEER's opinions of probable Project Cost and Construction Cost are to be made on the basis of ENGINEER's experience and qualifications and represent ENGINEER's best judgment as an experienced and qualified professional ENGINEER, familiar with the construction industry; but ENGINEER cannot and does not warrant or guarantee ENGINEER's opinions of cost as an "actual" cost and if an "actual" "Construction Cost" is required, and/or desired, then, construction bids should be obtained by CLIENT from appropriate sources. Opinions of cost may be supplied to applicable municipalities for bonding purposes and no representations, warranties, or guarantees are rendered hereby to any other person or entity. Opinions of cost for presentation to any mortgagee or lending institution will only be prepared by ENGINEER at CLIENT's specific request. Preparation of such may involve substantial additional cost to CLIENT and ENGINEER cannot and does not warrant or guarantee such opinion of cost as an "Actual" cost.

C. LATE PAYMENT

If CLIENT fails to make any payment due ENGINEER for services and expenses in accordance with Parts IV and V herein, within thirty (30) calendar days from the date of ENGINEER's invoice, thereafter the amounts due ENGINEER shall include a charge at the rate of 1.50 % per month, calculated from the date of the invoice, and in addition, ENGINEER may, after giving ten (10) business days written notice to CLIENT, suspend services under this Agreement until ENGINEER has been paid in full all amounts due for services and expenses.

D. ATTORNEY'S FEES

In the event ENGINEER's invoices for services are given to an attorney for collection, or if suit is brought for collection, or if they are collected through probate, bankruptcy, or other judicial proceeding, then CLIENT shall pay ENGINEER all costs of collection, including the maximum attorney's fees allowed by Law and court costs, in addition to other amounts due.

E. PERIOD OF SERVICE

ENGINEER shall diligently pursue completion of services and shall promptly inform CLIENT of any anticipated delay. ENGINEER shall not be liable or responsible for any delays caused by circumstances beyond ENGINEER's control.

F. SUCCESSORS AND ASSIGNS

CLIENT and ENGINEER each binds himself, and his partners, successors, executors, administrators, and assigns to partners, successors, executors, administrators, in respect to all covenants of this Agreement. Neither CLIENT nor ENGINEER shall assign, sublet, or transfer their interest in this Agreement without written consent of the other. Nothing herein shall be construed as giving any rights or benefits hereunder to anyone other than CLIENT or ENGINEER.

G. CONTROLLING LAW; VENUE

This Agreement is to be governed by and construed in accordance with the laws of the State of Texas. Venue for any disputes between CLIENT and ENGINEER arising from or related to this Agreement shall be in Kerr County, Texas.

H. SEVERABILITY AND WAIVER

In the event any provision of this Agreement is held to be invalid or unenforceable, the remaining provisions shall continue to be valid and binding upon the parties. One or more waivers by either party of any provision, term, condition or covenant shall not be construed as a waiver of a subsequent breach of the same by the other party.

I. EXTENT OF AGREEMENT

This Agreement, including **Exhibit A**, and any and all amendments, modifications, and supplements duly executed by the parties in accordance with this Agreement, govern and supersede any and all inconsistent or contradictory terms, prior oral or written representations or understandings, conditions or provisions set forth in any purchase orders, requisition, request for proposal, authorization of services, notice to proceed or other form or document issued by CLIENT with respect to the project or ENGINEER's services.

J. AMENDMENTS

The parties agree that no change or modification to this Agreement, or any attachments hereto, shall have any force or effect unless the change is reduced to writing, dated, and made a part of this Agreement. The execution of the change shall be authorized and signed in the same manner as this Agreement. No one has authority to make variations in, or additions to the terms of this Agreement on behalf of ENGINEER other than the undersigned Principal, and then only in writing.

Executed on this _____ day of _____, 2010.

CITY OF KERRVILLE

CH2M Hill

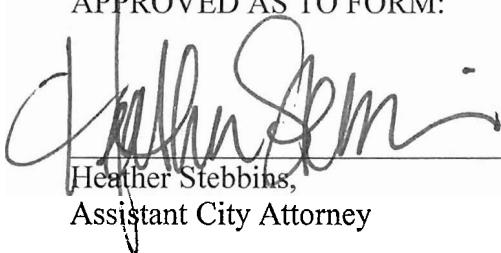
BY: _____

Jeffrey Todd Parton,
City Manager

BY: _____

_____, _____
(Name) (Title)

APPROVED AS TO FORM:



Heather Stebbins,
Assistant City Attorney

ATTEST:

Brenda G. Craig, City Secretary

Exhibit A - Scope of Services

ASR-3 Well Services

Purpose and Project Description

The purpose of this document is to communicate the scope of professional engineering services required for surface facilities of the proposed Aquifer Storage and Recovery Well No. 3 (ASR-3) for the City of Kerrville (the City). The project will be divided into Preliminary Design, Final Design, Bidding Services, and Services During Construction. The design elements for the project include:

1. Design of site improvements for an area 100 ft square centered on ASR 3 including well slab, pump pedestal, fencing, gates, and drainage improvements.
2. Design of approximately 200 feet of all-weather access road.
3. Design of approximately 200 feet of pipeline connecting ASR 3 to the existing distribution system.
4. Design of the chlorination system for ASR 3.
5. Design of the electrical system for ASR 3.
6. Design of the wellhead piping and valve systems.
7. Design of the well pump and motor.
8. Design of a single, 2-room building, approximately 8 feet x 14 feet x 18 feet in dimension to hold the electrical equipment and disinfection equipment.
9. A process and instrumentation diagram and equipment list for the SCADA system required for ASR 3.

Project Team

The tasks described in this scope of Services will be completed by the CH2M HILL project team which will consist of CH2M HILL and Hewitt Engineering, Inc. Geotechnical work and surveying tasks are planned to be performed by Rock Engineering and Testing, Inc. and Voelkel Land Surveying, PLLC respectively.

Project Tasks

Task 1. Preliminary Design

The project team will perform the following subtasks during the preliminary design phase:

1. Prepare a draft preliminary design memo describing basic design elements of the project. The memo will be delivered to the City, attention Dieter Werner via email in PDF format.
2. Receive one set of redline comments from the City. The comments will be formatted as a list including reviewer name, page number, line or paragraph number, comment, and recommended change.
3. Prepare a response to all comments in the same list format (adding a response column) and deliver to the City for review.
4. Attend a scheduled conference call to discuss and resolve all addressed comments.
5. Prepare a final preliminary design memo and deliver the memo to the City via email in PDF format.
6. After finalizing the preliminary design, the CH2M HILL team (Rock Engineering and Testing, Inc.) will perform geotechnical analysis to support foundation design.
7. After finalizing the preliminary design, the CH2M HILL team (Voelkel Land Surveying, PLLC) will perform land surveying to support site layout and design.

Task 2. Final Design

The project team will perform the following subtasks during the final design phase:

1. Prepare a draft (90%) specifications and drawings. The specifications and drawings will be delivered to the City via email in PDF format. Two hard copies will also be delivered to the City.
2. Receive one set of redline comments from the City. The comments will be formatted as a list including reviewer name, page number, line or paragraph number, comment, and recommended change.
3. Prepare a response to all comments in the same list format (adding a response column) and deliver to the City for review.
4. Attend a scheduled conference call to discuss and resolve all addressed comments.
5. Prepare a final (100%) specifications and drawings. The specifications and drawings will be delivered to the City via email in PDF format. Six hard copies will also be delivered to the City.
6. Final specifications and drawing will also be delivered to TCEQ for public water supply plan review and UIC permitting purposes.

Task 3. Bidding Services

The project team will perform the following subtasks during the bidding services phase:

1. Attend pre-bid meeting and prepare pre-bid meeting minutes
2. Respond to up to 2 request for information
3. Prepare up to 2 addenda to the contract

4. Review bids and qualifications of successful bidder and prepare recommendation

Task 4. Services During Construction

As part of the Services During Construction Task, the CH2M HILL team will complete the following subtasks:

1. Attend pre-construction meeting and prepare pre-construction meeting minutes
2. Provide construction oversight and administration
 - 2.1. Provide up to 20 hours of on-site construction observation and inspection services.
 - 2.2. Provide reviews of technical submittals.
 - 2.3. Evaluate and prepare change orders for up to 2 changes to the contract after receiving approval for the change by the City.
 - 2.4. Provide analysis of technical data collected during acceptance testing.
 - 2.5. Additional hours may be authorized by the City and will be paid for on a time and materials basis.
3. Submit construction data to TCEQ Public Water Supply division for interim approval.
4. Submit construction data to TCEQ UIC division.
5. Provide closeout documents and record drawings at the end of construction.

Assumptions

1. The City will provide the expected distribution system pressure at the tie-in point based on the design rate of ASR 3.
2. Programming of control systems will be done by Bloc Design Build under contract to the General Construction Contractor. CH2M HILL will coordinate with Bloc Design Build when developing the P&ID and equipment list to be provided in the plans and specifications.
3. The CH2M HILL team will provide support for TCEQ permitting which includes public water supply plan review and UIC Class V injection well permitting. Any additional non-standard permitting tasks will be performed by others. All required fees will be paid by the City.
4. The City will be responsible for advertisement of the project for bid and maintaining the bidder's list.
5. Traffic control and storm water pollution prevention plans will be the responsibility of the Contractor performing the construction activities.

Proposed Schedule for Basic Services

Project Phase	Task Duration (Weeks)	Finish Time (Weeks from NTP)
Preliminary Design	4 weeks	4 weeks
Final Design	8 weeks	12 weeks
Bidding Services	4 weeks	16 weeks
Services During Construction	25 weeks ⁽¹⁾	41 weeks
(1) Assumes approximately 2 weeks of submittals and reviews, 20 week lead time for custom pump, six weeks of site construction, and three weeks of start-up and acceptance testing.		

Basis of Payment

Compensation for the tasks described above will be based on Time and Materials and will not exceed \$100,000 without prior authorization from the City of Kerrville. The breakdown of budget by task is expected to be as follows.

Project Phase	Budget
Preliminary Design	\$20,000
Final Design	\$55,000
Bidding Services	\$5,000
Services During Construction	\$20,000

Additional work may be authorized by the City of Kerrville on a time and materials basis at the rates provided below.

Billing Rates

Title	Billing Rate
Administrative Assistant	\$55
Junior Technician	\$70
Specification Processor	\$70
Mid-level Technician	\$85
Contracts Administrator	\$90
Junior Engineer	\$100
Project Accountant	\$100
Project Inspector	\$100
Mid-level Engineer	\$125
Senior Technician	\$125
Chief Inspector	\$130

Project Engineer	\$150
Senior Consultant	\$170
Project Manager	\$170
Principal Consultant	\$185
Safety Manager	\$195
Senior Project Manager	\$195

It is assumed that all work associated with this project will be complete by the end of 2010.

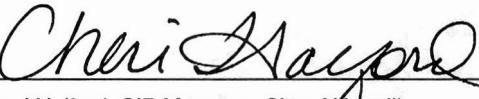
Approved In Form



Dieter Werner, PE, Project Engineer, City of Kerrville



Stuart Barron, Water/Wastewater Manager, City of Kerrville

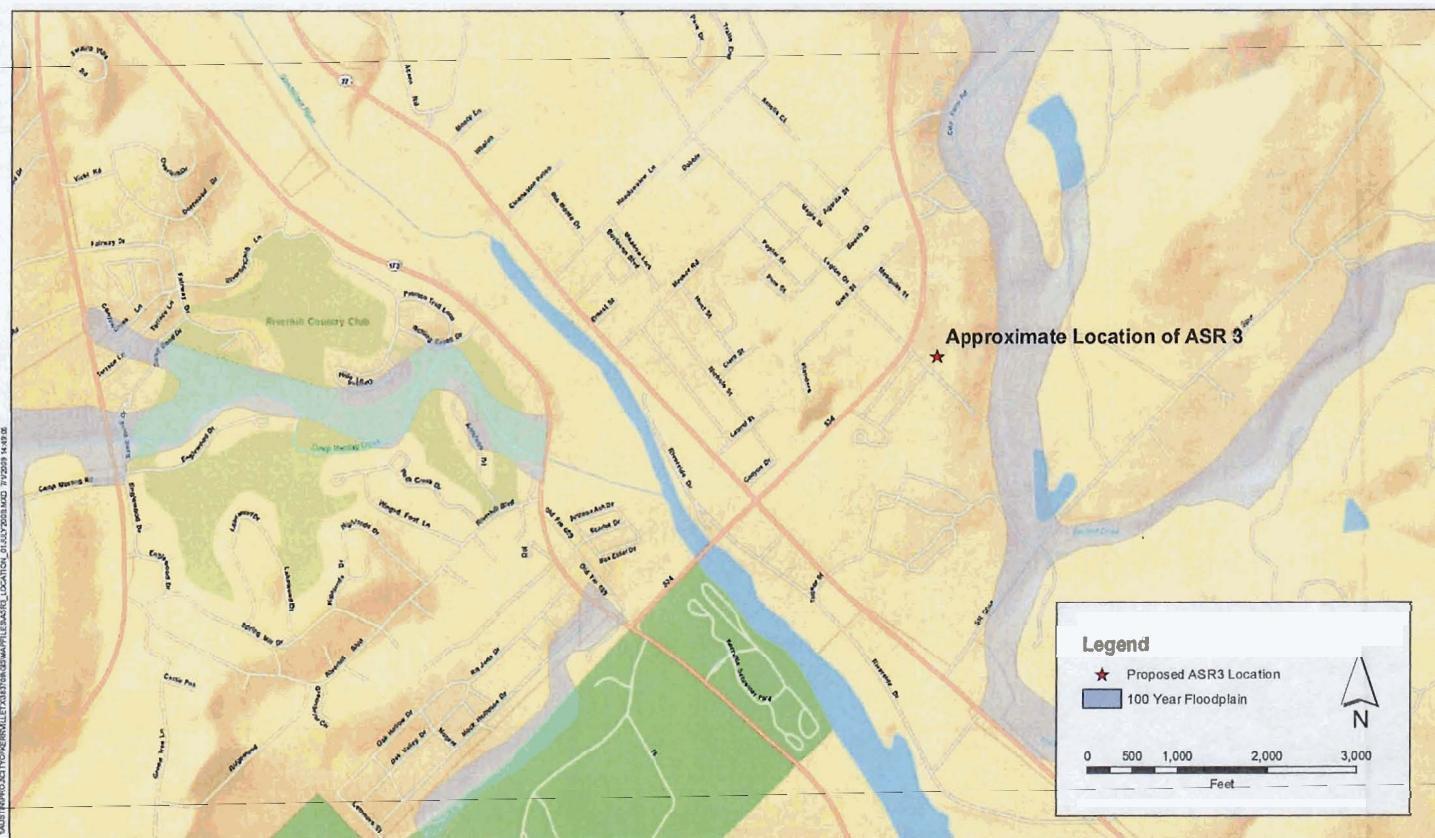


Cheri Halford, CIP Manager, City of Kerrville



Mike Wellborn, PE, Director of Engineering, City of Kerrville

Aquifer Storage and Recovery Well # 3



BUSINESS OF THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS

SUBJECT: Public Hearing: Annexation-Zoning Request – A proposed annexation-zoning request for approximately 86.71 acres generally located northwest of the Kerrville/Kerr County Airport fronting the northeast side of Peterson Farm Road, adjacent to the corporate limits of the City of Kerrville. Applicant: Kerr Economic Development Foundation. (File No. 2009-45)

FOR AGENDA: January 26, 2010 **DATE SUBMITTED:** January 15, 2010

SUBMITTED BY: Gordon Browning, Senior Planner 

EXHIBITS: Location Map, Applicant's Request, Annexation and Zoning Ordinance 

APPROVED FOR SUBMITTAL BY CITY MANAGER: 

Mail Agenda Bill to: Guy Overby, Kerr Economic Development Foundation, 1700 Sidney Baker, Suite 100, Kerrville, Texas 78028

Annexation-Zoning Timeline:

- November 30, 2009 – Annexation petition and zoning request submitted for review and consideration.
- December 3, 2009 – Notice of public hearing published in The Kerrville Daily Times.
- December 8, 2009 – City Council considers and accepts annexation petition for the subject tract by resolution.
- December 17, 2009 – Planning and Zoning Commission (P&Z) public hearing on proposed annexation and recommendation of zoning designation to the City Council.
- January 12, 2010 – City Council conducts the first required public hearing on the proposed annexation.

January 26, 2010 – City Council conducts the second required public hearing on the proposed annexation and considers an ordinance on first reading annexing and zoning the subject tract.

- February 9, 2010 – City Council considers an ordinance on second and final reading annexing and zoning the subject tract.

Summary:

The applicant proposes annexation and zoning of approximately eighty-six (86.71) acres generally located northwest of the Kerrville/Kerr County Airport, fronting the northeast side of Peterson Farm Road adjacent to the corporate limits of the City of Kerrville. The concept plan submitted as part of the request shows the property developed as an animal and insect research facility. The requested annexation and zoning is intended to

be the first step in the relocation of the USDA-ARS Knipling-Bushland U.S. Livestock Insects Research Laboratory currently located north of the City on SH 16.

Staff is working closely with the Kerr Economic Development Foundation, USDA-ARS staff and their consultants on the timing and development of this facility.

Article 11-I-4(b) of the Zoning Code requires on all annexation requests that:

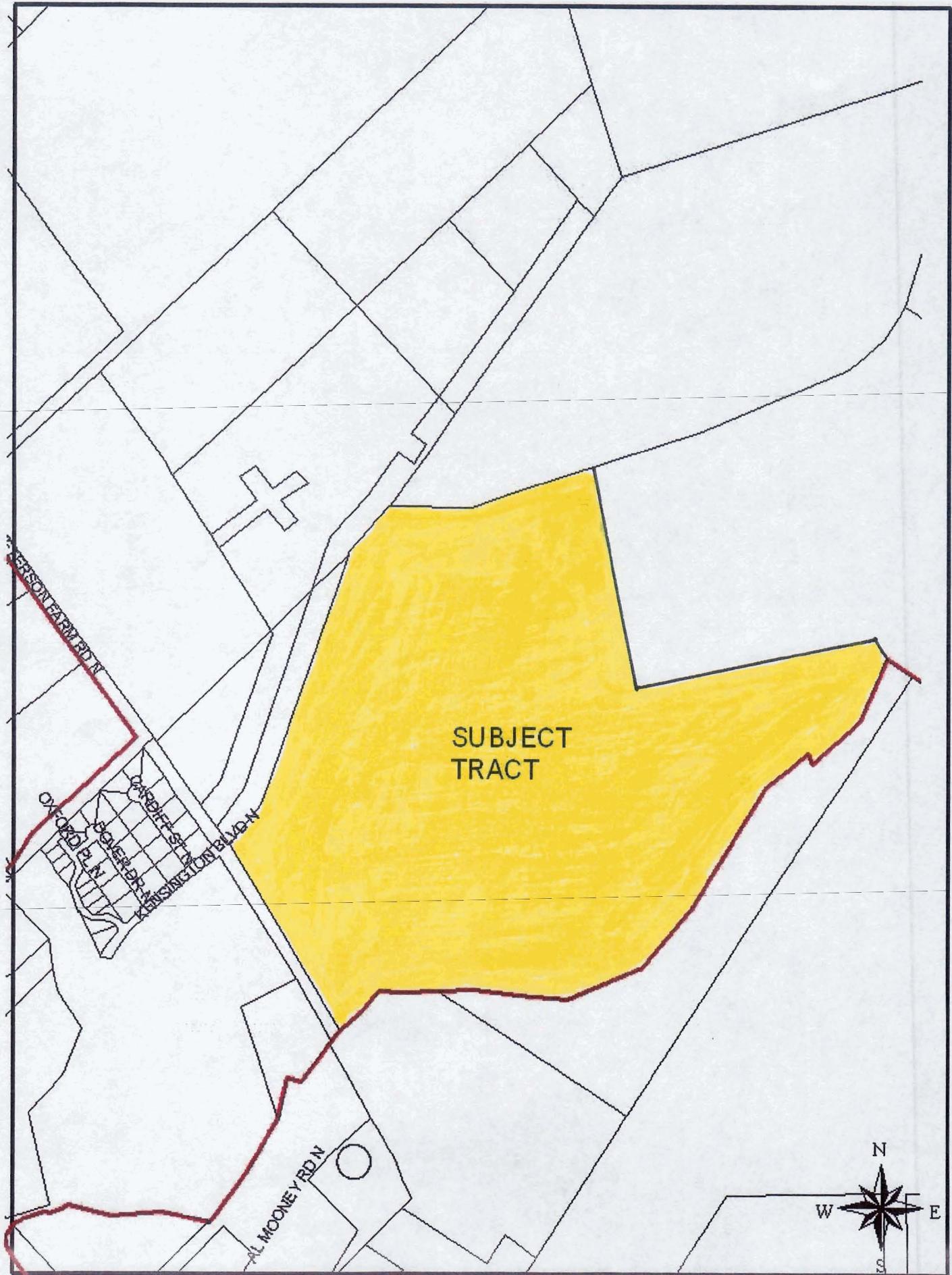
1. The Commission hold a public hearing on the proposed annexation, and
2. Make a recommendation to the City Council as to the zoning designation of the subject tract upon its annexation.

Staff recommended a zoning designation for this tract of PDD (Planned Development District) for a "USDA-ARS Livestock Insects Research Laboratory" to include the land uses and development standards outlined in the attached draft ordinance. The proposed use is in conformance with the compatible land uses outlined in the Airport Master Plan and the 'Rural Development' designation of the City's Comprehensive Plan.

The Planning and Zoning Commission, following a public hearing on this request, recommended annexing the subject tract with a zoning designation of PDD (Planned Development District) as outlined. No one from the public appeared at the public hearing.

RECOMMENDED ACTION

1. Open the public hearing and receive comments, and
2. Approve the annexing and zoning as outlined in the attached ordinance on first reading.



PETITION REQUESTING ANNEXATION TO THE CORPORATE LIMITS OF THE CITY
OF KERRVILLE, TEXAS, OF TEXAS ACRES OUT OF THE W.T. Creek Survey No 71
Survey, Abstract Number 114, KERR COUNTY TEXAS

TO THE HONORABLE MAYOR AND CITY COUNCIL OF THE CITY OF KERRVILLE,
TEXAS:

KEDF is the sole owner of an approximately 86.7 acre tract of land located adjacent to the incorporated limits of the City of Kerrville which is out of the Survey No. 71 Abstract No. 114 Kerr County, Texas, and is more particularly described as follows:

SEE EXHIBIT "A".

In accordance with Texas Local Government Code §43.028,
hereby respectfully requests and petitions that the above-
described property be annexed into the incorporated limits of the City of Kerrville, Texas.
SUBMITTED THIS 30th day of November 2009

By:

Legally authorized signature

ACKNOWLEDGEMENT

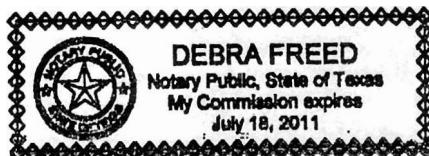
THE STATE OF TEXAS

३०८

COUNTY OF KERR

5

This instrument was acknowledged before me on the 30th day of November, 2009
by Guy R. Overby for and on behalf of
KEDF



NOTARY PUBLIC, STATE OF TEXAS

Printed Name: Debra Freig

My Commission Expires: 7-18-20

My Commission Expires: 7-18-2011

CITY OF KERRVILLE, TEXAS
ORDINANCE NO. ____-2009

AN ORDINANCE ANNEXING AN APPROXIMATE 86.71 ACRE TRACT OUT OF THE W.T. CROOK SURVEY NO. 71, ABSTRACT NO 114; SAID TRACT BEING LOCATED ADJACENT TO THE CORPORATE LIMITS OF THE CITY OF KERRVILLE, TEXAS AND GENERALLY LOCATED NORTHWEST OF THE KERRVILLE/KERR COUNTY AIRPORT FRONTING THE NORTHEAST SIDE OF PETERSON FARM ROAD; DESCRIBING THE TERRITORY TO BE ANNEXED; ADOPTING A SERVICE PLAN FOR THE TERRITORY ANNEXED; AND ESTABLISHING THE ZONING FOR THE AREA ANNEXED

WHEREAS, pursuant to Texas Local Government Code Section 43.052(h)(2), the owner of the property described in Section One, below, has petitioned the City to annex the property into the corporate limits of the City of Kerrville, Texas; and

WHEREAS, having provided all required public notices, held all required by public hearings at which persons with an interest in the matter were provided an opportunity to be heard, the City Council of the City of Kerrville, Texas, finds it to be in the public interest to approve an Ordinance annexing the subject property, adopt a service plan as required by state law, and establish zoning regulations for the area;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, KERR COUNTY, TEXAS:

SECTION ONE. The property as described in Exhibit A and depicted in Exhibit B, is hereby annexed and incorporated into the corporate limits of the City of Kerrville, Texas, for all legal purposes.

SECTION TWO. The service plan regarding the provision of public services set forth in Exhibit C, is adopted for the property described in Section One, above, as required by Texas Local Government Code 543.056.

SECTION THREE. Upon the adoption of this Ordinance, the property described in Section One, above, shall be placed in a newly created "Planned Development District for a "Livestock-Insects Research Laboratory". For the purpose of this Ordinance, Livestock-Insects Research Laboratory shall include the following uses:

- a. research laboratory and office space;
- b. large animal research facility;
- c. insect research and rearing facility;
- d. the keeping, penning and pasturing of livestock;
- e. maintenance and storage facilities and structures;
- f. animal waste storage incinerator;

- g. chemical storage structures; and
- h. accessory structures directly related thereto.

SECTION FOUR. The property described in Section One, above, may be developed and uses as a “Livestock-Insects Research Laboratory”, subject to each of the following:

- a. Concept Plan: The development of the property shall be substantially in accordance with the Concept Plan found in **Exhibit D**, attached hereto and incorporated herein by reference.
- b. Platting: The development of the property shall be subject to the City’s Subdivision Regulations, which includes submittal and approval of a plat.
- c. Development Site Plan: Prior to the issuance of a building permit, a Development Site Plan shall be submitted pursuant to the City regulations.
- d. Parking: The design, number of parking spaces, and aisle dimensions shall be in accordance with the regulations in effect at the time of individual building permits are submitted to the City.
- e. Sidewalks: The construction of sidewalks shall be required in accordance with the regulations in effect at the time building permits are submitted.
- f. Setbacks Requirements: The Planned Development District shall be developed with minimum setbacks from property lines as follows:
 - i. Front Yard Setback: 35.0 feet
 - ii. Rear Yard Setback: 35.0 feet
 - iii. Interior Yard Setback: 12.5 feet
 - iv. Exterior Yard Setback: 15.0 feet
 - v. Animal Pens: 30.0 feet from any property line
- g. Maximum Height: No building or structure shall exceed 40.0 feet in height. Notwithstanding the provisions of Article 11-1-3(a)(47), no portion of any structure built on the property, included but not limited to communication antennae and water towers, shall exceed 50.0 feet in height.
- h. Signs: The design, installation, location, and maintenance of signs shall comply with the City’s sign regulations existing at the time of permitting.
- i. Trash and Other Solid Waste: Solid waste collection bins and dumpsters shall be equipped with lids and screened with a gate with an opaque screen

on one side and masonry material finished to look substantially like the adjacent building on the remaining three (3) sides.

j. Outdoor Parking Lot Lighting: All parking lot pole lights shall be of a "shoe box" design and shall be located, shielded and aimed in such a manner so as not to allow light to fall directly on adjacent roadways and/or properties. All outdoor lighting must be designed in accordance with the regulations of the Federal Aviation Administration or its successor agency in order to prevent such outdoor lighting from constituting a hazard to air traffic arriving or departing the Kerrville/Kerr County Airport.

SECTION FIVE. The provisions of this Ordinance are to be cumulative of all Ordinances or parts of Ordinances governing or regulating the same subject matter as that covered herein; provided, however, that all prior ordinances or parts of ordinances inconsistent with or in conflict with any of the provisions of this Ordinance are hereby expressly repealed to the extent of any such inconsistency or conflict.

SECTION SIX. If any section, subsection, sentence, clause or phrase of this Ordinance is, for any reason, held to be unconstitutional or invalid, such holding shall not affect the validity of the remaining portions of this Ordinance. The Council of the City of Kerrville, Texas, hereby declares that it would have passed this Ordinance and each section, subsection, sentence, clause, or phrase hereof irrespective of the fact that any one or more sections, subsections, sentences, clauses, or phrases be declared unconstitutional or invalid.

SECTION SEVEN. The penalty for violation of this Ordinance shall be in accordance with the general penalty provisions contained in Article 1-1-9 of the Code of Ordinances of the City of Kerrville, Texas, which provides for a fine not exceeding TWO THOUSAND DOLLARS (\$2,000.00).

SECTION EIGHT. In accordance with Section 3.07 of the City Charter and Texas Local Government Code §52.013(a), the City Clerk is hereby authorized and directed to publish the descriptive caption of this Ordinance in the manner and for the length of time prescribed by the law as an alternative method of publication.

PASSED AND APPROVED ON FIRST READING, this the _____ day of
_____ A.D., 2009.

PASSED AND APPROVED ON FIRST READING, this the _____ day of
_____ A.D., 2009.

Todd A. Bock, Mayor

APPROVED AS TO FORM:

Michael C. Hayes, City Attorney

ATTEST:

Brenda C. Craig, City Secretary

FIELD NOTES DESCRIPTION FOR 86.71 ACRES OF LAND OUT
OF THE EQUITECH-BIO, INC. LAND ALONG PETERSON FARM
ROAD IN KERR COUNTY, TEXAS

Being all of a certain tract or parcel of land containing 86.71 acres, more or less, out of W.T. Crook Survey No. 71, Abstract No.114 in Kerr County, Texas; part of a certain 268.62 acre tract conveyed from James S. Ernst, et ux to Equitech-Bio, Inc. by an Assumption Warranty Deed with Vendor's Lien executed the 8th day of November, 1995 and recorded in Volume 823 at Page 774 of the Real Property Records of Kerr County, Texas; and being more particularly described by metes and bounds as follows:

BEGINNING at a $\frac{1}{2}$ " iron stake set in the northeast right-of-way line of Peterson Farm Road, a sixty (60) ft. wide public road and in the southwest line of said 268.62 acre tract for the most westerly corner of the herein described tract; which point bears: 64.57 ft. S.30°55'53"E. from a fence cornerpost, the most westerly corner of said 268.62 acre tract; and, approximately, 4646 ft. South and 3706 ft. West from the northwest corner of Survey No. 43;

THENCE, upon, over and across said 268.54 acre tract, parallel to and sixty (60) ft. east and southeast from the west line of 268.54 acre tract, all calls to set $\frac{1}{2}$ " iron stakes: N.37°23'22"E., 257.05 ft.; N.19°32'35"E., 746.64 ft.; N.18°32'29"E., 401.99 ft.; N.41°24'35"E., 226.79 ft.; S.89°03'43"E., 333.56 ft.; and N.71°57'13"E., 737.56 ft. to a $\frac{1}{2}$ " iron stake set in a fence for the northerly northeast corner of the herein described tract;

THENCE, along or near a fence continuing upon, over and across said 268.62 acre tract, all calls to fence angleposts: S.01°57'42"E., 482.78 ft.; S.13°11'05"E., 415.47 ft.; N.77°49'16"E., 753.33 ft.; N.77°58'21"E., 98.86 ft.; S.85°32'16"E., 12.08 ft.; S.74°27'14"E., 3.75 ft.; S.03°46'51"W., 17.24 ft.; and S.54°21'06"E., 154.52 ft. to a fence cornerpost in the south line of 268.62 acre tract and north line of a certain 142 acre tract conveyed as Parcel No. 1 from Ida E. Ingenuett, et al to the City of Kerrville by a Warranty Deed executed the 16th day of August, 1941 and recorded in Volume 68 at Page 302 of the Deed Records of Kerr County, Texas;

THENCE, along a fence with the common line between said 268.62 and 142 acre tracts: S.22°36'31"W., 289.54 ft. to a fence anglepost; S.47°54'07"W., 280.75 ft. to a fence cornerpost; and N.18°05'29"W., at 29.8 ft. passing a fence endpost, then continuing for a total distance of 51.30 ft. to an unmarked point in the approximate center of Silver Creek;

THENCE, with the said approximate center of Silver Creek continuing with the said common line between 268.62 and 142 acre tracts, all calls to unmarked points: S.51°22'58"W., 235.04 ft.; S.32°29'44"W., 281.06 ft.; S.30°19'43"W., 330.44 ft.; S.40°56'47"W., 335.80 ft.; S.66°45'40"W., 349.28 ft.; N.85°35'12"W., 217.96 ft.; N.82°37'16"W., 178.69 ft.; S.88°45'46"W., 192.23 ft.; S.86°02'35"W., 125.33 ft.; N.86°48'11"W., 100.78 ft.; S.41°59'45"W., 120.64 ft.; and S.46°29'39"W., 120.34 ft. to an unmarked point in a fence, the said northeast right-of-way line of Peterson Farm Road for the southwest corner of the herein described tract and 268.62 acre tract;

THENCE, along a fence with the southwest line of said 268.62 acre tract and northeast right-of-way line of Peterson Farm Road N.30°55'53"W., 864.69 ft. to the PLACE OF BEGINNING.

I hereby certify that this field notes description and accompanying plat are accurate representations of the property shown and described hereon as determined by a survey made on the ground under my direction and supervision, except no survey was made to reestablish Patent Survey lines or corners; and that all property corners are as shown.(Bearing basis = True north based on GPS observations)

Dates Surveyed: March 7 & 11, 2003
October 26, 2006

Dated this 31st day of January, 2008



Lee C. Voelkel
Registered Professional Land Surveyor No. 3909
County Surveyor for Kerr County, Texas

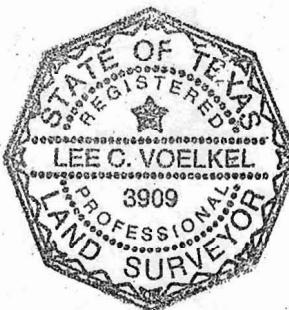


EXHIBIT A

ANNEXATION SERVICE PLAN

SERVICE	DETAILS OF SERVICE PROVIDED	TIMETABLE
Animal Control	The provisions of animal control services shall be in effect following annexation of the property.	Immediately following annexation
Code Enforcement	The provisions of Code Enforcement services, including the application and enforcement of building, electrical, plumbing, and other related code requirements adopted by the City of Kerrville shall be made immediately to the area upon annexation. The preparation of a zoning plan shall serve as a basis for the zoning of land following annexation. The adoption of the zoning plan shall be in accordance with the procedures of the City of Kerrville's Zoning Ordinance.	Immediately following annexation, zoning to be concurrent with annexation
Fire Protection and Suppression	Fire protection and suppression personnel and equipment from the Kerrville Fire Department will be provided to the area as needed.	Immediately following annexation
Fire Prevention	The services of the City of Kerrville Fire Marshall shall be provided to the area.	Immediately following annexation.
Library	Future residents of the area, if any, will continue to be entitled to utilize all City of Kerrville Library facilities.	Immediately following annexation.
Parks and Recreation	City of Kerrville Parks and Recreation services will continue to be available to any area residents.	Immediately following annexation
Police Protection	Police protection personnel and equipment shall be provided to the area immediately upon annexation. Police enforcement and protection services shall be provided through regular patrol activities.	Immediately following annexation

ANNEXATION SERVICE PLAN (CONTINUED)

SERVICE	DETAILS OF SERVICE PROVIDED	TIMETABLE
Public Services - Street Department	Public streets not maintained by the Texas Department of Transportation within the area shall be maintained by the City of Kerrville.	Immediately following annexation
Sanitation (Refuse Collection)	Refuse collection shall be available to any residents of the annexed area at the same costs and procedures as required of City residents and businesses.	Immediately following annexation
Traffic Engineering	Traffic control devices and street markers shall be installed where deemed necessary by the city street department, except as provided by the Texas Department of Transportation.	Immediately following annexation
Utilities (Water Distribution and Wastewater Collection)	Extension of utilities to the property shall be in accordance with the City of Kerrville's Subdivision Ordinance.	As the property develops

LEGEND:

1. LABORATORY / OFFICE BUILDING
2. LARGE ANIMAL RESEARCH / FLY & TICK REARING FACILITY
3. WELDING AND MAINTENANCE AND DESIGN FABRICATION
4. CATTLE WORKING BARN
5. EQUIPMENT STORAGE SHED
6. HAY BARN
7. FEED STORAGE BUILDING AND SILO
8. STORAGE BUILDING
9. HISTORIC BUILDING
10. INCINERATOR
11. HAZMAT STORAGE
12. TRASH ENCLOSURE
13. 100 YEAR FLOOD LIMITS PER SITE
FLOOD STUDY AS PREPARED BY
CDSMIURY SERVICES JULY 29, 2009
14. STEEP SLOPE UNSUITABLE
FOR CONSTRUCTION
15. ANIMAL WASTE LAGOON
16. STORMWATER WATER
QUALITY POND
17. ANIMAL PENS
18. AGGREGATE BASE/
GRAVEL PAVEMENT
19. PAVEMENT
20. CONCRETE SIDEWALK

100-YEAR FLOOD LIMITS FOR CITY
FLOOD STUDY AS PREPARED BY
CDSSMUEY SERVICES JULY 29, 2009

STEEP SLOPE UNSUITABLE
FOR CONSTRUCTION

ANIMAL WASTE LAGOON

STORMWATER WATER
QUALITY POND

ANIMAL PENS

AGGREGATE BASE/
GRAVEL PAVEMENT

PAVEMENT CONCRETE SIDEWALK

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PROBLEMS

Revised
Service
Scales

RESEARCH LABORATORY DIRECTOR - INVESTIGATIVE

T. REPRESENTATIVE	NAME	ADDRESS	PHONE NO.	FACULTIES INVOLVED
T. REEDMUTH	- A	BAPTIST & METHODIST	510-222-1212	FACULTIES INVOLVED

2001 HUMPHREY ANDERSON
BIRMINGHAM, ALA. 35203

111

PROPERTY BOUNDARY

PRIVATE GATE

SECURITY GATE

SECURITY GATES

CONNECT TO EXISTING WATER MAIN

CONNECT TO EASTING WATER MAIN

PETERSON FARM ROAD

PROPERTY BOUNDARY

GENERATOR

LPG TANK (FENCED)

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7

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12

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12

1

SANITARY LIFT STATION

SANITARY FORCE & GRAVITY MAIN TO SOUTH (SH 21 & AL MOONEY RD)

GRAPHIC DATA

EXHIBIT D

**BUSINESS OF THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Public Hearing: Annexation and Zoning Request – A proposed annexation-zoning request for approximately 3.954 acres located at 246 Johnson Drive, adjacent to the corporate limits of the City of Kerrville. Applicant: Kerrville/Kerr County Airport Board (File No. 2009-44)

FOR AGENDA: January 26, 2010 **DATE SUBMITTED:** January 15, 2010

SUBMITTED BY: Gordon Browning, Senior Planner

EXHIBITS: Location Map, Applicant's Request, Annexation and Zoning Ordinance

APPROVED FOR SUBMITTAL BY CITY MANAGER:

Mail Agenda Bill to: Bruce McKenzie, Airport Manager, 1877 Airport Loop, Kerrville, Texas 78028

Annexation-Zoning Timeline:

November 12, 2009 – Annexation petition and zoning request submitted for review and consideration.

December 3, 2009 – Notice of public hearing published in The Kerrville Daily Times.

- December 8, 2009 – City Council considers and accepts annexation petition for the subject tract by resolution.
December 17, 2009 – Planning and Zoning Commission (P&Z) public hearing on proposed annexation and recommendation of zoning designation to the City Council.
- January 12, 2010 – City Council conducts the first required public hearing on the proposed annexation.
January 26, 2010 – City Council conducts the second required public hearing on the proposed annexation and considers an ordinance on first reading annexing and zoning the subject tract.
February 9, 2010 – City Council considers an ordinance on second and final reading annexing and zoning the subject tract.

Summary:

The Kerrville/Kerr County Joint Airport Board, representing the owners, request annexation and zoning of the subject 3.954 acre tract adjacent to the airport and corporate limits of the City of Kerrville.

Article 11-I-4(b) of the Zoning Code requires on all annexation requests that:

1. The Commission hold a public hearing on the proposed annexation, and
2. Make a recommendation to the City Council as to the zoning designation of the subject tract upon annexation.

Staff recommended a zoning designation of "AD" (Airport District) which is in conformance with the Comprehensive Plan, the adjacent zoning and the Airport Master Plan.

The Planning and Zoning Commission, following a public hearing on this request, recommended annexing the subject tract with a zoning designation of AD (Airport District). No one from the public appeared at the public hearing.

RECOMMENDED ACTION

1. Open the public hearing and receive comments, and
2. Approve the annexing and zoning as outlined in the attached ordinance on first reading.



PETITION REQUESTING ANNEXATION TO THE CORPORATE LIMITS OF THE CITY
OF KERRVILLE, TEXAS, OF TEXAS ACRES OUT OF THE Kobis Road
Survey, Abstract Number , KERR COUNTY TEXAS

TO THE HONORABLE MAYOR AND CITY COUNCIL OF THE CITY OF KERRVILLE,
TEXAS:

Kerrville/Kerr County Airport is the sole owner of an approximately 3.95 acre tract of
land located adjacent to the incorporated limits of the City of Kerrville which is out of the
Survey No. Abstract No. Kerr County, Texas, and is more particularly
described as follows:

SEE EXHIBIT "A".

Kerrville/Kerr County Airport hereby respectfully requests and petitions that the above-
described property be annexed into the incorporated limits of the City of Kerrville, Texas.

SUBMITTED THIS 12 day of November 2009

By: Bruce D. McKenzie
Legally authorized signature

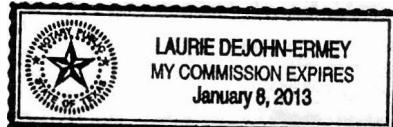
ACKNOWLEDGEMENT

THE STATE OF TEXAS

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§
§

COUNTY OF KERR

This instrument was acknowledged before me on the 12 day of November 2009
by Laurie DeJohn-Ermey for and on behalf of
Bruce McKenzie



Laurie DeJohn-Ermey
NOTARY PUBLIC, STATE OF TEXAS

Printed Name: Laurie DeJohn-Ermey
My Commission Expires: 01-08-2013

CITY OF KERRVILLE, TEXAS
ORDINANCE NO. ____-2010

**AN ORDINANCE ANNEXING AN APPROXIMATE 3.954 ACRE TRACT,
SAID PROPERTY BEING LOCATED ADJACENT TO THE CORPORATE
LIMITS OF THE CITY OF KERRVILLE, TEXAS, AND CONSISTING OF A
TRACT ADJACENT TO THE KERRVILLE/KERR COUNTY AIRPORT
AND BEING MORE PARTICULARLY DESCRIBED AS PART OF LOT 1,
SHADY GROVE SUBDIVISION; DESCRIBING THE TERRITORY TO BE
ANNEXED; ADOPTING A SERVICE PLAN FOR THE TERRITORY
ANNEXED; AND ESTABLISHING THE ZONING FOR THE AREA
ANNEXED**

WHEREAS, pursuant to Texas Local Government Code Section 43.052(h)(2), the owners of the property described in Section One, below, have petitioned the City to annex said property into the corporate limits of the City of Kerrville, Texas; and

WHEREAS, having provided all required public notices, held all required public hearings at which people with an interest in the matter were provided an opportunity to be heard, the City Council of the City of Kerrville, Texas, finds it to be in the public interest to approve an ordinance annexing the subject property, adopt a service plan as required by state law, and establish zoning regulations for the area;

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY
OF KERRVILLE, KERR COUNTY, TEXAS:**

SECTION ONE. The property, as described in **Exhibit A** and depicted in **Exhibit B**, is hereby annexed and incorporated into the corporate limits of the City of Kerrville, Texas, for all legal purposes.

SECTION TWO. The service plan regarding the provision of public services, as set forth in **Exhibit C**, attached hereto and incorporated herein by reference, is hereby adopted for the property described in Section One, above, as required by Texas Local Government Code §43.056.

SECTION THREE. Upon the adoption of this Ordinance, the property as described in Section One, above, shall be subject to a zoning designation of “AD”, Airport District.

SECTION FOUR. The provisions of this Ordinance are to be cumulative of all Ordinances or parts of Ordinances governing or regulating the same subject matter as that covered herein; provided, however, that all prior ordinances or parts of ordinances inconsistent with or in conflict with any of the provisions of this Ordinance are hereby expressly repealed to the extent of any such inconsistency or conflict.

SECTION FIVE. If any section, subsection, sentence, clause or phrase of this Ordinance is,

for any reason, held to be unconstitutional or invalid, such holding shall not affect the validity of the remaining portions of this Ordinance. The Council of the City of Kerrville, Texas, hereby declares that it would have passed this Ordinance and each section, subsection, sentence, clause, or phrase hereof irrespective of the fact that any one or more sections, subsections, sentences, clauses, or phrases be declared unconstitutional or invalid.

SECTION SIX. The penalty for violation of this Ordinance shall be in accordance with the general penalty provisions contained in Article 1-1-9 of the Code of Ordinances of the City of Kerrville, Texas, which provides for a fine not exceeding TWO THOUSAND DOLLARS (\$2,000.00).

SECTION SEVEN. In accordance with Section 3.07 of the City Charter and Texas Local Government Code §52.013(a), the City Clerk is hereby authorized and directed to publish the descriptive caption of this Ordinance in the manner and for the length of time prescribed by the law as an alternative method of publication.

**PASSED AND APPROVED ON FIRST READING, this the _____ day of
_____, A.D., 2010**

**PASSED AND APPROVED ON SECOND READING, this the _____ day of
_____, A.D., 2010.**

Todd A. Bock, Mayor

ATTEST:

Brenda G. Craig, City Clerk

APPROVED AS TO FORM:



Michael C. Hayes, City Attorney

Job No. S0285201
March 27, 2007

County: Kerr
C.S.J. No.:
Highway: Kerrville Airport
Project Limits: At Kerrville Airport

PROPERTY DESCRIPTION OF PARCEL NO. 1

Being a 3.954 of acres (172,274 square foot) parcel of land, more or less, out of Lot 1, Shady Grove Subdivision, Kerrville, Kerr County, Texas, being the tract as described in Volume 645, Page 227, Official Public Records, Kerr County, Texas, which 3.954 of acres (172,274 square feet) of land being more particularly described by metes and bounds as follows:

BEGINNING at a $\frac{1}{2}$ " rebar with MDS cap found for the southwest corner of the herein described tract, said point being in the north line of 39.51 acre tract as recorded in Volume 257, Page 608, Deed Records, Kerr County, Texas;

- 1) THENCE South $00^{\circ}00'15''$ West, with and along the west line of the herein described tract, a distance of 76.00 feet to a $\frac{1}{2}$ " rebar with a CEC plastic cap set for an angle point of said Johnson Drive;
- 2) THENCE North $33^{\circ}03'09''$ East, with and along the center line of Johnson Drive and the west line of the herein described tract, a distance of 79.30 feet to a $\frac{1}{2}$ " rebar with a CEC plastic cap set for an angle point of said Johnson Drive;
- 3) THENCE North $52^{\circ}33'09''$ East, with and along the center line of Johnson Drive and the west line of the herein described tract, a distance of 199.69 feet, to a $\frac{1}{2}$ " rebar with a CEC plastic cap set for the northwest corner of the herein described tract and the southwest corner of a 3.94 acre tract as recorded in Volume 192, Page 829, Deed Records, Kerr County, Texas;
- 4) THENCE South $84^{\circ}52'09''$ West, with and along the north line of the herein described tract and the south line of said 3.94 acre tract, a distance of 438.89 feet to a $\frac{1}{2}$ " rebar with a CEC plastic cap set for the northeast corner of the herein described tract and the southeast corner of a 3.94 acre as recorded in Volume 192, Page 829, Deed Records, Kerr County, Texas;
- 5) THENCE South $14^{\circ}25'48''$ East, with and along the east line of the herein described tract and the west line of a 5.94 acre tract as recorded in Volume 1222, Page 687, Official Public Records, Kerr County, Texas, a distance of 311.82 feet to a $\frac{1}{2}$ " rebar found for the

southeast corner of the herein described tract and the southwest corner of said 5.94 acre tract, said point being in the north line of said 39.51 acre tract;

- 6) South $89^{\circ}54'27''$ West, with and along the south line of the herein described tract and the north line of said 39.51 acre tract, a distance of 716.63 feet to the **POINT OF BEGINNING** and containing 3.954 acres (172,274 square feet) of land, more or less.

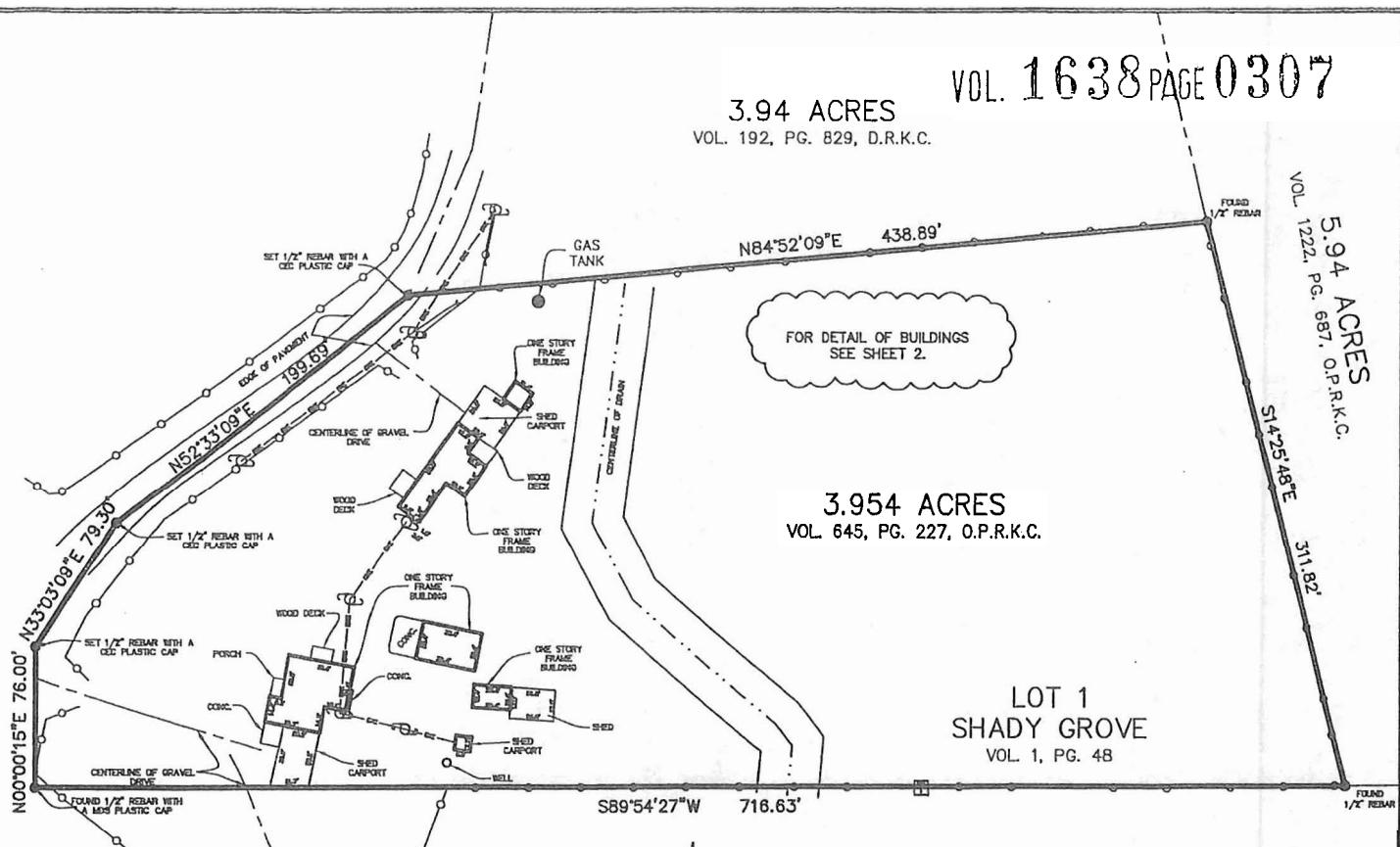
The basis of bearing recited herein is the Texas State Plane Coordinate System (South Central Zone 4204). This description was prepared from a survey made on the ground by employees of Civil Engineering Consultants. The square footage recited herein is based on mathematical calculations and is subject to the rules of rounding and significant numbers. There is a plat of survey with even date.

Chester A. Varner, R.P.L.S. 3/27/07
Chester A. Varner, RPLS#4812

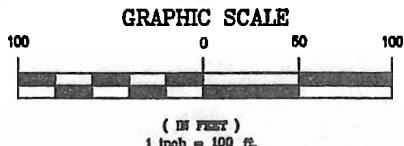


VOL. 1638 PAGE 0307

3.94 ACRES
VOL. 192, PG. 829, D.R.K.C.



39.51 ACRES
VOL. 257, PG. 608, D.R.K.C.



NOTES:

- BEARINGS ARE BASED ON NAD 83 TEXAS STATE PLANE COORDINATE SYSTEM (SOUTH CENTRAL ZONE 4204).
- A LEGAL DESCRIPTION OF EVEN SURVEY DATE HEREWITHE ACCOMPANIES THIS PLAT.
- THE SQUARE FOOTAGE RECITED HEREIN IS BASED ON MATHEMATICAL CALCULATIONS AND IS SUBJECT TO THE RULES OF ROUNDING AND SIGNIFICANT NUMBERS.
- THE ACREAGE OF THE PARENT TRACT WAS TAKEN FROM THE RECORDED INSTRUMENTS IS NOT BASED ON FIELD DIMENSIONS.
- FIELD SURVEY COMPLETED AND MONUMENTS SET: MARCH 30, 2007.
- O.P.R.K.C. = OFFICIAL PUBLIC RECORDS OF KERR COUNTY, TEXAS.
D.R.K.C. = DEED RECORDS OF KERR COUNTY, TEXAS.

*Austin A. Verner
P.V.S. 3/30/07*

LEGEND

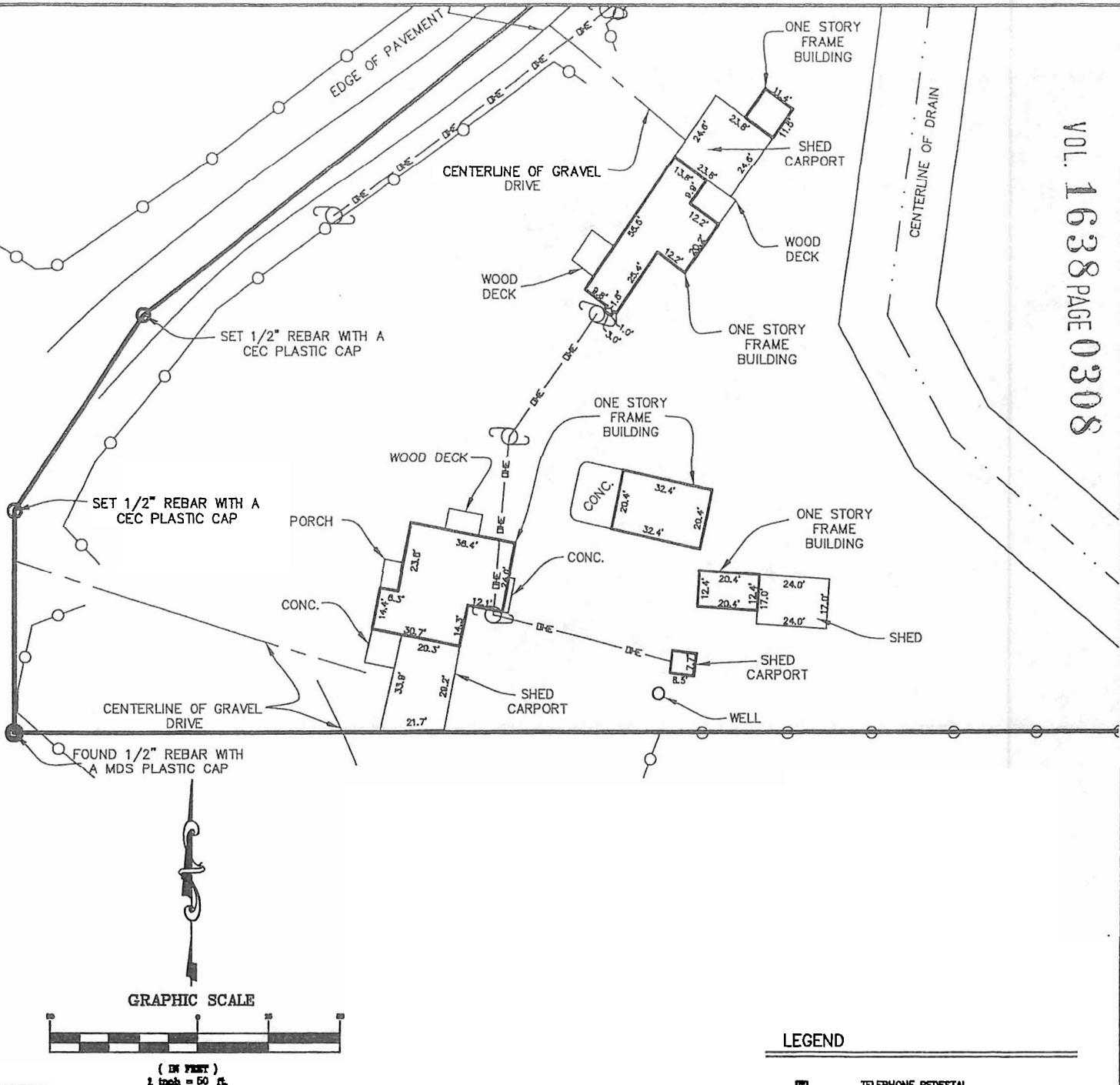
- TELEPHONE PEDESTAL
- POWER POLE
- GUY WIRE
- WIRE FENCE
- OVERHEAD ELECTRIC LINE



CIVIL ENGINEERING CONSULTANTS
11650 IH 10 WEST, SUITE 396
SAN ANTONIO, TEXAS (210) 641-9999

PARCEL 1

DIST. NAME SAN ANTONIO	PLAT OF A SURVEY OF PROPERTY TEXAS DEPARTMENT OF TRANSPORTATION	COUNTY KERR
R.C.S.J. 0000-00-000	KERRVILLE AIRPORT	DATE OF SURVEY MARCH 27, 2007
TAKING: 3.954 ACRES (172,274 SQ. FT.)		
REMAINDER: 0.000 ACRES		PAGE: 1 OF 2



NOTES:

1. BEARINGS ARE BASED ON NAD 83 TEXAS STATE PLANE COORDINATE SYSTEM (SOUTH CENTRAL ZONE 4204).
2. A LEGAL DESCRIPTION OF EVEN SURVEY DATE HEREWITHE ACCOMPANIES THIS PLAT.
3. THE SQUARE FOOTAGE RECITED HEREIN IS BASED ON MATHEMATICAL CALCULATIONS AND IS SUBJECT TO THE RULES OF ROUNDING AND SIGNIFICANT NUMBERS.
4. THE ACREAGE OF THE PARENT TRACT WAS TAKEN FROM THE RECORDED INSTRUMENTS IS NOT BASED ON FIELD DIMENSIONS.
5. FIELD SURVEY COMPLETED AND MONUMENTS SET: MARCH 30, 2007.
6. O.P.R.K.C. - OFFICIAL PUBLIC RECORDS OF KERR COUNTY, TEXAS.
D.R. - DEED RECORDS OF KERR COUNTY, TEXAS.

LEGEND

 TELEPHONE PEDESTAL
 POWER POLE
 GUY WIRE
 WIRE FENCE
 ONE OVERHEAD ELECTRIC LINE



CIVIL ENGINEERING CONSULTANTS

PARCEL 1

PARCEL 1		
DIST. NAME SAN ANTONIO	PLAT OF A SURVEY OF PROPERTY TEXAS DEPARTMENT OF TRANSPORTATION	COUNTY KERR
R.C.S.J. 0000-00-000	KERRVILLE AIRPORT	DATE OF SURVEY MARCH 27, 2007
TAKING: 3.954 ACRES (172,274 SQ. FT.)		
REMAINDER: 0.00 ACRES	PAGE: 2 OF 2	

Provisions herein which restrict the sale, rental or use of the described property because of color or race is invalid and unenforceable under Federal Law.
THE STATE OF TEXAS, }
COUNTY OF KERR }

I hereby certify this instrument was FILED in the File Number Sequence
on the date and at the time stamped hereon by me and was duly RECORDED
in the Official Public Records of Kerr County, Texas on

OCT 18 2007



Janet Peiser

COUNTY CLERK, KERR COUNTY, TEXAS

RECORDER'S NOTE
AT TIME OF RECORDATION INSTRUMENT FOUND
TO BE INADEQUATE FOR BEST PHOTOGRAPHIC
REPRODUCTION DUE TO THE DEPTH & DARKNESS OF
PRINT, COLOR OF PRINT OR INK, BACKGROUND OF
PAPER, ILLEGIBILITY, CARBON OR PHOTO COPY ETC.

ANNEXATION SERVICE PLAN

SERVICE	DETAILS OF SERVICE PROVIDED	TIMETABLE
Animal Control	The provisions of animal control services shall be in effect following annexation of the property.	Immediately following annexation
Code Enforcement	The provisions of Code Enforcement services, including the application and enforcement of building, electrical, plumbing, and other related code requirements adopted by the City of Kerrville shall be made immediately to the area upon annexation. The preparation of a zoning plan shall serve as a basis for the zoning of land following annexation. The adoption of the zoning plan shall be in accordance with the procedures of the City of Kerrville's Zoning Ordinance.	Immediately following annexation, zoning to be concurrent with annexation
Fire Protection and Suppression	Fire protection and suppression personnel and equipment from the Kerrville Fire Department will be provided to the area as needed.	Immediately following annexation
Fire Prevention	The services of the City of Kerrville Fire Marshall shall be provided to the area.	Immediately following annexation.
Library	Future residents of the area, if any, will continue to be entitled to utilize all City of Kerrville Library facilities.	Immediately following annexation.
Parks and Recreation	City of Kerrville Parks and Recreation services will continue to be available to any area residents.	Immediately following annexation
Police Protection	Police protection personnel and equipment shall be provided to the area immediately upon annexation. Police enforcement and protection services shall be provided through regular patrol activities.	Immediately following annexation

ANNEXATION SERVICE PLAN (CONTINUED)

SERVICE	DETAILS OF SERVICE PROVIDED	TIMETABLE
Public Services - Street Department	Public streets not maintained by the Texas Department of Transportation within the area shall be maintained by the City of Kerrville.	Immediately following annexation
Sanitation (Refuse Collection)	Refuse collection shall be available to any residents of the annexed area at the same costs and procedures as required of City residents and businesses.	Immediately following annexation
Traffic Engineering	Traffic control devices and street markers shall be installed where deemed necessary by the city street department, except as provided by the Texas Department of Transportation.	Immediately following annexation
Utilities (Water Distribution and Wastewater Collection)	Extension of utilities to the property shall be in accordance with the City of Kerrville's Subdivision Ordinance.	As the property develops

PETITION REQUESTING ANNEXATION TO THE CORPORATE LIMITS OF THE CITY
OF KERRVILLE, TEXAS, OF TEXAS ACRES OUT OF THE Kerrville
Survey, Abstract Number _____, KERR COUNTY TEXAS

TO THE HONORABLE MAYOR AND CITY COUNCIL OF THE CITY OF KERRVILLE,
TEXAS:

Kerrville Kerr County Airport is the sole owner of an approximately 3.95 acre tract of
land located adjacent to the incorporated limits of the City of Kerrville which is out of the
Survey No. _____ Abstract No. _____ Kerr County, Texas, and is more particularly
described as follows:

SEE EXHIBIT "A".

Kerrville Kerr County Airport In accordance with Texas Local Government Code §43.028,
hereby respectfully requests and petitions that the above-
described property be annexed into the incorporated limits of the City of Kerrville, Texas.

SUBMITTED THIS 12 day of November 2009

By: Bruce D. McKenzie
Legally authorized signature

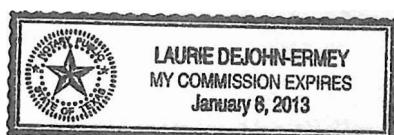
ACKNOWLEDGEMENT

THE STATE OF TEXAS

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§

COUNTY OF KERR

This instrument was acknowledged before me on the 12 day of November 2009
by Laurie DeJohn-Ermey for and on behalf of
Bruce McKenzie.



Laurie DeJohn-Ermey
NOTARY PUBLIC, STATE OF TEXAS

Printed Name: Laurie DeJohn-Ermey

My Commission Expires: 01-08-2013

CITY OF KERRVILLE, TEXAS
ORDINANCE NO. ____-2010

**ORDINANCE AUTHORIZING THE ISSUANCE, SALE AND DELIVERY
OF \$ ____ IN AGGREGATE PRINCIPAL AMOUNT OF "CITY OF
KERRVILLE, TEXAS COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2010"; SECURING THE
PAYMENT THEREOF BY AUTHORIZING THE LEVY OF AN ANNUAL
AD VALOREM TAX AND A PLEDGE OF CERTAIN SURPLUS
REVENUES OF THE CITY'S WATERWORKS AND SEWER SYSTEM;
AND APPROVING AND AUTHORIZING THE EXECUTION OF A
PAYING AGENT/REGISTRAR AGREEMENT, A PURCHASE
CONTRACT, AN OFFICIAL STATEMENT AND ALL OTHER
INSTRUMENTS AND PROCEDURES RELATED THERETO**

WHEREAS, the City of Kerrville, Texas (the "*City*") in Kerr County, Texas, is a political subdivision of the State of Texas operating as a home-rule city pursuant to the Texas Local Government Code and its City Charter which was initially approved by the qualified voters of the City on February 24, 1942, and which has been amended from time to time, with the most recent amendments being approved by the qualified voters of the City on May 4, 1999; and

WHEREAS, the City Council of the City hereby determines that it is necessary and desirable to acquire, construct and equip extensions and improvements to the City's waterworks and sewer system (collectively, the "*Project*"); and

WHEREAS, the City Council of the City intends to finance the Projects from proceeds derived from the sale of Certificates of Obligation issued by the City pursuant to Sections 271.041 - 271.065, Texas Local Government Code, as amended; and

WHEREAS, on December 8, 2009, the City Council adopted a resolution authorizing and directing the City Secretary to give notice of intention to issue Certificates of Obligation; and

WHEREAS, said notice has been duly published in the *Kerrville Daily Times*, which is a newspaper of general circulation in the City in its issues of December 10, 2009, and December 17, 2009; and

WHEREAS, the City received no petition signed by at least five percent of the qualified electors of the City protesting the issuance of such Certificates of Obligation; and

WHEREAS, it is considered to be in the best interest of the City that said interest bearing Certificates of Obligation be issued; and

***NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY
OF KERRVILLE, KERR COUNTY, TEXAS, THAT:***

SECTION TWO. DESIGNATION, DATE, DENOMINATIONS, NUMBERS AND MATURITIES OF THE CERTIFICATES OF OBLIGATION. Each certificate of obligation issued pursuant to and for the purpose described in Section 1 of this Ordinance shall be designated: **CITY OF KERRVILLE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2010**, and initially there shall be issued, sold and delivered hereunder one fully registered certificate of obligation, without interest coupons, dated February 1, 2010, in the aggregate principal amount of \$_____, numbered T-1 (the "*Initial Certificate of Obligation*"), with certificates of obligation issued in replacement thereof being in the denomination of \$5,000 or any integral multiple thereof and numbered consecutively from R-1 upward, all payable to the initial registered owner thereof (with the *Initial Certificate of Obligation* being payable to the initial purchaser designated in Section 16 hereof), or to the registered assignee or assignees of said certificates of obligation or any portion or portions thereof (in each case, the "*Registered Owner*"), and the certificates of obligation shall mature and be payable serially on *August 15* in each of the years and in the principal amounts, respectively, as set forth in the following schedule:

YEAR OF Maturity	PRINCIPAL AMOUNT (\$)	YEAR OF Maturity	PRINCIPAL AMOUNT (\$)
2011		2021	
2012		2022	
2013		2023	
2015		2025	
2016		2026	
2017		2027	
2018		2028	
2019		2029	
2020		2030	

The term "*Certificates of Obligation*" as used in this Ordinance shall mean and include the Certificates of Obligation initially issued and delivered pursuant to this Ordinance and all substitute certificates of obligation exchanged therefor, as well as all other substitute certificates of obligation and replacement certificates of obligation issued pursuant hereto, and the term "*Certificate of Obligation*" shall mean any of the Certificates of Obligation.

SECTION THREE. INTEREST. The Certificates of Obligation shall bear interest calculated on the basis of a 360-day year composed of twelve 30-day months from the dates specified in the FORM CERTIFICATE OF OBLIGATION set forth in this Ordinance to their respective dates of maturity or prior redemption at the following rates per annum:

YEAR OF Maturity	Interest Rate (%)	YEAR OF Maturity	Interest Rate (%)
2011		2021	
2012		2022	
2013		2023	
2014		2024	
2015		2025	
2016		2026	
2017		2027	
2018		2028	
2019		2029	
2020		2030	

Said interest shall be payable in the manner provided and on the dates stated in the FORM OF CERTIFICATE OF OBLIGATION set forth in this Ordinance.

SECTION FOUR. CHARACTERISTICS OF THE CERTIFICATES OF OBLIGATION; APPROVAL OF PAYING AGENT/REGISTRAR AGREEMENT. (a) Registration, Transfer, and Exchange; Authentication. The City shall keep or cause to be kept at the designated corporate trust or commercial banking office (currently located in Austin, Texas) of WELLS FARGO BANK, N.A. (the "Paying Agent/Registrar") books or records for the registration of the transfer and exchange of the Certificates of Obligation (the "Registration Books"), and the City hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers and exchanges under such reasonable regulations as the City and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers and exchanges as herein provided. Attached hereto as *Exhibit A* is a copy of the Paying Agent/Registrar Agreement between the City and the Paying Agent/Registrar which is hereby approved in substantially final form, and the Mayor, Mayor Pro-Tem and City Secretary of the City are hereby authorized to execute the Paying Agent/Registrar Agreement and approve any changes in the final form thereof.

The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Certificate of Obligation to which payments with respect to the Certificates of Obligation shall be mailed, as herein provided; but it shall be the duty of each

registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. To the extent possible and under reasonable circumstances, all transfers of Certificates of Obligation shall be made within three business days after request and presentation thereof. The City shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, exchange and delivery of a substitute Certificate of Obligation or Certificates of Obligation shall be paid as provided in the FORM CERTIFICATE OF OBLIGATION set forth in this Ordinance. Registration of assignments, transfers and exchanges of Certificates of Obligation shall be made in the manner provided and with the effect stated in the FORM OF CERTIFICATE OF OBLIGATION set forth in this Ordinance. Each substitute Certificate of Obligation shall bear a letter and/or number to distinguish it from each other Certificate of Obligation.

Except as provided in (c) below, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Certificate of Obligation, date and manually sign the Paying Agent/Registrar's Authentication Certificate, and no such Certificate of Obligation shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all paid Certificates of Obligation and Certificates of Obligation surrendered for transfer and exchange. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the City or any other body or person so as to accomplish the foregoing transfer and exchange of any Certificate of Obligation or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Certificates of Obligation in the manner prescribed herein, and said Certificates of Obligation shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Chapter 1201, Texas Government Code, and particularly Subchapter D and Section 1201.067 thereof, the duty of transfer and exchange of Certificates of Obligation as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Certificate, the transferred and exchanged Certificate of Obligation shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Certificates of Obligation which initially were issued and delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(b) Payment of Certificates of Obligation and Interest. The City hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Certificates of Obligation, all as provided in this Ordinance. The Paying Agent/ Registrar shall keep proper records of all payments made by the City and the Paying Agent/Registrar with respect to the Certificates of Obligation.

(c) In General. The Certificates of Obligation (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Certificates of Obligation to be payable only to the registered owners thereof, (ii) may be redeemed prior to their scheduled

maturities (notice of which shall be given to the Paying Agent/Registrar by the City at least 50 days prior to any such redemption date), (iii) may be transferred and assigned, (iv) may be exchanged for other Certificates of Obligation, (v) shall have the characteristics, (vi) shall be signed, sealed, executed and authenticated, (vii) shall be payable as to principal and interest, and (viii) shall be administered and the Paying Agent/Registrar and the City shall have certain duties and responsibilities with respect to the Certificates of Obligation, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF CERTIFICATE OF OBLIGATION set forth in this Ordinance. The Initial Certificate of Obligation is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Certificate of Obligation issued in exchange for the Initial Certificate of Obligation issued under this Ordinance the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF CERTIFICATE OF OBLIGATION. In lieu of the executed Paying Agent/Registrar's Authentication Certificate described above, the Initial Certificate of Obligation delivered on the closing date (as further described in subparagraph (i) below) shall have attached thereto the Comptroller's Registration Certificate substantially in the form set forth in the FORM OF CERTIFICATE OF OBLIGATION below, manually executed by the Comptroller of Public Accounts of the State of Texas or by her duly authorized agent, which certificate shall be evidence that the Initial Certificate of Obligation has been duly approved by the Attorney General of the State of Texas and that it is a valid and binding obligation of the City, and has been registered by the Comptroller.

(d) Substitute Paying Agent/Registrar. The City covenants with the registered owners of the Certificates of Obligation that at all times while the Certificates of Obligation are outstanding the City will provide a competent and legally qualified bank, trust company, financial institution, or other entity to act as and perform the services of Paying Agent/Registrar for the Certificates of Obligation under this Ordinance, and that the Paying Agent/Registrar will be one entity and shall be an entity registered with the Securities and Exchange Commission. The City reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the City covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Certificates of Obligation, to the new Paying Agent/Registrar designated and appointed by the City. Upon any change in the Paying Agent/Registrar, the City promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Certificates of Obligation, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

(e) Book-Entry Only System for Certificates of Obligation. The Certificates of Obligation issued in exchange for the Certificates of Obligation initially issued to the purchaser specified in Section 16 herein shall be initially issued in the form of a separate single fully registered Certificate of Obligation for each of the maturities thereof. Upon initial issuance, the ownership of each such Certificate of Obligation shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York ("DTC"), and except as provided in subsection (i) hereof, all of the outstanding Certificates of Obligation shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Certificates of Obligation registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created ("DTC Participant") to hold securities to facilitate the clearance and settlement of securities transaction among DTC Participants or to any person on behalf of whom such a DTC Participant holds an interest in the Certificates of Obligation. Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Certificates of Obligation, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of the Certificates of Obligation, as shown on the Registration Books, of any notice with respect to the Certificates of Obligation, or (iii) the payment to any DTC Participant or any other person, other than a registered owner of Certificates of Obligation, as shown in the Registration Books of any amount with respect to principal of or interest on the Certificates of Obligation. Notwithstanding any other provision of this Ordinance to the contrary, the City and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Certificate of Obligation is registered in the Registration Books as the absolute owner of such Certificate of Obligation for the purpose of payment of principal and interest with respect to such Certificate of Obligation, for the purpose of registering transfers with respect to such Certificate of Obligation, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Certificates of Obligation only to or upon the order of the registered owners, as shown in the Registration Books as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of and interest on the Certificates of Obligation to the extent of the sum or sums so paid. No person other than a registered owner, as shown in the Registration Books, shall receive a Certificate of Obligation certificate evidencing the obligation of the City to make payments of principal and interest pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks being mailed to the registered owner at the close of business on the Record Date, the words "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

(f) Successor Securities Depository; Transfers Outside Book-Entry Only Systems. In the event that the City determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the City to DTC or that it is in the best interest of the beneficial owners of the Certificates of Obligation that they be able to obtain certificated Certificates of Obligation, the City shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Certificates of Obligation to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Certificates of Obligation and transfer one or more separate Certificates of Obligation to DTC Participants having Certificates of Obligation credited to their DTC accounts. In such event, the Certificates of Obligation shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names registered owners transferring or exchanging Certificates of Obligation shall designate, in accordance with the provisions of this Ordinance.

(g) Payments to Cede & Co. Notwithstanding any other provision of this Ordinance to the contrary, so long as any Certificate of Obligation is registered in the name of Cede & Co., as nominee for DTC, all payments with respect to principal of and interest on such Certificate of Obligation and all notices with respect to such Certificate of Obligation shall be made and given, respectively, in the manner provided in the representation letter of the City to DTC.

(h) DTC Letter of Representation. The officers of the City are herein authorized for and on behalf of the City and as officers of the City to enter into one or more Letters of Representation with DTC establishing the book-entry only system with respect to the Certificates of Obligation.

(i) Delivery of Initial Certificate of Obligation. On the closing date, one Initial Certificate of Obligation representing the entire principal amount of the respective series of Certificates of Obligation, payable in stated installments to the initial registered owner named in Section 16 of this Ordinance or its designee, executed by manual or facsimile signature of the Mayor or Mayor Pro-Tem and City Secretary of the City, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to the initial purchaser or its designee. Upon payment for the Initial Certificate of Obligation, the Paying Agent/Registrar shall cancel the Initial Certificate of Obligation and deliver to the initial registered owner or its designee one registered definitive Certificate of Obligation for each year of maturity of the Certificates of Obligation, in the aggregate principal amount of all of the Certificates of Obligation for such maturity.

SECTION FIVE. FORM OF CERTIFICATE OF OBLIGATION. The form of the Certificates of Obligation, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment, and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas (to be attached only to the Certificates of Obligation initially issued and delivered pursuant to this Ordinance), shall be, respectively, substantially as

follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Ordinance.

FORM OF CERTIFICATE OF OBLIGATION

R- **UNITED STATES OF AMERICA** **PRINCIPAL**
STATE OF TEXAS **AMOUNT**
COUNTY OF KERR **\$**
CITY OF KERRVILLE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
SERIES 2010

INTEREST RATE	MATURITY DATE	DATE OF SERIES	CUSIP NO.
_____ %	August 15, 20____	February 1, 2010	_____

REGISTERED OWNER:

PRINCIPAL AMOUNT: **DOLLARS**

ON THE MATURITY DATE specified above, the **CITY OF KERRVILLE, TEXAS** (the "City"), being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "*Registered Owner*"), the Principal Amount specified above, and to pay interest thereon (calculated on the basis of a 360-day year of twelve 30-day months) from the date of initial delivery of the series of which this Certificate of Obligation is a part (as shown on the records of the Paying Agent/Registrar identified below) at the Interest Rate per annum specified above, payable on February 15, 2011, and semiannually on each February 15 and August 15 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except that if this Certificate of Obligation is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Certificate of Obligation or Certificates of Obligation, if any, for which this Certificate of Obligation is being exchanged is due but has not been paid, then this Certificate of Obligation shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Certificate of Obligation are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Certificate of Obligation shall be paid to the Registered Owner hereof upon

presentation and surrender of this Certificate of Obligation at maturity or upon the date fixed for redemption prior to maturity, at the designated corporate trust or commercial banking office (currently located in _____, Texas) of _____, which is the "*Paying Agent/Registrar*" for this Certificate of Obligation. The payment of interest on this Certificate of Obligation shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Certificate of Obligation (the "*Ordinance*") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day of the month next preceding each such date (the "*Record Date*") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "*Special Record Date*") will be established by the Paying Agent/Registrar if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "*Special Payment Date*" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Registered Owner 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. Any accrued interest due upon the redemption of this Certificate of Obligation prior to maturity as provided herein shall be paid to the Registered Owner upon presentation and surrender of this Certificate of Obligation for redemption and payment at the designated corporate trust office of the Paying Agent/Registrar (unless the redemption date is a regularly scheduled interest payment date, in which case accrued interest on such redeemed Certificates of Obligation shall be payable in the regular manner described above). The City covenants with the Registered Owner of this Certificate of Obligation that on or before each principal payment date, interest payment date and accrued interest payment date for this Certificate of Obligation it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Certificates of Obligation, when due.

IF THE DATE for the payment of the principal of or interest on this Certificate of Obligation shall be 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, or the United States Postal Service is not open for business, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close, or the United States Postal Service is not open for business; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS CERTIFICATE OF OBLIGATION is one of a series of Certificates of Obligation dated as of February 1, 2010, authorized in accordance with the Constitution and laws of the

State of Texas in the aggregate principal amount of \$ _____ **FOR THE PURPOSE OF PAYING, IN WHOLE OR IN PART, CONTRACTUAL OBLIGATIONS TO BE INCURRED TO** _____ **AND TO PAY COSTS OF ISSUANCE.**

ON AUGUST 15, 20_____, or on any date thereafter, the Certificates of Obligation of this Series maturing on and after August 15, 20_____, may be redeemed prior to their scheduled maturities, at the option of the City, with funds derived from any available and lawful source, as a whole, or in part (provided that a portion of a Certificate of Obligation may be redeemed only in an integral multiple of \$5,000), at the redemption price of the principal amount of Certificates of Obligation called for redemption, plus accrued interest thereon to the date fixed for redemption. The City shall determine the maturity or maturities, and the principal amount of Certificates of Obligation within each maturity, to be redeemed. If less than all Certificates of Obligation of a maturity are to be redeemed, the particular Certificates of Obligation to be redeemed shall be selected by the Paying Agent/Registrar at random and by lot.

ADDITIONALLY, THE CERTIFICATES OF OBLIGATION MATURING on August 15 in the years 20_____, 20_____, and 20_____, (collectively, the "*Term Certificates*") are subject to mandatory redemption prior to maturity in part by lot, at a price equal to the principal amount thereof plus accrued interest to the date of redemption, on the dates and in the respective principal amounts shown below:

TERM CERTIFICATES MATURING AUGUST 15, 20_____		TERM CERTIFICATES MATURING AUGUST 15, 20_____	
Mandatory Redemption Date	Redemption Amount	Mandatory Redemption Date	Redemption Amount
August 15, 20_____		August 15, 20_____	
August 15, 20_____		August 15, 20_____	
August 15, 20_____ (maturity)		August 15, 20_____ (maturity)	

TERM CERTIFICATES MATURING AUGUST 15, 20_____	
Mandatory Redemption Date	Redemption Amount
August 15, 20_____	\$
August 15, 20_____	
August 15, 20_____ (maturity)	

The principal amount of the Term Certificates required to be redeemed pursuant to the operation of such mandatory redemption requirements may be reduced, at the option of the City, by the principal amount of any such Term Certificates which, prior to the date of the mailing of notice of such mandatory redemption, (i) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (ii) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City, or (iii) shall have been redeemed pursuant to the optional redemption provisions described in the preceding paragraph and not theretofore credited against a mandatory redemption requirement.

AT LEAST 30 DAYS prior to the date fixed for any redemption of Certificates of Obligation or portions thereof prior to maturity, a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid to the Registered Owner of each Certificate of Obligation to be redeemed at its address as it appeared on the Registration Books maintained by the Paying Agent/Registrar on the day such notice of redemption is mailed. Any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Registered Owner. The notice may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar no later than the redemption date, or (2) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of an authorized representative to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if such notice is so rescinded. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates of Obligation or portions thereof which are to be so redeemed. If such written notice of redemption is mailed (and not rescinded), and if due provision for such payment is made, all as provided above, the Certificates of Obligation or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the Registered Owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Certificate of Obligation shall be redeemed a substitute Certificate of Obligation or Certificates of Obligation having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the Registered Owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon the surrender thereof for cancellation, at the expense of the City, all as provided in the Ordinance.

ALL CERTIFICATES OF OBLIGATION OF THIS SERIES are issuable solely as fully registered Certificates of Obligation, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Ordinance, this Certificate of Obligation, may, at the request of the Registered Owner or the assignee or assignees hereof, be assigned, transferred and exchanged for a like aggregate principal amount of fully registered Certificates of Obligation, without interest coupons, payable to the appropriate Registered Owner, assignee or

assignees, as the case may be, having the same denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate Registered Owner, assignee or assignees, as the case may be, upon surrender of this Certificate of Obligation to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Ordinance. Among other requirements for such assignment and transfer, this Certificate of Obligation must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Certificate of Obligation or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Certificate of Obligation or any such portion or portions hereof is or are to be registered. The form of Assignment printed or endorsed on this Certificate of Obligation may be executed by the Registered Owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Certificate of Obligation or any portion or portions hereof from time to time by the Registered Owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for transferring and exchanging any Certificate of Obligation or portion thereof shall be paid by the City, but any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer or exchange as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer or exchange during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date.

WHENEVER THE BENEFICIAL OWNERSHIP of this Certificate of Obligation is determined by a book entry at a securities depository for the Certificates of Obligation, the foregoing requirements of holding, delivering or transferring this Certificate of Obligation shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

IN THE EVENT any Paying Agent/Registrar for the Certificates of Obligation is changed by the City, resigns, or otherwise ceases to act as such, the City has covenanted in the Ordinance that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the Registered Owners of the Certificates of Obligation.

IT IS HEREBY certified, recited, and covenanted that this Certificate of Obligation has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Certificate of Obligation have been performed, existed, and been done in accordance with law; that this Certificate of Obligation is a general obligation of the City, issued on the full faith and credit thereof; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Certificate of Obligation, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the City, and have been pledged for such payment, within the limits prescribed by law and that this Certificate of Obligation is additionally secured by a lien on and

pledge of Surplus Revenues received by the City from the ownership and operation of the City's Waterworks and Sewer System, all as provided in the Ordinance authorizing the Certificates of Obligation.

THE CITY also has reserved the right to amend the Ordinance as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the registered owners of a majority in aggregate principal amount of the outstanding Certificates of Obligation.

BY BECOMING the Registered Owner of this Certificate of Obligation, the Registered Owner thereby acknowledges all of the terms and provisions of the Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Ordinance is duly recorded and available for inspection in the official minutes and records of the governing body of the City, and agrees that the terms and provisions of this Certificate of Obligation and the Ordinance constitute a contract between each Registered Owner hereof and the City.

IN WITNESS WHEREOF, the City has caused this Certificate of Obligation to be signed with the manual or facsimile signature of the Mayor or Mayor Pro-Tem of the City, and countersigned with the manual or facsimile signature of the City Secretary of the City, and the official seal of the City has been duly impressed, or placed in facsimile, on this Certificate of Obligation.

Countersigned:

(facsimile signature)
City Secretary, City of Kerrville, Texas

(facsimile signature)
Mayor [Pro-Tem], City of Kerrville, Texas

(CITY SEAL)

FORM OF REGISTRATION CERTIFICATE
OF THE COMPTROLLER OF PUBLIC ACCOUNTS:

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

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

Witness my signature and seal this

(COMPTROLLER'S SEAL)

Comptroller of Public Accounts
of the State of Texas

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FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

(To be executed if this Certificate of Obligation is not accompanied by an executed Registration Certificate of the Comptroller of Public Accounts of the State of Texas)

It is hereby certified that this Certificate of Obligation has been issued under the provisions of the Ordinance described in the text of this Certificate of Obligation; and that this Certificate of Obligation has been issued in exchange for a certificate of obligation or certificates of obligation, or a portion of a certificate of obligation or certificates of obligation of a series which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated

WELLS FARGO BANK, N.A.
Austin, Texas
Paying Agent/Registrar

By _____
Authorized Representative

[The remainder of this page intentionally left blank]

FORM OF ASSIGNMENT:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned Registered Owner of this Certificate of Obligation, or duly authorized representative or attorney thereof, hereby sells, assigns and transfers this Certificate of Obligation and all rights hereunder unto

/

(Assignee's Social Security or
Taxpayer Identification Number) (Please print or typewrite Assignee's name and address,
including zip code)

and hereby irrevocably constitutes and appoints _____ attorney to transfer the registration of this Certificate of Obligation on the Paying Agent/Registrar's Registration Books with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

NOTICE: The signature above must correspond with the name of the Registered Owner as it appears upon the front of this Certificate of Obligation in every particular, without alteration or enlargement or any change whatsoever.

INITIAL CERTIFICATE OF OBLIGATION INSERTIONS

The Initial Certificate of Obligation shall be in the form set forth above except that:

- (A) Immediately under the name of the Certificate of Obligation, the headings "INTEREST RATE" and "MATURITY DATE" shall be completed with the words "As shown below" and "CUSIP NO. _____" shall be deleted.
- (B) The first paragraph shall be deleted and the following shall be inserted:

"ON THE RESPECTIVE MATURITY DATES specified below, the **CITY OF KERRVILLE, TEXAS** (the "City"), being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), the respective Principal Installments specified below, and to pay interest thereon (calculated on the basis of a 360-day

year composed of twelve 30-day months) from the date of initial delivery of the series of which this Certificate of Obligation is a part at the respective Interest Rates per annum specified below, payable on February 15, 2011, and semiannually on each February 15 and August 15 thereafter to the respective Maturity Dates specified below, or the date of redemption prior to maturity. The respective Maturity Dates, Principal Installments and Interest Rates for this Certificate of Obligation are set forth in the following schedule:

MATURITY DATE (AUGUST 15)	PRINCIPAL INSTALLMEN T	INTERES T RATE	MATURITY DATE (AUGUST 15)	PRINCIPAL INSTALLMEN T	INTERES T RATE

[Insert principal and interest information from Sections 2 and 3 above]"

(C) The Initial Certificate of Obligation shall be numbered "T-1."

SECTION SIX. INTEREST AND SINKING FUND; TAX LEVY. A special Interest and Sinking Fund for the Certificates of Obligation (the "*Interest and Sinking Fund*") is hereby created solely for the benefit of the Certificates of Obligation, and the Interest and Sinking Fund shall be established and maintained by the City at an official depository bank of the City. The Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of the City, and shall be used only for paying the interest on and principal of the Certificates of Obligation. All ad valorem taxes levied and collected for and on account of the Certificates of Obligation shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while any of the Certificates of Obligation or interest thereon are outstanding and unpaid, the City shall compute and ascertain a rate and amount of ad valorem tax which, together with "Surplus Revenues" with respect to the Certificates of Obligation (as described in Section 7 below) budgeted to pay principal and interest coming due during such fiscal year, will be sufficient to raise and produce the money required to pay the interest on the Certificates of Obligation as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of its Certificates of Obligation as such principal matures (but never less than 2% of the original principal amount of the Certificates of Obligation as a sinking fund each year); and said tax shall be based on the latest approved tax rolls of the City, with full allowance being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in the City for each year while any of the Certificates of Obligation or interest thereon are outstanding and unpaid; and said tax shall be assessed and collected each such year and deposited to the credit of the respective Interest and Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificates of Obligation, as

such interest comes due and such principal matures, are hereby pledged for such payment, within the limit prescribed by law.

SECTION SEVEN. SURPLUS REVENUES. Pursuant to Section 271.052, Texas Local Government Code, as amended, and Chapter 1502, Texas Government Code, as amended, the Certificates of Obligation additionally shall be payable from and secured by surplus revenues derived by the City from the City's Waterworks and Sewer System remaining after (a) payment of all amounts constituting operation and maintenance expenses of said Waterworks and Sewer System, and (b) payment of all debt service, reserve, and other requirements and amounts required to be paid under all ordinances heretofore or hereafter authorizing (i) all bonds and (ii) all other obligations not on a parity with the Certificates of Obligation, which are payable from and secured by any Waterworks and Sewer System revenues, and (c) payment of all amounts payable from any Waterworks and Sewer System revenues pursuant to contracts heretofore or hereafter entered into by the City in accordance with law (the "*Surplus Revenues*"). If for any reason the City fails to deposit ad valorem taxes levied pursuant to Section 6 hereof to the credit of the Interest and Sinking Fund in an amount sufficient to pay, when due, the principal of and interest on the Certificates of Obligation, then Surplus Revenues may be deposited to the credit of the Interest and Sinking Fund and used to pay such principal and/or interest. The City reserves, and shall have, the right to issue bonds and other obligations not on a parity with the Certificates of Obligation, and to enter into contracts, in accordance with applicable laws, to be payable from and secured by any Waterworks and Sewer System revenues.

SECTION EIGHT. CONSTRUCTION FUND. There is hereby created and established in the depository of the City, a fund to be called the *City of Kerrville, Texas Combination Tax and Revenue Certificates of Obligation (Series 2010) Construction Fund* (herein called the "**Construction Fund**"). Proceeds from the sale and delivery of the Certificates of Obligation (other than proceeds representing accrued interest on the Certificates of Obligation and any premium on the Certificates of Obligation that is not used by the City to pay costs of issuance in accordance with the provisions of Section 1201.042(d), Texas Government Code, as amended, which shall be deposited in the Interest and Sinking Fund) shall be deposited in the Construction Fund. Money in the Construction Fund shall be subject to disbursements by the City for payment of all costs incurred in carrying out the purpose for which the Certificates of Obligation are issued, including but not limited to costs for construction, engineering, architecture, financing, financial consultants and legal services related to the project being financed with proceeds of the Certificates of Obligation and the issuance of the Certificates of Obligation. All funds remaining on deposit in the Construction Fund upon completion of the projects being financed with the proceeds from the Certificates of Obligation, if any, shall be transferred to the Interest and Sinking Fund.

SECTION NINE. INVESTMENTS. Funds on deposit in the Interest and Sinking Fund and the Construction Fund shall be secured by the depository bank of the City in the manner and to the extent required by law to secure other public funds of the City and may be invested from time to time in any investment authorized by applicable law, including but not limited to the Public Funds Investment Act (Chapter 2256, Texas Government Code), and the City's investment policy adopted in accordance with the provisions of the Public Funds Investment Act;

provided, however, that investments purchased for and held in the Interest and Sinking Fund shall have a final maturity no later than the next principal or interest payment date for which such funds are required, and investments purchased for and held in the Construction Fund shall have a final maturity of not later than the date the City reasonably expects the funds from such investments will be required to pay costs of the projects for which the Certificates of Obligation were issued. Income and profits from such investments shall be deposited in the respective Fund which holds such investments; however, any such income and profits from investments in the Construction Fund may be withdrawn by the City and deposited in the Interest and Sinking Fund to pay all or a portion of the interest next coming due on the Certificates of Obligation. It is further provided, however, that any interest earnings on Certificate of Obligation proceeds which are required to be rebated to the United States of America pursuant to Section 14 hereof in order to prevent the Certificates of Obligation from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

SECTION TEN. EMPOWERED. The City Manager and Director of Finance are hereby ordered to do any and all things necessary to accomplish the transfer of monies to the Interest and Sinking Fund of this issue in ample time to pay such items of principal and interest.

SECTION ELEVEN. DEFEASANCE OF THE CERTIFICATES OF OBLIGATION. *(a) Defeasance.* Any Certificate of Obligation and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "*Defeased Certificate of Obligation*") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Certificate of Obligation, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, 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 in accordance with an escrow agreement or other instrument (the "*Future Escrow Agreement*") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure 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 for the payment of its services until all Defeased Certificates of Obligation shall have become due and payable. At such time as a Certificate of Obligation shall be deemed to be a Defeased Certificate of Obligation hereunder, as aforesaid, such Certificate of 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 herein levied and pledged as provided in this Ordinance, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem Defeased Certificates of Obligation that is made in conjunction with the payment arrangements specified in subsection (a)(i) or (ii) of this Section shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the City expressly reserves the right to call the Defeased Certificates of Obligation for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Certificates of Obligation immediately following the

making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Investment of Funds in Defeasance Securities. Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the City be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Certificates of Obligation and interest thereon, with respect to which such money has been so deposited, shall be turned over to the City, or deposited as directed in writing by the City. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Certificates of Obligation 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 the requirements specified in subsection (a)(i) or (ii) of this Section. All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Certificates of Obligation, with respect to which such money has been so deposited, shall be remitted to the City or deposited as directed in writing by the City.

(c) Definition of Defeasance Securities. The term "*Defeasance Securities*" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (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 of the purchase thereof 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 on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iv) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Certificates of Obligation.

(d) Duties of Paying Agent/Registrar. Until all Defeased Certificates of Obligation shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Certificates of Obligation 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 this Ordinance.

(e) Selection of Certificates of Obligation to be Defeased. In the event that the City elects to defease less than all of the principal amount of Certificates of Obligation of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Certificates of Obligation by such random method as it deems fair and appropriate.

SECTION TWELVE. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED CERTIFICATES OF OBLIGATION. (a) Replacement Certificates of

Obligation. In the event any outstanding Certificate of Obligation is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new certificate of obligation of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Certificate of Obligation, in replacement for such Certificate of Obligation in the manner hereinafter provided.

(b) Application for Replacement Certificates of Obligation. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Certificates of Obligation shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Certificate of Obligation, the registered owner applying for a replacement certificate of obligation shall furnish to the City and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Certificate of Obligation, the registered owner shall furnish to the City and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Certificate of Obligation, as the case may be. In every case of damage or mutilation of a Certificate of Obligation, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Certificate of Obligation so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Certificate of Obligation shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Certificate of Obligation, the City may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Certificate of Obligation) instead of issuing a replacement Certificate of Obligation, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Certificates of Obligation. Prior to the issuance of any replacement certificate of obligation, the Paying Agent/Registrar shall charge the registered owner of such Certificate of Obligation with all legal, printing, and other expenses in connection therewith. Every replacement certificate of obligation issued pursuant to the provisions of this Section by virtue of the fact that any Certificate of Obligation is lost, stolen, or destroyed shall constitute a contractual obligation of the City whether or not the lost, stolen, or destroyed Certificate of Obligation shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and proportionately with any and all other Certificates of Obligation duly issued under this Ordinance.

(e) Authority for Issuing Replacement Certificates of Obligation. In accordance with Chapter 1201, Texas Government Code, as amended, this Section of this Ordinance shall constitute authority for the issuance of any such replacement certificate of obligation without necessity of further action by the governing body of the City or any other body or person, and the duty of the replacement of such certificates of obligations is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Certificates of Obligation in the form and manner and with the effect, as provided in Section 4(a)

of this Ordinance for Certificates of Obligation issued in exchange for other Certificates of Obligation.

SECTION THIRTEEN. CUSTODY, APPROVAL, AND REGISTRATION OF THE CERTIFICATES OF OBLIGATION; BOND COUNSEL'S OPINION, BOND INSURANCE, AND CUSIP NUMBERS. The Mayor or Mayor Pro-Tem of the City is hereby authorized to have control of the Certificates of Obligation initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Certificates of Obligation pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Certificates of Obligation said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Certificates of Obligation, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the City's Bond Counsel (with an appropriate certificate pertaining thereto executed by facsimile signature of the City Secretary of the City), a statement regarding the issuance of a municipal bond insurance policy to secure payment of debt service on the Certificates of Obligation, if any, and the assigned CUSIP numbers may, at the option of the City, be printed on the Certificates of Obligation issued and delivered under this Ordinance, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Certificates of Obligation.

SECTION FOURTEEN. COVENANTS REGARDING TAX-EXEMPTION OF INTEREST ON THE CERTIFICATES OF OBLIGATION. (a) Covenants. The City covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Certificates of Obligation as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "*Code*"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the City covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Certificates of Obligation or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds of the Certificates of Obligation or the projects financed therewith are so used, such amounts, whether or not received by the City, with respect to such private business use, do not, under the terms of this Ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Certificates of Obligation, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Certificates of Obligation or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which

is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Certificates of Obligation (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action which would otherwise result in the Certificates of Obligation being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Certificates of Obligation being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Certificates of Obligation, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Certificates of Obligation, other than investment property acquired with --

(A) proceeds of the Certificates of Obligation invested for a reasonable temporary period of three years or less until such proceeds are needed for the purpose for which the Certificates of Obligation are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Certificates of Obligation;

(7) to otherwise restrict the use of the proceeds of the Certificates of Obligation or amounts treated as proceeds of the Certificates of Obligation, as may be necessary, so that the Certificates of Obligation do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings);

(8) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Certificates of Obligation) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after

the Certificates of Obligation have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code; and

(9) to assure that the proceeds of the Certificates of Obligation will be used solely for new money projects.

(b) Rebate Fund. In order to facilitate compliance with the above covenant (8), a "Rebate Fund" is hereby established by the City for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) Proceeds. The City understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Certificates of Obligation. It is the understanding of the City that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Certificates of Obligation, the City will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Certificates of Obligation under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Certificates of Obligation, the City agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Certificates of Obligation under section 103 of the Code. In furtherance of such intention, the City hereby authorizes and directs the Mayor, the City Manager or the Director of Finance of the City to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the City, which may be permitted by the Code as are consistent with the purpose for the issuance of the Certificates of Obligation.

(d) Allocation of, and Limitation on, Expenditures for the Project. The City covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 1 of this Ordinance (collectively referred to herein as the "Project") on its books and records in accordance with the requirements of the Internal Revenue Code. The City recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the City recognizes that in order for proceeds to be expended under the Internal Revenue Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Certificates of Obligation, or (2) the date the

Certificates of Obligation are retired. The City agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Certificates of Obligation. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) *Disposition of Project.* The City covenants that the property constituting the projects financed or refinanced with the proceeds of the Certificates of Obligation will not be sold or otherwise disposed in a transaction resulting in the receipt by the City of cash or other compensation, unless the City obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Certificates of Obligation. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(f) *Designation as Qualified Tax-Exempt Obligations.* The City hereby designates the Certificates of Obligation as "qualified tax-exempt bonds" as defined in section 265(b)(3) of the Code. In furtherance of such designation, the City represents, covenants and warrants the following: (i) that during the calendar year in which the Certificates of Obligation are issued, the City (including any subordinate entities) has not designated nor will designate bonds, which when aggregated with the Certificates of Obligation, will result in more than \$30,000,000 of "qualified tax-exempt bonds" being issued; (ii) that the City reasonably anticipates that the amount of tax-exempt obligations issued, during the calendar year in which the Certificates of Obligation are issued, by the City (or any subordinate entities) will not exceed \$30,000,000; and (iii) that the City will take such action or refrain from such action as necessary, and as more particularly set forth in this Section, in order that the Certificates of Obligation will not be considered "private activity bonds" within the meaning of section 141 of the Code.

SECTION FIFTEEN. CONTINUING DISCLOSURE UNDERTAKING.

(a) *Definitions.* As used in this Section, the following terms have the meanings ascribed to such terms below:

"**EMMA**" means the Electronic Municipal Market Access system being established by the MSRB.

"**MSRB**" means the Municipal Securities Rulemaking Board.

"**Rule**" means SEC Rule 15c2-12, as amended from time to time.

"**SEC**" means the United States Securities and Exchange Commission.

(b) Annual Reports. The City shall provide annually to the MSRB through EMMA within six months after the end of each fiscal year ending in or after 2009, financial information and operating data with respect to the City of the general type included in the final Official Statement authorized by this Ordinance being the information described in *Exhibit B* hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in *Exhibit B* hereto, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the City shall provide (1) unaudited financial statements for such fiscal year within such six month period, and (2) audited financial statements for the applicable fiscal year to the MSRB through EMMA when and if the audit report on such statements become available.

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

The financial information and operating data to be provided pursuant to this paragraph (b) may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB through EMMA or filed with the SEC.

(c) Material Event Notices. The City shall notify the MSRB through EMMA in a timely manner, of any of the following events with respect to the Certificates of Obligation, if such event is material within the meaning of the federal securities laws:

- A. Principal and interest payment delinquencies;
- B. Non-payment related defaults;
- C. Unscheduled draws on debt service reserves reflecting financial difficulties;
- D. Unscheduled draws on credit enhancements reflecting financial difficulties;
- E. Substitution of credit or liquidity providers, or their failure to perform;
- F. Adverse tax opinions or events affecting the tax-exempt status of the Certificates of Obligation;
- G. Modifications to rights of holders of the Certificates of Obligation;

- H. Redemption calls;
- I. Defeasances;
- J. Release, substitution, or sale of property securing repayment of the Certificates of Obligation; and
- K. Rating changes.

The City shall notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with paragraph (b) of this Section by the time required by such paragraph.

(d) Limitations, Disclaimers, and Amendments. The City shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the City remains an "obligated person" with respect to the Certificates of Obligation within the meaning of the Rule, except that the City in any event will give notice of any deposit made in accordance with Section 11 of this Ordinance that causes Certificates of Obligation no longer to be outstanding.

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

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

No default by the City in observing or performing its obligations under this Section shall comprise a breach of or default under this Ordinance for purposes of any other provision of this Ordinance.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

The provisions of this Section may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Certificates of Obligation in the primary offering of the Certificates of Obligation in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Certificates of Obligation consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the holders and beneficial owners of the Certificates of Obligation. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates of Obligation in the primary offering of the Certificates of Obligation. If the City so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with paragraph (b) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided.

SECTION SIXTEEN. SALE AND DELIVERY OF THE CERTIFICATES OF OBLIGATION. The Certificates of Obligation are hereby initially sold and shall be delivered to **RBC CAPITAL MARKETS CORPORATION**, as representative of the initial purchasers of the Certificates of Obligation (the "*Underwriters*"), at a price of \$_____ (which amount is equal to par, plus a net original issue premium of \$_____, and less Underwriters' discount of \$_____), and no accrued interest, all pursuant to the terms and provisions of a Purchase Contract in substantially the form attached hereto as *Exhibit C* which the Mayor or Mayor Pro-Tem of the City is hereby authorized to execute and deliver, and which the City Secretary is hereby authorized to attest. The City will deliver to the Underwriters an Initial Certificate of Obligation in the aggregate principal amount of \$_____ payable in principal installments on the dates and in the principal amounts shown in Section 2 hereof, and bearing interest at the rates for each respective maturity as shown in Section 3 hereof. The Initial Certificate of Obligation shall be registered in the name of **RBC CAPITAL MARKETS CORPORATION**.

SECTION SEVENTEEN. APPROVAL OF OFFICIAL STATEMENT. The City hereby approves the form and content of the Official Statement relating to the Certificates of Obligation and any addenda, supplement, or amendment thereto, and approves the distribution of the Official Statement in the reoffering of the Certificates of Obligation by the Underwriters in final form, with such changes therein or additions thereto as the officer executing the same may

deem advisable, such determination to be conclusively evidenced by his execution thereof. The distribution and use of the Preliminary Official Statement for the Certificates of Obligation, dated January __, 2010, prior to the date hereof is hereby ratified and confirmed. The City Council finds and determines that the Preliminary Official Statement and the Official Statement were and are "deemed final" as of each of their respective dates within the meaning, and for the purpose, of Rule 15c2-12 promulgated under authority granted by the Federal Securities and Exchange Act of 1934.

SECTION EIGHTEEN. MUNICIPAL BOND INSURANCE POLICY. On the date of delivery of the Certificates of Obligation, the City will obtain from _____ (the "*Insurer*") a municipal bond insurance policy in support of the Certificates of Obligation. To that end, for so long as said policy is in effect, the ordinance requirements of the Insurer, as a condition to the issuance of said policy, attached hereto as *Exhibit D*, are incorporated by reference into this Ordinance and made a part hereof for all purposes, notwithstanding any other provision of this Ordinance to the contrary. The City is authorized to use proceeds of the Certificates of Obligation to purchase such policy.

SECTION NINETEEN. AUTHORITY FOR OFFICERS TO EXECUTE DOCUMENTS AND APPROVE CHANGES. The Mayor, Mayor Pro-Tem, City Secretary, City Manager and Director of Finance of the City, and all other officers, employees, and agents of the City, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the Certificates of Obligation, the sale of the Certificates of Obligation, the Official Statement, and the Paying Agent/Registrar Agreement. In addition, prior to the initial delivery of the Certificates of Obligation, the Mayor, Mayor Pro-Tem, City Secretary, City Manager, Director of Finance, the City Attorney and Bond Counsel are hereby authorized and directed to approve any technical changes or correction to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance and as described in the Official Statement, (ii) obtain a rating from any of the national bond rating agencies or satisfy any requirements of the provider of a municipal bond insurance policy, if any, or (iii) obtain the approval of the Certificates of Obligation by the Attorney General's office. In case any officer whose signature shall appear on any Certificate of Obligation shall cease to be such officer before the delivery of such Certificate of Obligation, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery. The Director of Finance of the City is further authorized to pay to the Attorney General of Texas prior to the delivery of the Certificates of Obligation, for the Attorney General's review of the transcript of proceedings related to the Certificates of Obligation, the amount required pursuant to Section 1202.004, Texas Government Code, as amended.

SECTION TWENTY. ORDINANCE A CONTRACT; AMENDMENTS. This Ordinance shall constitute a contract with the Registered Owners of the Certificates of

Obligation, binding on the City and its successors and assigns, and shall not be amended or repealed by the City as long as any Certificate of Obligation remains outstanding except as permitted in this Section. The City may, without the consent of or notice to any Registered Owners, amend, change, or modify this Ordinance as may be required (i) by the provisions hereof, (ii) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission herein, or (iii) in connection with any other change which is not to the prejudice of the Registered Owners. The City may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Certificates of Obligation then outstanding affected thereby, amend, change, modify, or rescind any provisions of this Ordinance; provided that without the consent of all of the Registered Owners affected, no such amendment, change, modification, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Certificates of Obligation, reduce the principal amount thereof or the rate of interest thereon, (ii) give any preference to any Certificate of Obligation over any other Certificate of Obligation, (iii) extend any waiver of default to subsequent defaults, or (iv) reduce the aggregate principal amount of Certificates of Obligation required for consent to any such amendment, change, modification, or rescission. Whenever the City shall desire to make any amendment or addition to or rescission of this Ordinance requiring consent of the Registered Owners, the City shall cause notice of the amendment, addition, or rescission to be sent by first class mail, postage prepaid, to the Registered Owners at the respective addresses shown on the Registration Books. Whenever at any time within one year after the date of the giving of such notice, the City shall receive an instrument or instruments in writing executed by the Registered Owners of a majority in aggregate principal amount of the Certificates of Obligation then outstanding affected by any such amendment, addition, or rescission requiring the consent of the Registered Owners, which instrument or instruments shall refer to the proposed amendment, addition, or rescission described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the City may adopt such amendment, addition, or rescission in substantially such form, except as herein provided. No Registered Owner may thereafter object to the adoption of such amendment, addition, or rescission, or to any of the provisions thereof, and such amendment, addition, or rescission shall be fully effective for all purposes.

SECTION TWENTY-ONE. SECURITY INTEREST. Chapter 1208, Texas Government Code, applies to the issuance of the Certificates of Obligation and the pledge of the ad valorem taxes and Surplus Revenues granted by the City under Sections 6 and 7 of this Ordinance, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Certificates of Obligation are outstanding and unpaid such that the pledge of the ad valorem taxes or Surplus Revenues granted by the City under Sections 6 and 7 of this Ordinance is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Certificates of Obligation the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest in said pledge to occur.

SECTION TWENTY-TWO. REMEDIES IN EVENT OF DEFAULT. In addition to all the rights and remedies provided by the laws of the State of Texas, it is specifically covenanted and agreed particularly that in the event the City (i) defaults in the payment of the principal, premium, if any, or interest on the Certificates of Obligation, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund, or (iii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance and the continuation thereof for 30 days after the City has received written notice of such defaults, the Holders of any of the Certificates of Obligation shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition or obligation prescribed in this Ordinance.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies, and the specification of such remedy shall not be deemed to be exclusive.

SECTION TWENTY-THREE. INTERESTED PARTIES. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Underwriters and the registered owners of the Certificates of Obligation, any right, remedy or claim under or by reason of this Ordinance or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Ordinance contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Underwriters and the registered owners of the Certificates of Obligation.

SECTION TWENTY-FOUR. INCORPORATION OF RECITALS. The City hereby finds that the statements set forth in the recitals of this Ordinance are true and correct, and the City hereby incorporates such recitals as a part of this Ordinance.

SECTION TWENTY-FIVE. SEVERABILITY. If any provision of this Ordinance or the application thereof to any circumstance shall be held to be invalid, the remainder of this Ordinance and the application thereof to other circumstances shall nevertheless be valid, and this governing body hereby declares that this Ordinance would have been enacted without such invalid provision.

SECTION TWENTY-SIX. EFFECTIVE DATE. Pursuant to the provisions of Section 1201.028, Texas Government Code, this Ordinance shall become effective immediately after its adoption by the City Council.

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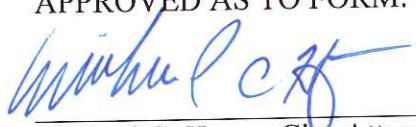
PASSED AND APPROVED ON this the ____ day of _____, A.D.,
2010.

Todd A. Bock, Mayor

ATTEST:

Brenda G. Craig, City Secretary

APPROVED AS TO FORM:



Michael C. Hayes, City Attorney

EXHIBIT A

FORM OF PAYING AGENT/REGISTRAR AGREEMENT

THE PAYING AGENT/REGISTRAR AGREEMENT IS OMITTED AT THIS POINT
AS IT APPEARS IN EXECUTED FORM ELSEWHERE IN THIS TRANSCRIPT.

PAYING AGENT/REGISTRAR AGREEMENT

THIS PAYING AGENT/REGISTRAR AGREEMENT, dated as of February 1, 2010 (this "Agreement"), by and between **CITY OF KERRVILLE, TEXAS** (the "Issuer") and **WELLS FARGO BANK, N.A., _____, Texas** (the "Bank"), a national bank duly organized and operating under the laws of the United States of America.

WHEREAS, the Issuer has duly authorized and provided for the issuance of its **CITY OF KERRVILLE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2010** (the "Securities"), such Securities to be issued in fully registered form only as to the payment of principal and interest thereon; and

WHEREAS, the Securities are scheduled to be delivered to the initial purchasers thereof on or about February 24, 2010; and

WHEREAS, the Issuer has selected the Bank to serve as Paying Agent/Registrar in connection with the payment of the principal of, premium, if any, and interest on the Securities and with respect to the registration, transfer, and exchange thereof by the registered owners thereof; and

WHEREAS, the Bank has agreed to serve in such capacities for and on behalf of the Issuer and has full power and authority to perform and serve as Paying Agent/Registrar for the Securities;

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE
APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR

SECTION 1.01. APPOINTMENT. The Issuer hereby appoints the Bank to serve as Paying Agent with respect to the Securities. As Paying Agent for the Securities, the Bank shall be responsible for paying on behalf of the Issuer the principal, premium (if any), and interest on the Securities as the same become due and payable to the registered owners thereof, all in accordance with this Agreement and the "Ordinance" (hereinafter defined).

The Issuer hereby appoints the Bank as Registrar with respect to the Securities. As Registrar for the Securities, the Bank shall keep and maintain for and on behalf of the Issuer books and records as to the ownership of said Securities and with respect to the transfer and exchange thereof as provided herein and in the Ordinance, a copy of which books and records shall be maintained at the office of the Bank located in the State of Texas or shall be available to be accessed from such office located in the State of Texas.

The Bank hereby accepts its appointment, and agrees to serve as the Paying Agent and Registrar for the Securities.

SECTION 1.02. COMPENSATION. As compensation for the Bank's services as Paying Agent/Registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in Schedule A attached hereto for the first year of this Agreement and thereafter the fees and amounts set forth in the Bank's current fee schedule then in effect for services as Paying Agent/Registrar for municipalities, which shall be supplied to the Issuer on or before 90 days prior to the close of the Fiscal Year of the Issuer, and shall be effective upon the first day of the following Fiscal Year.

In addition, the Issuer agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

ARTICLE TWO DEFINITIONS

SECTION 2.01. DEFINITIONS. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Acceleration Date" on any Security means, if applicable, the date on and after which the principal or any or all installments of interest, or both, are due and payable on any Security which has become accelerated pursuant to the terms of the Security.

"Bank Office" means the corporate trust or commercial banking office of the Bank as indicated on the signature page hereof. The Bank will notify the Issuer in writing of any change in location of the Bank Office.

"Fiscal Year" means the fiscal year of the Issuer, ending September 30.

"Holder" and **"Security Holder"** each means the Person in whose name a Security is registered in the Security Register.

"Legal Holiday" means a day on which the Bank is required or authorized to be closed.

"Ordinance" means the resolutions, orders or ordinances of the governing body of the Issuer pursuant to which the Securities are issued, certified by the Secretary or any other officer of the Issuer and delivered to the Bank, together with any pricing certificate executed pursuant thereto.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government.

"Predecessor Securities" of any particular Security means every previous Security evidencing all or a portion of the same obligation as that evidenced by such particular Security (and, for the purposes of this definition, any mutilated, lost, destroyed, or stolen Security for which a

replacement Security has been registered and delivered in lieu thereof pursuant to Section 4.06 hereof and the Ordinance).

"*Redemption Date*" when used with respect to any Security to be redeemed means the date fixed for such redemption pursuant to the terms of the Ordinance.

"*Responsible Officer*" when used with respect to the Bank means the Chairman or Vice-Chairman of the Board of Directors, the Chairman or Vice-chairman of the Executive Committee of the Board of Directors, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant Cashier, any Trust Officer or Assistant Trust Officer, or any other officer of the Bank customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"*Security Register*" means a register maintained by the Bank on behalf of the Issuer providing for the registration and transfer of the Securities.

"*Stated Maturity*" means the date specified in the Ordinance the principal of a Security is scheduled to be due and payable.

SECTION 2.02. OTHER DEFINITIONS. The terms "Bank," "Issuer," and "Securities" ("Security") have the meanings assigned to them in the recital paragraphs of this Agreement.

The term "*Paying Agent/Registrar*" refers to the Bank in the performance of the duties and functions of this Agreement.

ARTICLE THREE PAYING AGENT

SECTION 3.01. DUTIES OF PAYING AGENT. (a) Principal Payments. As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the principal of each Security at its Stated Maturity, Redemption Date, or Acceleration Date, to the Holder upon surrender of the Security to the Bank at the Bank Office.

(b) Interest Payments. As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the interest on each Security when due, by computing the amount of interest to be paid each Holder and preparing and sending checks by United States mail, first class postage prepaid, on each payment date, to the Holders of the Securities (or their Predecessor Securities) on the respective Record Date, to the address appearing on the Security Register or by such other method, acceptable to the Bank, requested in writing by the Holder at the Holder's risk and expense.

(c) Federal Tax Information Reporting. To the extent required by the Code and the Regulations it shall be the duty of the Bank to report to the owners of the Securities and the Internal Revenue Service (i) the amount of "reportable payments," if any, subject to back up withholding during each year and the amount of tax withheld, if any, with respect to the payments on the Securities, and (ii) the amount of interest or amount treated as interest, such as original issue discount, on the Securities required to be included in the gross income of the owners thereof for federal income tax purposes.

SECTION 3.02. PAYMENT DATES. The Issuer hereby instructs the Bank to pay the principal of and interest on the Securities on the dates specified in the Ordinance.

ARTICLE FOUR REGISTRAR

SECTION 4.01. SECURITY REGISTER - TRANSFERS AND EXCHANGES. The Bank agrees to keep and maintain for and on behalf of the Issuer at the Bank Office books and records (herein sometimes referred to as the "*Security Register*") for recording the names and addresses of the Holders of the Securities, the transfer, exchange, and replacement of the Securities, and the payment of the principal of and interest on the Securities to the Holders and containing such other information as may be reasonably required by the Issuer and subject to such reasonable regulations as the Issuer and the Bank may prescribe. If the Bank Office is located outside the State of Texas, a copy of the Security Register shall be kept in the State of Texas. All transfers, exchanges, and replacement of Securities shall be noted in the Security Register.

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the Financial Industry Regulatory Authority, in form satisfactory to the Bank, duly executed by the Holder thereof or his agent duly authorized in writing.

The Bank may request any supporting documentation it feels necessary to effect a re-registration, transfer, or exchange of the Securities.

To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Holders thereof will be completed and new Securities delivered to the Holder or the assignee of the Holder in not more than three business days after the receipt of the Securities to be cancelled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

SECTION 4.02. SECURITIES. The Issuer shall provide an adequate inventory of printed Securities to facilitate transfers or exchanges thereof. The Bank covenants that the inventory of printed Securities will be kept in safekeeping pending their use, and reasonable care will be exercised by the Bank in maintaining such Securities in safekeeping, which shall be not less than

the care maintained by the Bank for debt securities of other political subdivisions or corporations for which it serves as registrar, or that is maintained for its own securities.

SECTION 4.03. FORM OF SECURITY REGISTER. The Bank, as Registrar, will maintain the Security Register relating to the registration, payment, transfer, and exchange of the Securities in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Security Register in any form other than those which the Bank has currently available and currently utilizes at the time.

The Security Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

SECTION 4.04. LIST OF SECURITY HOLDERS. The Bank will provide the Issuer at any time requested by the Issuer, upon payment of the required fee, a copy of the information contained in the Security Register. The Issuer may also inspect the information contained in the Security Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

Unless required by law, the Bank will not release or disclose the contents of the Security Register to any person other than to, or at the written request of, an authorized officer or employee of the Issuer, except upon receipt of a court order or as otherwise required by law. Upon receipt of a court order and prior to the release or disclosure of the contents of the Security Register, the Bank will notify the Issuer so that the Issuer may contest the court order or such release or disclosure of the contents of the Security Register.

SECTION 4.05. RETURN OF CANCELLED SECURITIES. The Bank will, at such reasonable intervals as it determines, surrender Securities to the Issuer in lieu of which or in exchange for which other Securities have been issued, or which have been paid, or will provide a certificate of destruction relating thereto.

SECTION 4.06. MUTILATED, DESTROYED, LOST, OR STOLEN SECURITIES. The Issuer hereby instructs the Bank, subject to the applicable provisions of the Ordinance, to deliver and issue Securities in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities as long as the same does not result in an over issuance.

In case any Security shall be mutilated, or destroyed, lost, or stolen, the Bank, in its discretion, may execute and deliver a replacement Security of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Security, or in lieu of and in substitution for such destroyed, lost, or stolen Security, only after (i) the filing by the Holder thereof with the Bank of evidence satisfactory to the Bank of the destruction, loss, or theft of such Security, and of the authenticity of the ownership thereof and (ii) the furnishing to the Bank of indemnification in an amount satisfactory to hold the Issuer and the Bank harmless. All expenses and charges associated with such indemnity

and with the preparation, execution, and delivery of a replacement Security shall be borne by the Holder of the Security mutilated, or destroyed, lost, or stolen.

SECTION 4.07. TRANSACTION INFORMATION TO ISSUER. The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Securities it has paid pursuant to Section 3.01, Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 4.01, and Securities it has delivered in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities pursuant to Section 4.06.

ARTICLE FIVE THE BANK

SECTION 5.01. DUTIES OF BANK. The Bank undertakes to perform the duties set forth herein and in the Ordinance and agrees to use reasonable care in the performance thereof.

The Bank is also authorized to transfer funds relating to the closing and initial delivery of the Securities in the manner disclosed in the closing memorandum as prepared by the Issuer's financial advisor, bond counsel or other agent. The Bank may act on a facsimile or e-mail transmission of the closing memorandum acknowledged by the financial advisor or the Issuer as the final closing memorandum. The Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bank's reliance upon and compliance with such instructions.

SECTION 5.02. RELIANCE ON DOCUMENTS, ETC. (a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts.

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Securities, but is protected in acting upon receipt of Securities containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Holder or an agent of the Holder. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate,

statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document supplied by the Issuer.

(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered, or omitted by it hereunder in good faith and in reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

SECTION 5.03. RECITALS OF ISSUER. The recitals contained herein with respect to the Issuer and in the Securities shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness.

The Bank shall in no event be liable to the Issuer, any Holder or Holders of any Security, or any other Person for any amount due on any Security from its own funds.

SECTION 5.04. MAY HOLD SECURITIES. The Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Issuer with the same rights it would have if it were not the Paying Agent/Registrar, or any other agent.

SECTION 5.05. MONEY HELD BY BANK. The Bank shall deposit any moneys received from the Issuer into an account to be held in a fiduciary capacity for the payment of the Securities, with such moneys in the account that exceed the deposit insurance, available to the Issuer, provided by the Federal Deposit Insurance Corporation to be fully collateralized with securities or obligations that are eligible under the laws of the State of Texas and to the extent practicable under the laws of the United States of America to secure and be pledged as collateral for trust accounts until the principal and interest on such securities have been presented for payment and paid to the owner thereof. Payments made from such trust account shall be made by check drawn on such trust account unless the owner of such Securities shall, at its own expense and risk, request such other medium of payment.

Funds held by the Bank hereunder need not be segregated from any other funds provided appropriate accounts are maintained in the name and for the benefit of the Issuer.

The Bank shall be under no liability for interest on any money received by it hereunder.

Any money deposited with the Bank for the payment on any Security and remaining unclaimed for three years after final maturity of the Security has become due and payable will be held by the Bank and disposed of only in accordance with Title 6 of the Property Code (Unclaimed Property).

The Bank will comply with the reporting provisions of Chapter 74 of the Property Code with respect to property that is presumed abandoned under Chapter 72 or Chapter 75 of the Property Code or inactive under Chapter 73 of the Property Code.

SECTION 5.06. INDEMNIFICATION. To the extent permitted by law, the Issuer agrees to indemnify the Bank for, and hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement.

SECTION 5.07. INTERPLEADER. The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in either a Federal or State District Court located in the County in the State of Texas where either the Bank maintains an office or the administrative offices of the Issuer is located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 6.03 of this Agreement shall constitute adequate service. The Issuer and the Bank further agree that the Bank has the right to file a Bill of Interpleader in any court of competent jurisdiction located in the State of Texas to determine the rights of any Person claiming any interest herein.

SECTION 5.08. DEPOSITORY TRUST COMPANY SERVICES. It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for "Depository Trust Company" services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the "Operational Arrangements," effective from time to time, which establishes requirements for securities to be eligible for such type depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls.

ARTICLE SIX MISCELLANEOUS PROVISIONS

SECTION 6.01. AMENDMENT. This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

SECTION 6.02. ASSIGNMENT. This Agreement may not be assigned by either party without the prior written consent of the other.

SECTION 6.03. NOTICES. Any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown on the signature page of this Agreement.

SECTION 6.04. EFFECT OF HEADINGS. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 6.05. SUCCESSORS AND ASSIGNS. All covenants and agreements herein by the Issuer shall bind its successors and assigns, whether so expressed or not.

SECTION 6.06. SEVERABILITY. In case any provision herein shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 6.07. BENEFITS OF AGREEMENT. Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

SECTION 6.08. ENTIRE AGREEMENT. This Agreement and the Ordinance constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar and if any conflict exists between this Agreement and the Ordinance, the Ordinance shall govern.

SECTION 6.09. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

SECTION 6.10. TERMINATION. This Agreement will terminate on the date of final payment of the principal of and interest on the Securities to the Holders thereof or may be earlier terminated by either party upon 60 days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the Issuer and such appointment accepted and (b) notice has been given to the Holders of the Securities of the appointment of a successor Paying Agent/Registrar. Furthermore, the Bank and Issuer mutually agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay, or otherwise adversely affect the payment of the Securities.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Security Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the Issuer.

The provisions of Section 1.02 and of Article Five shall survive and remain in full force and effect following the termination of this Agreement.

SECTION 6.11. GOVERNING LAW. This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

[The remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

WELLS FARGO BANK, N.A.

By: _____
Title: _____

Address: 400 W. 15th Street, 1st Floor
Austin, Texas 78701

Attest:

Title: _____

CITY OF KERRVILLE, TEXAS

By: _____
Title: Mayor

Address: 800 Junction Highway
Kerrville, Texas 78028

Attest:

Title: City Secretary

[SIGNATURE PAGE TO PAYING AGENT/REGISTRAR AGREEMENT]

SCHEDULE A
PAYING AGENT/REGISTRAR FEE SCHEDULE

\$ _____ ANNUAL ADMINISTRATION FEE
(plus out of pocket expenses)

EXHIBIT B

FORM OF PURCHASE CONTRACT

THE PURCHASE CONTRACT IS OMITTED AT THIS POINT AS IT APPEARS IN EXECUTED FORM ELSEWHERE IN THIS TRANSCRIPT.

EXHIBIT C

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 15 of this Ordinance.

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the City to be provided annually in accordance with such Section are as specified (and included in the Appendix or under the headings of the Official Statement referred to) below:

1. The annual audited financial statements of the City or the unaudited financial statements of the City in the event audited financial statements are not completed within six months after the end of any fiscal year.

2. All quantitative financial information and operating data with respect to the City of the general type included in the Official Statement under Tables 1 through 6 and 8 through 13.

Accounting Principles

The accounting principles referred to in such Section are the accounting principles described in the notes to the financial statements referred to in paragraph 1 above.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT
Dated January 20, 2010



(See "Continuing Disclosure of Information" herein)
NEW ISSUE - Book-Entry-Only

Ratings:
S&P: Applied For
See ("OTHER INFORMATION - Ratings" herein)

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein.

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

\$4,200,000*
CITY OF KERRVILLE, TEXAS
(Kerr County)
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2010

Dated Date: February 1, 2010 (Interest accrues from Date of Delivery) **Due: August 15, as shown on Inside cover**

PAYMENT TERMS . . . Interest on the \$4,200,000* City of Kerrville, Texas Combination Tax and Revenue Certificates of Obligation, Series 2010 (the "Certificates", will accrue from the "Date of Delivery" (defined below), and will be payable February 15 and August 15 of each year commencing February 15, 2011, will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is Wells Fargo Bank, N.A., Austin, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and constitute direct Certificates of the City of Kerrville, Texas (the "City"), payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and a pledge of the surplus revenues of the City's waterworks and sewer system, all as provided in the ordinance authorizing the Certificates. See "THE CERTIFICATES - Authority for Issuance of the Certificates" and "Security and Source of Payment."

PURPOSE . . . Proceeds from the sale of the Certificates will be used to acquire, construct and equip extensions and improvements to the City's waterworks and sewer system and to pay the costs associated with the issuance of the Certificates.

INSURANCE . . . The City has applied to several companies for bond insurance and will consider the purchase of such insurance for the Certificates after an analysis of bids from such companies has been made.

CUSIP PREFIX: 492422
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, San Antonio, Texas (see APPENDIX C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their counsel, Andrews Kurth LLP, Austin, Texas.

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on February 24, 2010 ("Date of Delivery").

RBC CAPITAL MARKETS

WELLS FARGO SECURITIES

* Preliminary, subject to change.

MATURITY SCHEDULE*

CUSIP Prefix: 49242210

Principal Amount*	Stated Maturity (August 15)	Interest Rate	Initial Price or Yield	Cusip Number ⁽¹⁾	Principal Amount*	Stated Maturity (August 15)	Interest Rate	Initial Price or Yield	Cusip Number ⁽¹⁾
\$235,000	2011				\$ 185,000	2021			
275,000	2012				190,000	2022			
280,000	2013				95,000	2023			
285,000	2014				95,000	2024			
290,000	2015				100,000	2025			
300,000	2016				105,000	2026			
310,000	2017				110,000	2027			
315,000	2018				115,000	2028			
330,000	2019				120,000	2029			
340,000	2020				125,000	2030			

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a Division of the McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after _____, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on _____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Optional Redemption").

* Preliminary, subject to change.

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

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

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain information set forth herein has been provided by sources other than the City that the City believes is reliable, but the City makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

The prices and other terms respecting the offering and sale of the Certificates may be changed from time to time by the Underwriters after the Certificates are released for sale, and the Certificates may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Certificates into investment accounts.

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

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THESE CERTIFICATES 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.

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

NEITHER THE CITY, THE FINANCIAL ADVISOR NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

This Official Statement contains "Forward-Looking" Statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the Forward-Looking Statements. See "OTHER INFORMATION - Forward-Looking Statements Disclaimer."

The information contained in this Official Statement has been furnished by the City, DTC and other sources that are believed to be reliable. No dealer, broker, salesperson, or other person has been authorized by the City or the Underwriters to give any information or to make any representations other than those made herein. Any such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this document nor the sale of any of the Certificates shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof.

TABLE OF CONTENTS

<p>OFFICIAL STATEMENT SUMMARY.....5</p> <p>CITY OFFICIALS, STAFF AND CONSULTANTS.....9</p> <ul style="list-style-type: none"> ELECTED OFFICIALS9 SELECTED ADMINISTRATIVE STAFF9 CONSULTANTS AND ADVISORS.....9 <p>INTRODUCTION.....11</p> <p>THE CERTIFICATES.....12</p> <p>BOND INSURANCE.....16</p> <p>BOND INSURANCE RISK FACTORS.....16</p> <p>TAX INFORMATION.....17</p> <ul style="list-style-type: none"> TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT20 TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY21 TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY22 TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY22 TABLE 5 - TEN LARGEST TAXPAYERS22 TABLE 6 - TAX ADEQUACY23 TABLE 7 - ESTIMATED OVERLAPPING DEBT23 <p>DEBT INFORMATION.....22</p> <ul style="list-style-type: none"> TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS22 TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION25 TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT25 TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS25 TABLE 12 - OTHER OBLIGATIONS25 	<p>FINANCIAL INFORMATION.....26</p> <p>TABLE 13 - CHANGES IN NET ASSETS26</p> <p>TABLE 13-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY28</p> <ul style="list-style-type: none"> TABLE 14 - MUNICIPAL SALES TAX29 CAPITAL IMPROVEMENT PROGRAM29 FINANCIAL POLICIES29 INVESTMENTS30 <p>TABLE 15 - CURRENT INVESTMENTS31</p> <p>TAX MATTERS.....32</p> <p>OTHER INFORMATION.....34</p> <ul style="list-style-type: none"> RATINGS34 LITIGATION34 REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE34 <p>LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE</p> <ul style="list-style-type: none"> PUBLIC FUNDS IN TEXAS34 LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE34 CONTINUING DISCLOSURE OF INFORMATION35 FINANCIAL ADVISOR36 UNDERWRITING36 FORWARD-LOOKING STATEMENTS DISCLAIMER36 MISCELLANEOUS37 <p>APPENDICES</p> <ul style="list-style-type: none"> GENERAL INFORMATION REGARDING THE CITYA EXCERPTS FROM THE CITY OF KERRVILLE, TEXAS ANNUAL FINANCIAL REPORTB FORM OF BOND COUNSEL'S OPINIONC
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The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

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

THE CITY..... The City of Kerrville is a political subdivision and municipal corporation of the State of Texas (the "State"), located in Kerr County, Texas. The City covers approximately 18.8 square miles (see "INTRODUCTION - Description of the City").

THE CERTIFICATES..... The Certificates are issued as \$4,200,000* City of Kerrville, Texas Combination Tax and Revenue Certificates of Obligation, Series 2010. The Certificates are issued as serial certificates maturing on August 15 in the years 2011 through 2030, unless the Underwriters designate one or more maturities as a Term Certificate (see "THE CERTIFICATES - Description of the Certificates").

PAYMENT OF INTEREST..... Interest on the Certificates accrues from the "Date of Delivery", and is payable February 15, 2011, and each February 15 and August 15 thereafter until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates" and "THE CERTIFICATES - Optional Redemption").

AUTHORITY FOR ISSUANCE..... The Certificates are issued pursuant to the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and an ordinance (the "Certificate Ordinance") passed by the City Council of the City (see "THE CERTIFICATES - Authority for Issuance of the Certificates").

SECURITY FOR THE CERTIFICATES..... The Certificates constitute direct obligations of the City payable from a continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City. The Certificates additionally are secured with pledge of the surplus revenues of the City's waterworks and sewer system (see "THE CERTIFICATES - Security and Source of Payment").

QUALIFIED TAX-EXEMPT OBLIGATIONS..... The City expects to designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions (see "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions").

REDEMPTION..... The City reserves the right, at its option, to redeem Certificates having stated maturities on and after _____, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on _____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Optional Redemption").

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

USE OF PROCEEDS..... Proceeds from the sale of the Certificates will be used for the purpose of paying, in whole or in part, contractual Obligations to acquire, construct and equip extensions and improvements to the City's waterworks and sewer system (the "Projects") and for paying professional services related thereto.

RATINGS..... Application for a contract rating on the Certificates has been made to S&P. The presently outstanding tax supported debt of the City has an underlying rating of "AA-" by Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, Inc. ("S&P") (see "OTHER INFORMATION - Ratings").

* Preliminary, subject to change.

BOOK-ENTRY-ONLY

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

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

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	Ratio		
				Per Capita Tax	Per Taxable Debt	Tax Debt to Taxable Assessed Valuation
2006	22,648	\$ 1,348,982,225	\$ 59,563	\$ 6,276,725	\$ 277	0.47%
2007	22,800	1,431,843,052	62,800	8,196,025	359	0.57%
2008	23,142	1,189,144,358	51,385	7,900,100	341	0.66%
2009	23,489	1,246,008,947	53,046	12,523,000	533	1.01%
2010	23,489	1,267,100,786	53,944	12,048,050 ⁽⁴⁾	513 ⁽⁴⁾	0.95% ⁽⁴⁾
						18.12% ⁽⁵⁾

(1) Source: City of Kerrville, Texas.

(2) As reported by the Kerr County Appraisal District on the City's annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Does not include self-supporting debt.

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

(5) As of December 15, 2009

CHANGE IN NET ASSETS

	Unaudited 2009	Fiscal Year Ended September 30,				
		2008	2007	2006	2005	2004
Beginning Net Assets	\$ 50,265,158	\$ 48,825,544	\$ 42,835,201	⁽¹⁾ \$ 42,126,743	⁽²⁾ \$ 38,215,975	⁽³⁾ \$ 31,606,166
Total Revenue	22,671,402	23,997,009	27,171,163	23,363,091	21,590,720	19,230,357
Total Expenditures	23,068,755	23,381,162	23,826,074	19,479,221	18,229,692	17,749,598
Transfers	168,498	823,767	984,468	(500,710)	(219,312)	450,973
Prior Period Adjustment						1,786,124
Ending Net Assets	<u>\$ 50,042,303</u>	<u>\$ 50,265,158</u>	<u>\$ 47,171,358</u>	<u>\$ 45,509,903</u>	<u>\$ 41,357,691</u>	<u>\$ 35,324,022</u>

(1) Restated, in fiscal year 2007, the Emergency Medical Services Fund was reviewed and based on prior year activity, it was determined that this fund should have been accounted for in the General Fund due to the excessive losses that the General Fund had to provide for. This resulted in a decrease in fund balance of the EMS Fund and an increase to the General Fund. Also during the review, of interfund payables and receivables, it was noted that in 2005 and 2006, \$80,000 of debt was forgiven by the City's Economic Improvement Corporation (the "EIC"). When the debt was forgiven, revenue should have been recognized by the Enterprise Funds with a corresponding decrease in interfund payables. EIC should have recognized an expense with a corresponding decrease in interfund receivables. Per an in depth review of construction in progress, it appears that certain projects were capitalized on construction in progress that should have been expensed in the year in which they were incurred. This resulted in a decrease in net assets of the Water and Sewer Fund, Governmental activities and Business-type activities. The Insurance Internal Service Fund has not previously recorded a liability for estimated claims payable including claims incurred but not reported (IBNR). A period adjustment was made to record the IBNR liability that was estimated to exist at September 30, 2006. An additional liability was recorded for the liability that must be paid to the insurer upon termination for prior years' deficits. This resulted in a decrease in net assets of the Insurance Internal Service Fund as well as Governmental activities. Airport land that was jointly owned by the City and Kerr County was recorded in the City's general capital assets rather than in the Airport Fund, which accounts for the Airport Joint Venture. An adjustment was made to remove \$1,985,529 from the Governmental Activities capital assets at October 1, 2006 and to record the land in the Airport Fund. Furthermore, since the City owns 50% of the Airport Joint Venture, the City's equity in the joint venture was increased by 50% of \$1,985,529 (or \$992,764) at October 1, 2006.

(2) Restated, in fiscal year 2006, it was noted that previous year's capital assets were not properly recorded on the books. An in depth review of their capital asset balances showed that capital assets were \$1,802,776 overstated in the Business type activities and \$418,346 understated in Governmental activities. This resulted in a decrease to net assets for Business-type activities and an increase to net assets for Governmental activities. The City receives Law Enforcement Officer Standards and Education Account ("LEOSE") funds which are regulated and must be tracked coming in and going out. In prior year, these were reported as revenue instead of deferred revenue. The prior year entry resulted in a decrease in fund balance in both the General Fund and Governmental activities net assets of \$4,352. In prior year, an adjustment was made to transfer funds from the Sales Tax Improvement Fund to the Water and Sewer Fund per the City's BIC Board authorization for the State Highway 16 utility relocation project. It was determined after year end that this entry was not necessary, resulting in a decrease to the Water and Sewer net assets and an increase to the Sales Tax Improvement fund balance.

(3) Restated; in fiscal year 2005, the EIC Board approved to apply prior interest payments as principal payment on an interfund loan to the golf course fund. As a result, beginning fund equity for golf course fund and sales tax improvements funds were restated by \$40,000. In fiscal year 2005, it was noted that bond issuance costs for governmental activities had never been capitalized in the government-wide financial statements. As a result, beginning net assets for governmental activities were increased by \$153,003 to record bond issuance costs at October 1, 2004. In reviewing construction in progress, it was noted that certain projects costs were recorded as capital assets in both the water and sewer fund as well as governmental activities in the statement of net assets. Since these assets will ultimately be maintained in the water and sewer fund, the duplicate costs of \$1,090,819 were removed from governmental activities as of October 1, 2004. During fiscal year 2005, the City's engineer performed a complete inventory of the City's storm drains. Using current replacement costs and backtrending, the City was able to estimate its investment in storm drain infrastructure that previously had not been capitalized. As a result, at October 1, 2004, an adjustment was made to record \$3,789,769 in additional storm drain infrastructure.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Unaudited 2009	Fiscal Year Ended September 30				
		2008	2007	2006	2005	2004
Beginning Balance	\$ 7,609,428	\$ 7,258,938	\$ 7,420,072 ⁽¹⁾	\$ 6,148,594 ⁽²⁾	\$ 5,221,314	\$ 5,397,724
Total Revenue	21,317,431	20,115,861	20,410,136	17,432,659	15,658,993	14,441,473
Total Expenditures	(21,613,374)	(20,802,578)	(20,101,309)	(16,478,194)	(15,122,734)	(15,228,256)
Other Sources	168,498	(78,030)	(80,186)	231,035	395,373	610,373
Net Funds Available	(127,445)	(764,747)	228,641	1,185,500	931,632	(176,410)
Ending Balance	<u>\$ 7,481,983</u>	<u>\$ 6,494,191</u>	<u>\$ 7,648,713</u>	<u>\$ 7,334,094</u>	<u>\$ 6,152,946</u>	<u>\$ 5,221,314</u>

(1) Restated, in fiscal year 2007, the Emergency Medical Services Fund was reviewed and based on prior year activity, it was determined that this fund should have been accounted for in the General Fund due to the excessive losses that the General Fund had to provide for. This resulted in a decrease in fund balance of the EMS Fund and an increase to the General Fund. Also during the review, of interfund payables and receivables, it was noted that in 2005 and 2006, \$80,000 of debt was forgiven by the City's Economic Improvement Corporation (the "EIC"). When the debt was forgiven, revenue should have been recognized by the Enterprise Funds with a corresponding decrease in interfund payables. EIC should have recognized an expense with a corresponding decrease in interfund receivables. Per an in depth review of construction in progress, it appears that certain projects were capitalized on construction in progress that should have been expensed in the year in which they were incurred. This resulted in a decrease in net assets of the Water and Sewer Fund, Governmental activities and Business-type activities. The Insurance Internal Service Fund has not previously recorded a liability for estimated claims payable including claims incurred but not reported (IBNR). A period adjustment was made to record the IBNR liability that was estimated to exist at September 30, 2006. An additional liability was recorded for the liability that must be paid to the insurer upon termination for prior years' deficits. This resulted in a decrease in net assets of the Insurance Internal Service Fund as well as Governmental activities. Airport land that was jointly owned by the City and Kerr County was recorded in the City's general capital assets rather than in the Airport Fund, which accounts for the Airport Joint Venture. An adjustment was made to remove \$1,985,529 from the Governmental Activities capital assets at October 1, 2006 and to record the land in the Airport Fund. Furthermore, since the City owns 50% of the Airport Joint Venture, the City's equity in the joint venture was increased by 50% of \$1,985,529 (or \$992,764) at October 1, 2006.

(2) Restated, in fiscal year 2006, it was noted that previous year's capital assets were not properly recorded on the books. An in depth review of their capital asset balances showed that capital assets were \$1,802,776 overstated in the Business type activities and \$418,346 understated in Governmental activities. This resulted in a decrease to net assets for Business-type activities and an increase to net assets for Governmental activities. The City receives LEOSE funds which are regulated and must be tracked coming in and going out. In prior year, these were reported as revenue instead of deferred revenue. The prior year entry resulted in a decrease in fund balance in both the General Fund and Governmental activities net assets of \$4,352. In prior year, an adjustment was made to transfer funds from the Sales Tax Improvement Fund to the Water and Sewer Fund per the EIC Board authorization for the State Highway 16 utility relocation project. It was determined after year end that this entry was not necessary, resulting in a decrease to the Water and Sewer net assets and an increase to the Sales Tax Improvement fund balance.

For additional information regarding the City, please contact:

Mr. Todd Parton City Manager Mr. Mike Erwin Director of Finance City of Kerrville 800 Junction Highway Kerrville, Texas 78028 830-257-8000 - Telephone 830-792-8309 - Fax todd.parton@kerrvilletx.gov mike.erwin@kerrvilletx.gov	or Ms. Anne Burger Entrekin First Southwest Company 70 Northeast Loop 410 Suite 710 San Antonio, Texas 78216 210-308-2200 - Telephone 210-349-7585 - Fax anne.entrekin@firstsw.com
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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Todd A. Bock Mayor	4 Years	May, 2010	General Manager RV Dealer
R. Bruce Motheral Mayor Pro-Tem, Place One	2 Years	May, 2011	Professional Consulting Engineer
Stacie Keeble Councilperson, Place Two	1 Year	May, 2011	Attorney
T. Scott Gross Councilperson, Place Three	4 Years	May, 2010	Author
Chuck Coleman Councilperson, Place Four	4 Years	May, 2010	Real Estate Investment and Financial Management

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service to the City</u>	<u>Total Government Service</u>
Todd Parton	City Manager	1 Year	17 Years
Mike Erwin	Director of Finance	Newly Appointed	20 Years
Brenda Craig	City Secretary	29 Years	29 Years
Mike Hayes	City Attorney	8 Years	14 Years

CONSULTANTS AND ADVISORS

Auditors	Davis, Kinard & Co., P.C., CPA Abilene, Texas
Bond Counsel	McCall, Parkhurst & Horton L.L.P. San Antonio, Texas
Financial Advisor.....	First Southwest Company San Antonio and Dallas, Texas

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OFFICIAL STATEMENT
RELATING TO
\$4,200,000*
CITY OF KERRVILLE, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2010

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$4,200,000* City of Kerrville, Texas Combination Tax and Revenue Certificates of Obligation, Series 2010 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the respective ordinance to be adopted on the date of sale of the Certificates which will authorize the issuance of the Certificates (the "Ordinance"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, First Southwest Company, Dallas and San Antonio, Texas.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1889, and first adopted its Home Rule Charter on February 25, 1942. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and four Councilmembers. The term of office is two years with the terms of the Mayor and four Councilmembers being elected for staggered two-year terms. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), emergency medical services, highways and streets, electric, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2000 Census population for the City was 20,425, while the estimated 2009 population is 23,489. The City covers approximately 18.8 square miles.

USE OF CERTIFICATE PROCEEDS . . . Proceeds from the sale of the Certificates are expected to be expended as follows:

Sources of Funds:	
Par Amount	
Accrued Interest	
Original Issue Discount	
Reoffering Premium	
Total Sources of Funds	\$ _____ -

Uses of Funds:	
Deposit to Project Construction Fund	
Deposit to Interest and Sinking Fund	
Costs of Issuance (includes Insurance Premium)	
Underwriters' Discount	
Total Uses of Funds	\$ _____ -

* Preliminary, subject to change.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated February 1, 2010, and mature on August 15 in each of the years and in the amounts shown on page 2, respectively. Interest will accrue from the "Date of Delivery" to the Underwriters and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing February 15, 2011, until maturity or earlier redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the book-entry-only system described herein. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES . . . The 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 (the Certificate of Obligation Act of 1971), as amended, and the Certificate Ordinance passed by the City Council.

SECURITY AND SOURCE OF PAYMENT

Ad valorem Tax Pledge: In the Ordinance, the City covenants that it will levy and collect an annual ad valorem tax, within the limitations prescribed by law, against all taxable property located within the City sufficient to meet the debt service requirements on the Certificates.

Tax Rate Limitations: The City operates under a home-rule charter as authorized by Article XI, Section 5 of the Constitution of the State of Texas. The Constitution of the State of Texas and the City Charter provide that the ad valorem taxes levied by the City for general purposes and for the purpose of paying the principal of and interest on the City's indebtedness must not exceed \$2.50 for each \$100 of assessed valuation of taxable property. There is no constitutional or statutory limitation within the \$2.50 rate for interest and sinking fund purposes; however, the Texas Attorney General has adopted an administrative policy that prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from \$1.50 of the foregoing \$2.50 maximum tax rate calculated at 90% collection. The issuance of the Certificates does not violate the constitutional restriction, City Charter provision, or the Texas Attorney General's administrative policy.

Pledge of Surplus Waterworks and Sewer System Revenues for Certificates: The Certificates are additionally secured by a lien on and pledge of the "Surplus Revenues" derived from the ownership and operation of the City's waterworks and sewer system, as provided in the Certificate Ordinance. The City expects that such Surplus Revenues will be utilized to pay the debt service requirements on the Certificates.

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

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates 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 SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATES OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATES OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE . . . The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The Ordinance provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Certificates. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

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

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and accredited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City 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 Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered certificate will be issued for each maturity of the Certificates in the aggregate principal amount of each 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 Standard & Poor's highest rating: AAA. 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.dtc.com and www.dtc.org.

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

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

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

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

Redemption proceeds and principal and interest payments on the Certificates will be made to 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 dates 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 in 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, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor or the Underwriters.

Effect of Termination of Book-Entry-Only System. In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES- Transfer, Exchange and Registration" below.

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

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the book-entry-only system should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated 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 Certificates issued in an exchange or transfer of Certificates 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 Certificates 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 Certificates 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 and series as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

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

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

AMENDMENTS . . . The City may amend, change, or modify the Ordinance without the consent of or notice to any registered owners, as may be required (i) by the provisions of the Ordinance; (ii) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission therein; or (iii) in connection with any other change which is not to the prejudice of the registered owners. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding and affected thereby, amend, change, modify, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, change, modification, or rescission may (i) change the date specified as the date on which the principal of or any installment of interest on the Certificates is due and payable, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, redemption price, or interest on the Certificates; (ii) give any preference to any Certificates over any other Certificates; (iii) extend any waiver of default to subsequent defaults; or (iv) reduce the respective aggregate principal amount of Certificates required for consent to any amendment, change, modification, or rescission.

BONDHOLDERS' REMEDIES . . . The Ordinance establish specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or Certificates 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 Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance 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, Certificates, or conditions. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia* 197 S.W.3^d 325 (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, certificate holders may not be able to bring such a suit against the City for breach of the Certificates or covenants in the Ordinance. 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 Certificates. 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 certificate of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

BOND INSURANCE

The City has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Certificates insured by a municipal bond guaranty policy or policies. In the event that the City receives one or more commitments from providers of such insurance, the City reserves the right to insure the Certificates, if the City determines that such insurance is economically beneficial to the City. The City shall notify the Underwriters upon obtaining a commitment from a municipal bond insurance company concerning this matter. The final Official Statement shall disclose, to the extent necessary, any relevant information relating to these municipal bond insurance policies.

BOND INSURANCE RISK FACTORS

If the City chooses to purchase a municipal bond insurance policy (the "Policy"), the following risk factors related to municipal bond insurance policies applies.

In the event of default of the scheduled payment of principal of or interest on the Certificates when all or a portion thereof becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Policy provider (the "Insurer") at such time and in such amounts as would have been due absent such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Certificates is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE CERTIFICATES - Bondholders' Remedies"). The Insurer may direct the pursuit of available remedies, and generally must consent to any remedies available to and requested by the holders. Additionally, the Insurer's consent may be required in connection with amendments to the Ordinance. In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City (and the Certificates also are payable from the Surplus Revenues of the City's waterworks and sewer system). In the event the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Certificates.

If a Policy is acquired, the long-term ratings on the Certificates will be dependent in part on the financial strength of the Insurer and its claims paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the ratings on the Certificates, whether or not subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Certificates. See the disclosure described in "OTHER INFORMATION - Rating" herein.

The Certificates of the Insurer under a Policy are general Certificates of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the City, the Financial Advisor, or the Underwriters has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given.

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Kerr County Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount 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.

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

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant: (1) an exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; and (2) an exemption of up to 20% of the market value of residence homesteads, subject to a minimum exemption under this provision of \$5,000. The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

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

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000. Effective January 1, 2010, Section 11.131 to the Tax Code provides that a disabled 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.

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

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

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

Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. In addition, effective for tax years 2008 and thereafter, Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit," which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date the property was acquired or imported into the state. 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. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property.

The City and the other taxing bodies within its territory may agree to jointly create tax increment financing zones ("TIFZ"), under which the tax values on property in the zone are "frozen" at the value of the property at the time of creation of the zone. Other overlapping taxing units levying taxes in the TIFZ may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIFZ in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIFZ. Taxes levied by the City against the values of real property in the TIFZ in excess of the "frozen" value are not available for general city use but are restricted to paying or financing "project costs" within the TIFZ. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

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

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

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

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

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

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items for the purpose of reducing the ad valorem tax rate. 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. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

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

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

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, 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. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$3,000; the disabled are also granted an exemption of \$3,000.

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

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

The City has adopted the tax freeze for citizens who are disabled and/or 65 years of age or older, which was approved at an election on November 7, 2006 and became effective on January 1, 2007. City administration does not believe that the implementation of this tax freeze will have a material adverse financial impact on the City for the September 30, 2010 fiscal year; however, the City will continue to monitor the potential impact of the tax freeze on the City's financial condition.

Ad valorem taxes are levied by the City against the exempt value of residence homesteads for the payment of debt.

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

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

The City does not tax freeport property; however, the City does tax goods-in-transit.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City does collect an additional one-half cent sales tax for economic development.

The City has adopted a tax abatement policy.

The City has not created a tax increment financing zone.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2009/2010 Market Valuation Established by Kerr County Appraisal District (excluding totally exempt property)	\$ 1,767,688,568
Less Exemptions/Reductions at 100% Market Value:	
Homestead Cap Adjustment	\$ 4,035,376
Disabled Veterans	10,765,191
Over 65	8,892,544
Charity	447,139
Pollution	31,830
Productivity Loss	8,433,771
Prorated Exempt Property	333,689
House Bill 366	8,947
Freeport Exemption	92,220
Value Lost to Freeze Adjustments ⁽¹⁾	<u>467,547,075</u>
	<u>500,587,782</u>
2009/2010 Net Taxable Assessed Valuation	<u><u>\$ 1,267,100,786</u></u>
General Obligation Debt Payable from Ad Valorem Taxes as of December 1, 2009⁽²⁾	
General Obligation Bonds	\$ 5,920,000
Certificates of Obligation	20,870,000
The Certificates ⁽³⁾	<u>4,200,000</u>
General Obligation Debt Payable from Ad Valorem Taxes	\$ 30,990,000
Less: Self-Supporting Debt⁽⁴⁾	
Waterworks and Sewer System General Obligation Bond Debt	\$ 3,286,000
Waterworks and Sewer System Certificates of Obligation General Obligation Debt	10,981,000
The Certificates	<u>4,200,000</u>
Net General Obligation Debt Payable from Ad Valorem Taxes	\$ 12,523,000
General Obligation Interest and Sinking Fund as of December 1, 2009	\$ 870,862
Ratio Net General Obligation Tax Debt to Taxable Assessed Valuation	0.99%
2010 Estimated Population - 23,489	
Per Capita Taxable Assessed Valuation - \$53,944	
Per Capita General Obligation Debt Payable from Ad Valorem Taxes - \$1,319	
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$533	

- (1) At an election on November 7, 2006, voters in the City approved a tax freeze for citizens who are disabled and/or 65 years of age or older. The tax freeze became effective on January 1, 2007. See "TAX INFORMATION."
- (2) The above statement of indebtedness does not include the following revenue bonds, as the bonds are payable solely from the net revenues of the System, as defined in the Ordinance authorizing the bonds; \$580,000 Waterworks and Sewer System Revenue Bonds; and \$11,055,000 Electric System Revenue Bonds.
- (3) Preliminary, subject to change.
- (4) General obligation debt in the amounts shown for which repayment is provided from revenues of the waterworks and sewer system. The amount of self supporting debt is based on the percentages of revenue support as shown in Table 10. It is the City's current policy to provide these payments from the waterworks and sewer system revenues; this policy is subject to change in the future.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2010	% of Total	2009	% of Total
Real, Residential, Single-Family	\$ 1,112,335,645	62.93%	\$ 1,083,789,486	62.80%
Real, Residential, Multi-Family	77,980,140	4.41%	69,571,145	4.03%
Real, Vacant Lots/Tracts	50,848,502	2.88%	48,502,186	2.81%
Real, Acreage (Land Only)	15,424,073	0.87%	16,499,511	0.96%
Real, Farm and Ranch Improvements	3,233,144	0.18%	3,066,978	0.18%
Real, Commercial and Industrial	325,539,011	18.42%	312,335,060	18.10%
Real and Tangible Personal, Utilities	37,562,813	2.12%	36,894,443	2.14%
Tangible Personal, Business	114,801,955	6.49%	129,471,040	7.50%
Tangible Personal, Other	9,757,539	0.55%	6,792,047	0.39%
Real Property, Inventory	12,135,612	0.69%	9,185,281	0.53%
Special Inventory	8,070,134	0.46%	9,767,359	0.57%
Exempt		0.00%	11,407	0.00%
Total Appraised Value Before Exemptions	\$ 1,767,688,568	100.00%	\$ 1,725,885,943	100.00%
Less: Total Exemptions/Reductions	500,587,782 ^(v)		479,876,996 ^(w)	
Taxable Assessed Value	\$ 1,267,100,786		\$ 1,246,008,947	
Taxable Appraised Value for Fiscal Year Ended September 30,				
Category	2009			
	2007	% of Total	2006	% of Total
Real, Residential, Single-Family	\$ 873,876,210	59.79%	\$ 801,865,137	58.00%
Real, Residential, Multi-Family	65,167,296	4.46%	59,201,320	4.28%
Real, Vacant Lots/Tracts	43,916,819	3.00%	47,398,762	3.43%
Real, Acreage (Land Only)	12,341,365	0.84%	15,620,440	1.13%
Real, Farm and Ranch Improvements	2,588,193	0.18%	2,449,742	0.18%
Real, Commercial & Industrial	292,469,565	20.01%	280,352,866	20.28%
Real and Tangible Personal, Utilities	34,817,173	2.38%	32,542,853	2.35%
Tangible Personal, Business	110,851,763	7.58%	118,847,948	8.60%
Tangible Personal, Other	9,378,002	0.64%	9,422,665	0.68%
Real Property, Inventory	6,624,357	0.45%	5,620,855	0.41%
Special Inventory	8,611,498	0.59%	8,240,426	0.60%
Exempt	891,845	0.06%	1,017,380	0.07%
Total Appraised Value Before Exemptions	\$ 1,461,534,086	100.00%	\$ 1,382,580,394	100.00%
Less: Total Exemptions/Reductions	29,691,034		33,598,169	
Taxable Assessed Value	\$ 1,431,843,052		\$ 1,348,982,225	

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

(1) At an election on November 7, 2006, voters in the City approved a tax freeze for citizens who are disabled and/or 65 years of age or older. The tax freeze became effective on January 1, 2007. See "TAX INFORMATION."

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Net G.O. Tax Debt Outstanding at End of Year ⁽³⁾	Ratio of Net G.O. Tax Debt to Taxable Assessed Valuation	Net G.O. Tax Debt Per Capita
2006	22,648	\$ 1,348,982,225	\$ 59,563	\$ 6,276,725	0.47%	\$ 277
2007	22,800	1,431,843,052	62,800	8,196,025	0.57%	359
2008	23,142	1,189,144,358	51,385	7,900,100	0.66%	341
2009	23,489	1,246,008,947	53,046	12,523,000	1.01%	533
2010	23,489	1,267,100,786	53,944	12,048,050 ⁽⁴⁾	0.95%	513 ⁽⁴⁾

(1) Source: City of Kerrville, Texas.

(2) As reported by the Kerr County Appraisal District on the City's annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Does not include self-supporting debt.

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

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2006	\$ 0.5578	\$ 0.5126	\$ 0.0452	\$ 7,443,029	98.56%	103.00%
2007	0.5513	0.5149	0.0364	7,893,751	98.54%	99.49%
2008	0.5500	0.4932	0.0568	8,544,561	98.95%	99.97%
2009	0.5500	0.4891	0.0609	9,070,647	98.89%	99.27%
2010	0.5625	0.4851	0.0774	9,383,349	(In Process of Collection)	

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2009/10 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Windstream Communications Kerrville LP	Utility	\$29,097,801	2.30%
Sunwest Management Inc.	Nursing Home	9,374,696	0.74%
Comanche Trace Ranch & Golf Club	Subdivision	9,180,339	0.72%
Mooney Airplane Company Inc. ⁽¹⁾	Aircraft Manufacturer	8,387,778	0.66%
Wal-Mart Real Estate	Real Estate	7,784,640	0.61%
Wal-Mart Stores, Inc. #508	Discount Retail	7,148,601	0.56%
Home Depot, USA, Inc.	Home Retail	7,040,852	0.56%
Lowe's Home Centers, Inc.	Home Retail	6,657,176	0.53%
Lowe's	Home Retail	5,675,551	0.45%
Bull, Charles C. TTEE ETAL	Personal and Real Property	4,434,320	0.35%
		<u>\$ 94,781,754</u>	<u>7.48%</u>

(1) Mooney Aircraft Corporation filed for Chapter 11 bankruptcy on July 27, 2001. However, they were purchased in 2002 by a subsidiary of Mooney Aerospace, Mooney Airplane Company. In June 2008, Mooney Airplane Co. announced the immediate layoff of approximately 80 employees and a reduction in production in response to the decline in orders for airplanes. Kerrville's Mooney Airplane Co. In addition, in November 2008, Mooney Airplane Co. furloughed an estimated 200 production employees (out of the company's total workforce of approximately 300-employees) in response to declining sales and an uncertain economy.

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "THE CERTIFICATES - Security and Source of Payment - Tax Rate Limitations").

TABLE 6 - TAX ADEQUACY

2010 Principal and Interest Requirements ⁽¹⁾⁽²⁾	\$477,242
\$0.0385 Tax Rate at 98% Collection Produces	\$478,077
Average Annual Principal and Interest Requirements, 2010- 2030 ⁽¹⁾⁽²⁾	\$794,335
\$0.0640 Tax Rate at 98% Collection Produces	\$794,726
Maximum Annual Principal and Interest Requirements, 2019 ⁽¹⁾⁽²⁾	\$1,079,664
\$0.0870 Tax Rate at 98% Collection Produces	\$1,080,330

(1) Preliminary, subject to change.

(2) Does not include self-supporting debt.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2009/10 Taxable Assessed Value	2009/10 Tax Rate	Total G.O. Tax Debt	Estimated % Applicable	City's Overlapping G.O. Tax Debt As of 12/31/2009	Authorized But Unissued Debt As Of 12/31/2009
Kerrville, City of	\$1,267,100,786	\$ 0.5500	\$12,523,000	100.00%	\$ 12,523,000 ⁽¹⁾	\$ -
Kerr County	2,813,503,548	0.4293	3,550,000	45.98%	1,632,290	100,000
Kerrville Independent School District	1,762,684,001	1.1800	28,725,000	73.95%	21,242,138	-
Total Direct and Overlapping G. O. Tax Debt					\$ 35,397,428	
Ratio of Direct and Overlapping G. O. Tax Debt to Taxable Assessed Valuation					2.79%	
Per Capita Overlapping G. O. Tax Debt					\$ 1,507	

(1) Preliminary, subject to change. Projected, includes the Certificates, and excludes self-supporting debt.

DEBT INFORMATION

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt Service (1)			The Certificates (2)			Less: Self-Supporting Debt Service	Tax-Supported Debt Service	Total Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total				
2010	\$ 1,100,000	\$ 1,242,532	\$ 2,342,532	\$ 235,000	\$ 192,267	\$ 427,267	\$ 1,865,291	\$ 477,242		
2011	1,355,000	990,652	2,345,652	275,000	119,554	394,554	1,697,612	1,075,307		
2012	1,405,000	936,594	2,341,594	280,000	113,804	395,804	1,664,443	1,071,504		
2013	1,470,000	878,533	2,348,533	285,000	108,554	395,554	1,666,345	1,075,791		
2014	1,535,000	816,933	2,351,933	280,000	101,860	391,860	1,669,195	1,075,942		
2015	1,595,000	754,205	2,349,205	290,000	94,291	394,291	1,668,348	1,072,717		
2016	1,660,000	687,885	2,347,885	300,000	85,516	395,516	1,669,238	1,072,918		
2017	1,730,000	617,743	2,347,743	310,000	75,748	390,748	1,666,936	1,076,323		
2018	1,800,000	548,665	2,348,665	315,000	65,948	386,948	1,664,272	1,075,141		
2019	1,875,000	481,313	2,356,313	330,000	64,834	394,834	1,671,503	1,079,664		
2020	1,950,000	410,241	2,340,241	340,000	52,491	392,491	1,662,476	1,070,256		
2021	2,005,000	335,489	2,340,489	18,000	44,204	229,204	1,498,351	1,071,542		
2022	2,095,000	256,299	2,351,299	190,000	40,648	230,648	1,507,244	1,074,702		
2023	895,000	197,950	1,092,950	95,000	36,773	131,773	709,340	515,383		
2024	695,000	162,998	857,998	95,000	32,676	127,676	471,951	513,723		
2025	730,000	134,299	864,299	100,000	28,410	128,410	476,385	516,524		
2026	760,000	104,253	864,253	105,000	23,860	128,860	475,035	518,078		
2027	790,000	72,958	862,958	110,000	19,023	129,023	472,998	518,983		
2028	670,000	43,273	713,273	115,000	14,018	129,018	475,130	367,160		
2029	695,000	14,769	709,769	120,000	8,713	128,713	475,938	362,544		
2030				125,000	2,969	127,969	127,969			
	<u>\$ 26,790,000</u>	<u>\$ 9,687,429</u>	<u>\$ 36,477,429</u>	<u>\$ 4,200,000</u>	<u>\$ 1,259,629</u>	<u>\$ 5,459,629</u>	<u>\$ 25,256,017</u>	<u>\$ 16,681,041</u>		

(1) "Outstanding Debt" does not include lease/purchase obligations.

(2) "Preliminary" for purposes of illustration.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/10 ⁽¹⁾	\$ 477,242
Interest and Sinking Fund, 9/30/09 ⁽²⁾	\$ 719,992
Interest and Sinking Fund Tax Levy @ 98% Collection	756,231
Estimated Investment Income	<u>-</u>
Estimated Balance, 9/30/10	<u><u>\$ 998,982</u></u>

(1) Preliminary, subject to change. Does not include self-supporting debt.
 (2) Unaudited.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

Net Waterworks and Sewer System Revenue Available as of 9/30/08	\$ 4,423,235
Less: Requirements for Waterworks and Sewer System Revenue Bonds	594,715
Balance Available for Other Purposes	<u><u>\$ 3,828,520</u></u>
Requirements for Waterworks and Sewer System General Obligation Debt	<u><u>\$ 694,558</u></u>
Percentage of Waterworks and Sewer System General Obligation Debt Self-Supporting	100%

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City does not have any authorized but unissued voted general obligation bonds. The City is authorized by the laws of the State to issue and incur general obligation debt, such as the Certificates, for certain authorized purposes without an election.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City does not anticipate the issuance of additional general obligation debt within the next 12 months. See "Capital Improvement Program" for additional information regarding anticipated issuance of debt by the City.

TABLE 12 – OTHER OBLIGATIONS

State Infrastructure Bank Loan

In 2007 the City of Kerrville entered into a loan with the State Infrastructure Bank for a total amount of \$3,100,000 at an interest rate of 4.100% and a final payment in 2027. The debt has been allocated between the General Fund and the Waterworks and Sewer System Fund with the average annual payments totaling \$115,000 and \$92,800, respectively.

Operating Leases⁽¹⁾

The City leases equipment under non-cancelable leases. Total costs for such leases were \$20,506 (Lease A) and \$42,544.80 (Lease B) for the year ended September 30, 2009. The future minimum lease payments for those leases are as follows:

Year Ending September 30,	Lease A Payment	Lease B Payment
2010	20,506.00	42,544.80
2011	20,506.00	42,544.80
2012	10,253.00	38,999.40
Total	<u><u>\$ 51,265.00</u></u>	<u><u>\$ 124,089.00</u></u>

(1) Unaudited.

PENSION FUND . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see APPENDIX B, "Excerpts from the City's Annual Financial Report" - Note #6.) The City has no other post employment benefits other than pension benefits as described above.

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FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET ASSETS

	Unaudited 2009	Fiscal Year Ended September 30,				
		2008	2007	2006	2005	2004
REVENUES:						
Program Revenues:						
Charges for Services	\$ 4,577,625	\$ 5,047,533	\$ 5,975,589	\$ 4,033,177	\$ 3,100,460	\$ 2,795,015
Operating Grants and Contributions	864,758	903,820	204,877	878,624	1,089,040	1,425,369
Capital Grants and Contributions	176,975	1,234,540	1,707,155	381,999	1,347,471	273,691
General Revenues:						
Property Taxes	9,080,384	8,587,048	7,959,787	7,521,809	6,889,517	6,476,499
Sales Taxes	5,017,127	4,965,842	7,211,862	6,966,923	6,464,892	5,998,541
Hotel Occupancy Taxes	882,591	977,543	937,850	906,387	801,573	691,992
Franchise Taxes	1,930,206	2,019,492	1,752,696	1,748,631	1,436,189	1,321,034
Alcoholic Beverage Taxes	69,227	71,952	70,003	66,118	54,764	55,344
Unrestricted Investment Earnings	65,249	391,682	849,916	588,051	381,858	225,406
Capital Contributions	-	-	-	-	-	-
Gain (loss) on sale of assets	13,260	(202,443)	11,467	-	-	-
Miscellaneous	-	-	496,529	271,372	24,956	(32,534)
Total Revenues	<u>\$ 22,677,402</u>	<u>\$ 23,997,009</u>	<u>\$ 27,177,763</u>	<u>\$ 23,363,091</u>	<u>\$ 21,590,720</u>	<u>\$ 19,230,357</u>
EXPENSES:						
General Government	\$ 5,356,395	\$ 4,937,628	\$ 7,141,532	\$ 5,345,161	\$ 4,291,954	\$ 3,986,827
Public Safety	11,057,984	11,532,917	9,743,210	8,122,211	7,933,596	7,767,507
Culture and Recreation	3,224,363	3,262,500	3,662,625	3,022,990	2,861,570	2,559,171
Public Works	2,848,331	3,008,951	2,394,090	2,311,518	2,294,809	2,084,624
Business Programs	190,203	179,727	312,415	210,619	188,069	137,879
Health and Welfare	-	-	-	-	-	-
Non Departmental	-	-	-	-	168,018	687,021
Interest on Long-term Debt	391,479	459,439	572,202	466,722	491,676	506,569
Depreciation - Unallocated	-	-	-	-	-	-
Total Expenditures	<u>\$ 23,068,755</u>	<u>\$ 23,381,162</u>	<u>\$ 23,826,074</u>	<u>\$ 19,479,221</u>	<u>\$ 18,229,692</u>	<u>\$ 17,749,598</u>
Increase in Net Assets Before Transfers	<u>\$ (391,353)</u>	<u>\$ 615,847</u>	<u>\$ 3,351,639</u>	<u>\$ 3,883,870</u>	<u>\$ 3,361,028</u>	<u>\$ 1,480,759</u>
Transfers	<u>168,498</u>	<u>823,767</u>	<u>1,129,468</u>	<u>(500,710)</u>	<u>(219,312)</u>	<u>450,973</u>
Increase in Net Assets	<u>\$ (222,855)</u>	<u>\$ 1,439,614</u>	<u>\$ 4,481,157</u>	<u>\$ 3,383,160</u>	<u>\$ 3,141,716</u>	<u>\$ 1,931,732</u>
Beginning Net Assets	<u>50,265,158</u>	<u>48,825,544</u>	<u>44,344,387</u> ⁽¹⁾	<u>42,126,743</u> ⁽²⁾	<u>38,215,975</u> ⁽³⁾	<u>31,606,166</u>
Prior Period Entries	-	-	-	-	-	1,786,124
Ending Net Assets	<u>\$ 50,042,303</u>	<u>\$ 50,265,158</u>	<u>\$ 48,825,544</u>	<u>\$ 45,509,903</u>	<u>\$ 41,357,691</u>	<u>\$ 35,324,022</u>

(1) Restated, in fiscal year 2007, the Emergency Medical Services Fund was reviewed and based on prior year activity, it was determined that this fund should have been accounted for in the General Fund due to the excessive losses that the General Fund had to provide for. This resulted in a decrease in fund balance of the EMS Fund and an increase to the General Fund. Also during the review, of interfund payables and receivables, it was noted that in 2005 and 2006, \$80,000 of debt was forgiven by the City's Economic Improvement Corporation (the "EIC"). When the debt was forgiven, revenue should have been recognized by the Enterprise Funds with a corresponding decrease in interfund payables. EIC should have recognized an expense with a corresponding decrease in interfund receivables. Per an in depth review of construction in progress, it appears that certain projects were capitalized on construction in progress that should have been expensed in the year in which they were incurred. This resulted in a decrease in net assets of the Water and Sewer Fund, Governmental activities and Business-type activities. The Insurance Internal Service Fund has not previously recorded a liability for estimated claims payable including claims incurred but not reported (IBNR). A period adjustment was made to record the IBNR liability that was estimated to exist at September 30, 2006. An additional liability was recorded for the liability that must be paid to the insurer upon termination for prior years' deficits. This resulted in a decrease in net assets of the Insurance Internal Service Fund as well as Governmental activities. Airport land that was jointly owned by the City and Kerr County was recorded in the City's general capital assets rather than in the Airport Fund, which accounts for the Airport Joint Venture. An adjustment was made to remove \$1,985,529 from the Governmental Activities capital assets at October 1, 2006 and to record the land in the Airport Fund. Furthermore, since the City owns 50% of the Airport Joint Venture, the City's equity in the joint venture was increased by 50% of \$1,985,529 (or \$992,764) at October 1, 2006.

Please note the footnotes continue on the following page.

(2) Restated, in fiscal year 2006, it was noted that previous year's capital assets were not properly recorded on the books. An in depth review of their capital asset balances showed that capital assets were \$1,802,776 overstated in the Business type activities and \$418,346 understated in Governmental activities. This resulted in a decrease to net assets for Business-type activities and an increase to net assets for Governmental activities. The City receives LEOSE funds which are regulated and must be tracked coming in and going out. In prior year, these were reported as revenue instead of deferred revenue. The prior year entry resulted in a decrease in fund balance in both the General Fund and Governmental activities net assets of \$4,352. In prior year, an adjustment was made to transfer funds from the Sales Tax Improvement Fund to the Water and Sewer Fund per the City's BIC Board authorization for the State Highway 16 utility relocation project. It was determined after year end that this entry was not necessary, resulting in a decrease to the Water and Sewer net assets and an increase to the Sales Tax Improvement fund balance.

(3) Restated; in fiscal year 2005, the EIC Board approved to apply prior interest payments as principal payment on an interfund loan to the golf course fund. As a result, beginning fund equity for golf course fund and sales tax improvements funds were restated by \$40,000. In fiscal year 2005, it was noted that bond issuance costs for governmental activities had never been capitalized in the government-wide financial statements. As a result, beginning net assets for governmental activities were increased by \$153,003 to record bond issuance costs at October 1, 2004. In reviewing construction in progress, it was noted that certain projects costs were recorded as capital assets in both the water and sewer fund as well as governmental activities in the statement of net assets. Since these assets will ultimately be maintained in the water and sewer fund, the duplicate costs of \$1,090,819 were removed from governmental activities as of October 1, 2004. During fiscal year 2005, the City's engineer performed a complete inventory of the City's storm drains. Using current replacement costs and backtrending, the City was able to estimate its investment in storm drain infrastructure that previously had not been capitalized. As a result, at October 1, 2004, an adjustment was made to record \$3,789,769 in additional storm drain infrastructure.

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TABLE 13-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Unaudited 2009	Fiscal Years Ended September 30,				
		2008	2007	2006	2005	2004
REVENUES						
Taxes	\$ 15,323,173	\$ 14,694,692	\$ 14,019,736	\$ 13,363,899	\$ 12,101,861	\$ 11,254,820
Licenses and Permits	416,882	448,653	464,719	593,369	457,339	410,702
Intergovernmental	833,660	864,866	829,878	495,255	473,318	538,024
Charges for Services	3,295,168	1,936,429	3,403,994	1,521,648	1,462,476	1,209,066
Grants	147,365	251,906	104,327	201,074	78,376	32,951
Fines and Forfeitures	505,465	420,075	340,790	307,315	322,224	393,676
Interest	48,232	265,591	368,168	285,253	115,164	56,915
Miscellaneous	747,486	1,233,649	848,504	664,846	645,235	545,319
Total Revenues	<u>\$21,317,431</u>	<u>\$20,115,861</u>	<u>\$20,410,136</u>	<u>\$17,432,659</u>	<u>\$15,658,993</u>	<u>\$14,441,473</u>
EXPENDITURES						
Current Expenditures:						
General Government	\$ 5,218,255	\$ 4,438,106	\$ 4,919,754	\$ 4,421,823	\$ 4,032,236	\$ 3,906,857
Public Safety	10,955,114	10,775,434	10,240,411	7,552,483	6,860,637	7,016,018
Culture and Recreation	2,154,076	2,247,494	2,187,374	2,119,619	1,885,162	1,881,763
Public Works	2,419,486	2,798,372	2,296,884	2,198,898	2,072,895	1,951,026
Health and Welfare	-	-	-	-	-	157,879
Nondepartmental					149,257	-
Business Programs	190,203	179,727	211,103	178,950	-	-
Capital Outlay	676,240	363,445	245,783	6,421	122,547	284,713
Debt Service	-	-	-	-	-	-
Total Expenditures	<u>\$21,613,374</u>	<u>\$20,802,578</u>	<u>\$20,101,309</u>	<u>\$16,478,194</u>	<u>\$15,122,734</u>	<u>\$15,228,256</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ (295,943)</u>	<u>\$ (686,717)</u>	<u>\$ 308,827</u>	<u>\$ 954,465</u>	<u>\$ 536,259</u>	<u>\$ (786,783)</u>
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	\$ 887,049	\$ 1,061,892	\$ 848,393	\$ 703,289	\$ 707,090	\$ 772,645
Operating Transfers Out	(718,551)	(1,172,955)	(928,579)	(472,234)	(311,717)	(179,865)
Capital Lease Obligation Proceeds	-	33,033	-	-	-	17,593
Total Other Financing Sources (Uses)	<u>\$ 168,498</u>	<u>\$ (78,030)</u>	<u>\$ (80,186)</u>	<u>\$ 231,035</u>	<u>\$ 395,373</u>	<u>\$ 610,373</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (127,445)</u>	<u>\$ (764,747)</u>	<u>\$ 228,641</u>	<u>\$ 1,185,500</u>	<u>\$ 931,632</u>	<u>\$ (176,410)</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>\$ 7,609,428</u>	<u>\$ 7,258,938</u>	<u>\$ 7,420,072</u> ⁽¹⁾	<u>\$ 6,148,594</u> ⁽²⁾	<u>\$ 5,221,314</u>	<u>\$ 5,397,724</u>
RESIDUAL EQUITY TRANSFER IN (OUT)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES AT END OF YEAR	<u>\$ 7,481,983</u>	<u>\$ 6,494,191</u>	<u>\$ 7,648,713</u>	<u>\$ 7,334,094</u>	<u>\$ 6,152,916</u>	<u>\$ 5,221,314</u>

(1) Restated, in fiscal year 2007, the Emergency Medical Services Fund was reviewed and based on prior year activity, it was determined that this fund should have been accounted for in the General Fund due to the excessive losses that the General Fund had to provide for. This resulted in a decrease in fund balance of the EMS Fund and an increase to the General Fund. Also during the review, of interfund payables and receivables, it was noted that in 2005 and 2006, \$80,000 of debt was forgiven by the City's Economic Improvement Corporation (the "EIC"). When the debt was forgiven, revenue should have been recognized by the Enterprise Funds with a corresponding decrease in interfund payables. EIC should have recognized an expense with a corresponding decrease in interfund receivables. Per an in depth review of construction in progress, it appears that certain projects were capitalized on construction in progress that should have been expensed in the year in which they were incurred. This resulted in a decrease in net assets of the Water and Sewer Fund, Governmental activities and Business-type activities. The Insurance Internal Service Fund has not previously recorded a liability for estimated claims payable including claims incurred but not reported (IBNR). A period adjustment was made to record the JBNR liability that was estimated to exist at September 30, 2006. An additional liability was recorded for the liability that must be paid to the insurer upon termination for prior years' deficits. This resulted in a decrease in net assets of the Insurance Internal Service Fund as well as Governmental activities. Airport land that was jointly owned by the City and Kerr County was recorded in the City's general capital assets rather than in the Airport Fund, which accounts for the Airport Joint Venture. An adjustment was made to remove \$1,985,529 from the Governmental Activities capital assets at October 1, 2006 and to record the land in the Airport Fund. Furthermore, since the City owns 50% of the Airport Joint Venture, the City's equity in the joint venture was increased by 50% of \$1,985,529 (or \$992,764) at October 1, 2006.

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TABLE 14 - MUNICIPAL SALES TAX

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 Certificates. 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. In May, 1995, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (1/2% of 1%) for economic development. The sales tax for economic development is collected solely for the benefit of Kerrville Economic Improvement Corporation (the "Corporation" or the "EIC"), and may be pledged to secure payment of sales tax revenue bonds issued by the Corporation.

Fiscal Year Ended	Total Collected ⁽¹⁾	Equivalent of Ad Valorem Tax Rate			Per Capita ⁽²⁾
		% of Ad Valorem Tax Levy	Ad Valorem Tax Rate	Per Capita ⁽²⁾	
9/30					
2005	\$ 4,309,928	63.28%	\$ 0.3565	\$ 200.38	
2006	4,644,615	62.40%	0.3443	205.08	
2007	4,807,908	60.91%	0.3358	210.87	
2008	4,965,842	58.12%	0.4176	214.58	
2009	4,998,290	55.10%	0.4011	212.79	

(1) Excludes half-cent sales tax for economic development.
 (2) Based on population estimates of the City staff.

In addition, the Tax Code provides 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 8 1/4%.

The sales tax breakdown for the City is as follows:

Economic and Community Development	0.50¢
City Sales & Use Tax	1.00¢
County Sales & Use Tax	0.50¢
State Sales & Use Tax	0.25¢
Total	8.25¢

CAPITAL IMPROVEMENT PROGRAM

The City has implemented a five-year Capital Improvement Program ("CIP"). The CIP was updated in 2009 and shows tax supported debt totaling \$22,908,000 and wastewater system debt of \$47,457,791. The CIP does not require formal action by City Council; however, the CIP represents the priorities and goals of the City Council.

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's current consensus is to maintain a General Fund reserve balance equivalent to 5% of budgeted expenditures.

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

Budgetary Procedures . . . Sixty days prior to adoption of a formal budget, the City Manager files with the City Clerk 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. Prior to October 1, the budget is adopted and legally enacted through passage of an ordinance.

INVESTMENTS

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY . . . Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligation, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit that are issued by a state or national bank domiciled in the State of Texas, a savings bank domiciled in the State of Texas, or a state or federal credit union domiciled in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAA-m or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

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

ADDITIONAL PROVISIONS . . . Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City, (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer.

TABLE 15 - CURRENT INVESTMENTS

As of October 31, 2009 the City's investable funds were invested in the following categories:

Description	% of Portfolio	Book Value
Federal Home Loan Bank	16.97%	\$ 4,599,923
Certificate of Deposits	28.43%	7,704,936
Commercial Paper	8.28%	2,243,441
TexPool	19.90%	5,393,652
TexSTAR	26.41%	7,156,585
	<u>100.00%</u>	<u>\$ 27,098,537</u>

As of such date, 89% of the City's investment portfolio will mature within 6 months. The market value of the investment portfolio was approximately 100% of its purchase price.

TexSTAR is a local government investment pool for whom First Southwest Asset Management, Inc., an affiliate of First Southwest Company, provides customer service and marketing for the pool. TexSTAR currently maintains a "AAAm" rating from Standard & Poor's and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds are allowed by the participants.

TAX MATTERS

OPINION . . . On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), for federal income tax purposes, interest on the Certificates (i) will be excludable from the "gross income" of the holders thereof and (ii) will not be included as an alternative minimum tax preference item under section 55 of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix C - Form of Bond Counsel's Opinion.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificate, and (b) covenants of the City contained in the Certificate documents relating to certain matters, including arbitrage and the use of the proceeds of the Certificates and the property financed or refinanced therewith. Although it is expected that the Certificates will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance, the tax-exempt status of the Certificates could be affected by future events. However, future events beyond the control of the City, as well as the failure to observe the aforementioned representations or covenants, could cause the interest on the Certificates to become taxable retroactively to the date of issuance.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the projects financed with the Certificate proceeds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . The initial public offering price to be paid for one or more maturities of the Certificates (the "Original Issue Discount Certificates") may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year. In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any owner who has purchased such Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt Obligation.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Under section 6012 of the Code, holders of tax-exempt Obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . . Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt Obligations is not deductible by such taxpayer in determining taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer which is a "financial institution" allocable to tax-exempt Obligations, other than "private activity bonds," which are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any subordinate issuers) who issues no more than \$10,000,000 of tax-exempt Obligations during the calendar year, except that such amount will be \$30,000,000 for taxable years beginning after December 31, 2008 and ending prior to January 1, 2011. Section 265(b)(5) of the Code defines the term "financial institution" as referring to any corporation described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business which is subject to federal or state supervision as a financial institution.

The City expects to designate the Certificates as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City will covenant to take such action which would assure, or to refrain from such action which would adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000 (\$30,000,000 for taxable years beginning after December 31, 2008 and ending prior to January 1, 2011), there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 (\$30,000,000 for taxable years beginning after December 31, 2008 and ending prior to January 1, 2011) is disregarded, but the Internal Revenue Service could take a contrary view. Were the Internal Revenue Service to conclude that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the obligations would not be "qualified tax-exempt obligations."

OTHER INFORMATION

RATINGS

Application for contract ratings on the Certificates has been made to S&P. The presently outstanding tax supported debt of the City has an underlying rating of "AA-" by S&P. The City also has one issue outstanding that was privately placed and is not rated. Additionally, the City's Series 2002, and Series 2007 Certificates of Obligation and Series 2007 General Obligation Refunding Bonds, at the time of issuance in 2007 were rated "A2" by Moody's Investors Service, Inc. ("Moody's") without regard to credit enhancement. An explanation of the significance of any rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating, may have an adverse effect on the market price of the Certificates.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding Obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of this Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "THE CERTIFICATES" (other than the information under the subcaption "Book-Entry-Only System"), "TAX MATTERS", "OTHER INFORMATION - Registration and Qualification of Certificates for Sale", "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas", "OTHER INFORMATION - Legal Opinions and No-Litigation Certificate", and "OTHER INFORMATION - Continuing Disclosure of Information" (other than the subcaption "Compliance with Prior Undertakings") in the Official Statement, and such firm is of the opinion that the information relating to the Certificates and the Ordinance contained under such captions is a fair and accurate summary of the information shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates.

deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the book-entry-only system. Certain legal matters will be passed upon for the Underwriters by their counsel, Andrews Kurth LLP, Austin, Texas.

The legal opinion to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"), which pursuant to SEC-approved amendments to SEC Rule 15c2-12 that became effective beginning July 1, 2009, is now the sole nationally recognized municipal securities information repository ("NRMSIR"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system to make such continuing disclosure available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

ANNUAL REPORTS. . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables number 1 through 6 and 8 through 13 and in Appendix B. The City will update and provide this information within six months after the end of each fiscal year ending in or after 2009. The City will provide the updated information to the MSRB.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's internet web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

MATERIAL EVENT NOTICES. . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates, if such event is material to a decision to purchase or sell Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Certificates; (7) modifications to rights of holders of the Certificates; (8) redemption calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates; and (11) rating changes. (Neither the Certificates nor the Ordinance make any provision for debt service reserves.) In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The City will provide each notice described in this paragraph to the MSRB.

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

LIMITATIONS AND AMENDMENTS. . . The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment,

as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates.

If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS. During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

FINANCIAL ADVISOR

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

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

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City at a price equal to the initial offering prices set forth on page 2 of this Official Statement, less an underwriting discount of \$_____. The Underwriters will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriters.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

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

Mayor
City of Kerrville, Texas

ATTEST:

City Secretary
City of Kerrville, Texas

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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LOCATION AND POPULATION

The City of Kerrville is the principal commercial center and County seat of Kerr County, located at the intersection of Interstate Highway 10 and State Highways 16, 27 and 173. It is 65 miles northwest of San Antonio along the Guadalupe River and is in the heart of the Texas Hill Country. The City's 2000 census population was 20,425, increasing 17.49% since 1990.

ECONOMY

Kerrville's economy is based on a combination of agriculture, tourism and manufacturing. Major industries in the area include healthcare, tourism and hospitality, jewelry, aircraft production, retirement, building trades, ranch retreats, hunting, services and retail. Much of the sources of agricultural income are from cattle, sheep, and goats. There are three hospitals in Kerrville (Kerrville State Hospital, the Veterans Administration Hospital, and the Sid Peterson Memorial Hospital), employing over 1,700 people.

The City's location along the Guadalupe River in the heart of the "beautiful" Texas Hill Country, together with the many vacation resorts and numerous summer camps for young people, make Kerrville a haven for tourists and conventions as well as a popular retirement area. The area is one of the state's most popular health and recreational areas, with more than a dozen boys' and girls' camps, adult camps, dude ranches and religious encampments. The Kerrville-Schreiner Park is a 517.2-acre area along the Guadalupe River, five miles southeast of downtown Kerrville which is now owned and operated by the City of Kerrville. The park's activities include boating, fishing, camping, picnicking, unsupervised swimming in the river, bird watching, hiking, walking, and cycling. Within the City there are 17 motels/hotels with approximately 1,299 rooms, including the rooms at the famous Inn of the Hills River Resort and the Y.O. Ranch Resort Hotel. The Hill Country Arts Foundation, founded in 1958, provides art classes and summer theatre for professionals and amateurs, plus a special children's program. The local higher educational facility, Schreiner University, has a 2008-09 academic year enrollment of 1,011. These major aspects of the economy are supported by a strong retail, wholesale and service trade.

Major employers of the area as of December, 2009 include the following:

Employer	Type of Business	Approximate Number of Employees
Sid Peterson Memorial Hospital	Hospital	851
Kerrville Independent School District	Education	741
Kerrville State Hospital	Hospital	535
Kerrville Veterans Administration Hospital	Hospital	460
Wal-Mart	Discount Store	400
James Avery Craftsman, Inc.	Jewelry	365
H.E.B. Food and Drug Stores	Grocery Store	332
City of Kerrville	Government	315
Kerr County	Government	299
Sava Senior Center	Retirement Facility	281

Source: Kerr Economic Development Foundation.

TRANSPORTATION

Louis Schreiner Field is a City/County airport. The nearest scheduled flights are at the San Antonio International Airport, which can be reached by car in a little over an hour.

The Kerrville Bus Company - Coach USA provides bus service to the area with passenger service and small package express service. Freight and shipping are provided by Kerrville Bus, United Parcel Service, Federal Express, United States Postal Service, Basse Truck Lines, Central Freight, and Airborne Express.

BUILDING PERMITS AND CONSTRUCTION VALUES

Fiscal Year	Commercial Construction		Residential Construction		Permits	Value
	Permits	Value	Permits	Value		
2005	74	\$ 29,232,653	248	\$ 23,165,223	322	\$ 52,397,876
2006	66	63,103,409	293	33,102,646	359	96,206,054
2007	81	9,710,053	277	36,200,297	358	45,910,350
2008	84	17,096,291	240	29,154,698	324	46,250,989
2009	70	30,470,574	141	21,888,983	211	52,359,557

LABOR FORCE STATISTICS FOR KERR COUNTY⁽¹⁾

	Annual Averages				
	2009 ⁽²⁾	2008	2007	2006	2005
Civilian Labor Force	23,987	23,330	22,431	22,590	22,726
Total Employed	22,604	22,400	21,627	21,668	21,799
Unemployed	1,383	930	804	922	927
% Unemployment	5.8%	4.0%	3.6%	4.1%	4.1%
% Unemployed (Texas)	8.1%	4.9%	4.3%	4.9%	5.4%
% Unemployed (USA)	9.5%	5.8%	4.6%	4.6%	5.1%

(1) Source: Texas Employment Commission.

(2) As of October, 2009.

EMPLOYMENT AND WAGES BY INDUSTRY - KERR COUNTY⁽¹⁾⁽²⁾

	Second Quarter				
	2009	2008	2007	2006	2005
Natural Resources and Mining	113	112	113	110	105
Construction	1,219	1,402	1,290	1,260	1,196
Manufacturing	733	1,168	1,182	1,147	1,058
Trade, Transportation & Utilities	3,266	3,379	3,320	3,246	3,122
Information	259	243	243	286	270
Financial Activities	827	883	823	822	796
Professional and Business Services	1,291	1,363	1,280	1,166	1,100
Education and Health Services	3,457	3,378	3,372	3,163	3,201
Leisure and Hospitality	2,310	2,416	2,326	2,233	2,474
Other Services	751	738	732	749	758
Unclassified	0	13	17	40	20
State Government	751	720	737	755	708
Local Government	2,054	1,953	1,946	1,978	2,028
Total Employment	17,031	17,768	17,380	16,954	16,834
	\$ 138,906,250	\$ 145,270,467	\$ 135,880,627	\$ 124,377,702	\$ 115,671,363

(1) Source: Texas Employment Commission.

(2) Statistics do not include Federal employees or their wages.

APPENDIX B

EXCERPTS FROM THE
CITY OF KERRVILLE, TEXAS
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2008

The information contained in this Appendix consists of excerpts from the City of Kerrville, Texas Annual Financial Report for the Year Ended September 30, 2008, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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RUTLEDGE CRAIN & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
2401 Garden Park Court, Suite B
Arlington, Texas 76013

Independent Auditors' Report on Financial Statements

To the City Council
City of Kerrville, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kerrville, Texas as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kerrville, Texas' management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Kerrville Public Utility Board ("KPUB"), a component unit, which statements reflect 91% and 95%, respectively, of the assets and revenue of the City's discretely presented component units as of and for the year ended September 30, 2008. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for KPUB, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kerrville, Texas as of September 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the City of Kerrville, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Rutledge Crain & Company, PC

May 3, 2009

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CITY OF KERRVILLE, TEXAS

Management's Discussion and Analysis

As management of the City of Kerrville, Texas, we offer readers of the City of Kerrville's financial statements this narrative overview and analysis of the financial activities of the City of Kerrville for the fiscal year ended September 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 12 - 15 of this report.

Financial Highlights

Government-Wide

- The City's assets exceeded its liabilities at the close of the 2008 fiscal year by \$88,869,963 (net assets). Of this amount \$14,649,157 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies as more fully described below.
- The City's total net assets increased by \$5,212,319 or 6.23%. Net assets of business-type activities increased by \$3,772,705 or 10.83%, and net assets of governmental activities increased by \$1,439,614 or 2.95%.
- Total Cost of all the City's programs was \$31,436,520 in 2008.

Fund Statements

- As of September 30, 2008, the City's governmental funds reported combined ending fund balances of \$10,927,766. Approximately 90.47% of this total amount, \$9,886,688 is unreserved and available for use within the City's designation and policies. Reservations for construction total \$2,929,230 and represent over 26.81% of the total fund balance.
- At the end of the current fiscal year, unreserved fund balance in the General Funds was \$6,421,228 or 27.46% of the total general fund expenditures.

Overview of the Financial Statements

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

(1) Government-Wide Financial Statements

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

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

Both of the government-wide financial statements distinguish functions of the City of Kerrville that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-type activities*). The governmental activities of the City of Kerrville include general government, public safety, public works and streets, and parks and recreation. The business-type activities of the City of Kerrville include water and wastewater services, Kerrville Schreiner Park and the City's public golf course.

The government-wide financial statements include not only the City itself, but also a legally separate electric utility (KPUB) as well as the Economic Improvement Corporation (EIC). Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 36 – 38 of this report.

(2) Fund Financial Statements

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

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

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

The City of Kerrville maintains nine individual governmental funds. Information is presented separately in the *Governmental Funds Balance Sheet* and in the *Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances* for the General Fund, which is considered to be a major fund. Data from the other eight funds are combined into a single, aggregated presentation. Individual funds data for each of these non-major governmental funds is provided in the form of combining statements in the combining statements section in the report.

The governmental fund financial statements can be found on pages 39 - 42 of this report.

Proprietary funds. The City of Kerrville maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Kerrville maintains three enterprise funds. The City of Kerrville uses enterprise funds to account for its water and wastewater services, Kerrville Schreiner Park and the City's public golf course. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Kerrville uses internal service funds to account for automotive maintenance facility operations and employees' health insurance services. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provide information for the Utility Fund (water and wastewater), Kerrville Schreiner Park and the Golf Course Fund. The Utility Fund is considered to be major fund of the City of Kerrville while the Golf Course Fund and Kerrville Schreiner Park fund are combined and presented in a single column as non-major enterprise funds. The internal service funds are also combined into a single, aggregated presentation of the proprietary fund financial statements. Individual fund data for the non-major enterprise funds and internal service funds is provided in the form of combining statements elsewhere in the report.

The basic proprietary fund financial statements can be found on pages 43-45 of this report.

(3) Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Each note is designed to give a more detailed explanation of the figures which are presented in summary form throughout the financial statements section of the report.

The notes to the financial statements can be found on pages 46-74 of this report.

Comparative Financial Information

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Kerrville, assets exceeded liabilities by \$88,869,963 at the close of the most recent fiscal year.

By far the largest portion of the City of Kerrville's net assets (78.74%) reflects its investment in capital assets (e.g., land, buildings, infrastructure and system improvements), less any related debt used to acquire those assets that is outstanding. The City of Kerrville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Kerrville's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF KERRVILLE'S NET ASSETS
Government-Wide

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets						
Capital assets	\$ 17,746,453	\$ 18,235,796	\$ 8,574,056	\$ 6,763,534	\$ 26,320,509	\$ 24,999,330
Total assets	47,191,043	45,057,984	43,704,361	40,086,195	90,895,404	85,144,179
	<u>64,937,496</u>	<u>63,293,780</u>	<u>52,278,417</u>	<u>46,849,729</u>	<u>117,215,913</u>	<u>110,143,509</u>
Long term liabilities	12,587,727	12,253,124	12,196,187	906,137	24,783,914	13,159,261
Other liabilities	2,084,611	2,215,112	1,477,425	11,111,485	3,562,036	13,326,597
Total liabilities	<u>14,672,338</u>	<u>14,468,236</u>	<u>13,673,612</u>	<u>12,017,622</u>	<u>28,345,950</u>	<u>26,485,858</u>
Net assets:						
Invested in capital assets,						
Net of related debt	38,523,787	32,804,860	31,453,451	29,394,535	69,977,238	62,199,395
Restricted	3,639,842	1,468,016	603,726	-	4,243,568	1,468,016
Unrestricted	8,101,529	14,552,668	6,547,628	5,437,565	14,649,157	19,990,233
Total net assets	<u>\$ 50,265,158</u>	<u>\$ 48,825,544</u>	<u>\$ 38,604,805</u>	<u>\$ 34,832,100</u>	<u>\$ 88,869,963</u>	<u>\$ 83,657,644</u>

An additional portion of the City's net assets (4.78%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (16.48%) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Kerrville is able to report positive balances in each category of net assets for the government as a whole.

The City's net assets increased by \$5,212,319 during the current fiscal year. \$3,772,705 of this increase is attributable to current year operations of the business type activities. Another \$1,439,614 is attributable to governmental activities as shown in the following table.

City of Kerrville
Changes in Net Assets

	Governmental		Business-type		Total	2007
	Activities	2008	Activities	2007		
Revenues:						
Program revenue						
Charges for services	\$ 5,047,533	\$ 5,975,589	\$ 10,118,243	\$ 8,688,058	\$ 15,165,776	\$ 14,663,647
Operating grants and contributions	903,820	204,877	685,003	31,856	1,588,823	236,733
Capital grants and contributions	1,234,540	1,707,155	1,420,761	2,077,150	2,655,301	3,784,305
General Revenue						
Property tax	8,587,048	7,959,787	-	-	8,587,048	7,959,787
Sales and other taxes	8,034,829	9,972,413	-	-	8,034,829	9,972,413
Unrestricted investment earnings	391,682	849,946	250,988	288,866	642,670	1,138,812
Miscellaneous revenue	-	-	211,761	290,278	211,761	290,278
Gain (loss) on sale of assets	(202,443)	507,996	(34,926)	(6,563)	(237,369)	501,433
Total revenue	23,997,009	27,177,763	12,651,830	11,369,645	36,648,839	38,547,408
Expenses:						
General government	\$ 4,937,628	\$ 7,141,532	\$ -	\$ -	\$ 4,937,628	\$ 7,141,532
Public safety	11,532,917	9,743,210	-	-	11,532,917	9,743,210
Culture and recreation	3,262,500	3,662,625	-	-	3,262,500	3,662,625
Public works	3,008,951	2,394,090	-	-	3,008,951	2,394,090
Business programs	179,727	312,415	-	-	179,727	312,415
Interest on long-term debt	459,439	572,202	-	-	459,439	572,202
Water and sewer operations	-	-	6,611,782	6,071,273	6,611,782	6,071,273
Kerrville Schreiner Park	-	-	545,526	491,888	545,526	491,888
Golf course	-	-	898,050	929,318	898,050	929,318
Total expenses	23,381,162	23,826,074	8,055,358	7,492,479	31,436,520	31,318,553
Excess before transfers	615,847	3,351,689	4,596,472	3,877,166	5,212,319	7,228,855
Transfers	823,767	1,129,468	(823,767)	(1,129,468)	-	-
Change in net assets	1,439,614	4,481,157	3,772,705	2,747,698	5,212,319	7,228,855
Net Assets, Beginning of Year as Restated	48,825,544	44,344,387	34,832,100	32,084,402	83,657,644	76,428,789
Net Assets, End of Year	\$ 50,265,158	\$ 48,825,544	\$ 38,604,805	\$ 34,832,100	\$ 88,869,963	\$ 83,657,644

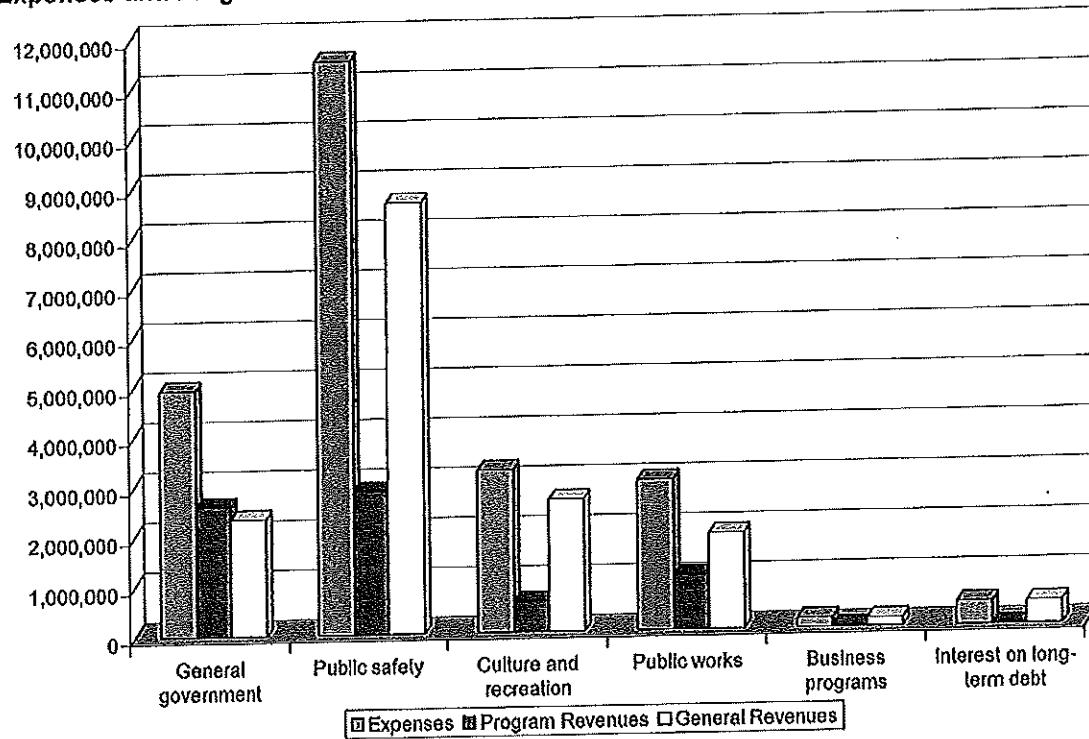
Overall Financial Position and Results of Operations

Governmental Activities

Governmental activities increased the City of Kerrville's net assets by \$1,439,614 thereby accounting for 27.62% of the total growth in the net assets of the City of Kerrville. Key Elements of this increase are as follows:

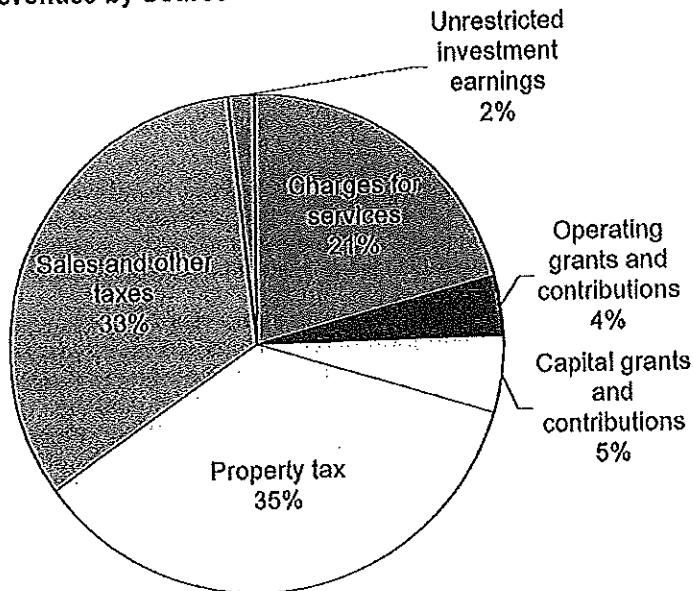
- Charges for services provided 21.03% of the City's governmental revenues. These include garbage collection fees, municipal court fines, EMS service charges, and landfill surcharge revenues, among others.
- Tax revenues (property, sales, franchise, hotel & alcoholic) provided 69.27% of the City's governmental revenues. Tax revenues decreased by \$1,310,323 or 7.31% from 2008 related to the change in the Economic Improvement Corporation being presented as a discrete component unit.

Expenses and Program Revenue & General Revenue – Governmental Activities



The General Revenue bar shows that the expenses are primarily covered by General Revenue not Program Revenue.

Revenues by Source – Governmental Activities

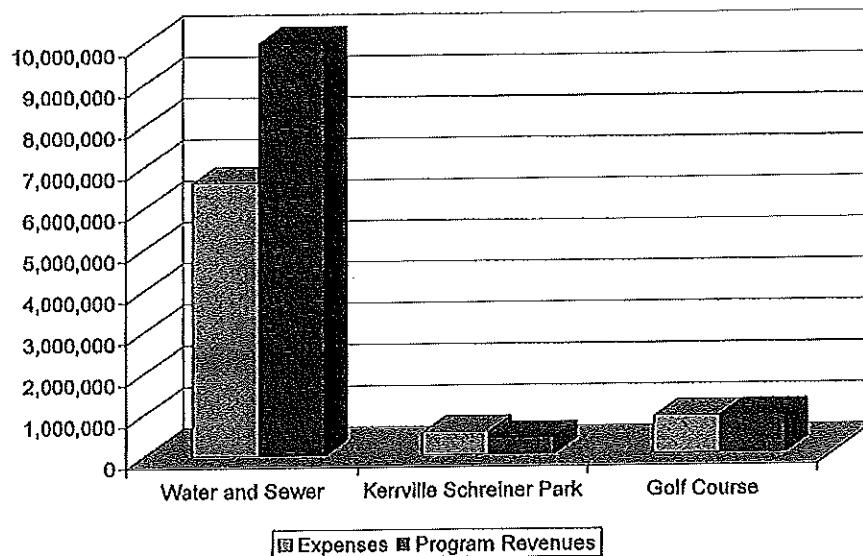


Business-Type Activities

Business-type activities increased the City of Kerrville's net assets by \$3,772,705 accounting for 72.38% of the total growth in the City's net assets. Key elements of this increase are as follows:

- Charges for services provided 79.97% of the City's business-type revenues.
- Water and Sewer charges for services provided 69.58% of the City's business-type revenue.
- Kerrville Schreiner Park and the Golf Course service charges provided 10.40% of the City's business-type revenue.

Expenses and Program Revenue – Business-Type Activities Chart



Individual Financial Analysis of the City's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the City of Kerrville's governmental funds reported combined ending fund balances of \$10,927,766 a decrease of \$6,364,125 in comparison with the prior year. This substantial decrease in fund balance is predominantly attributable to the reclassification of the Economic Improvement Corporation funds from blended component units to discrete component units. Approximately 90.47% of total fund balance or \$9,886,688 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for restricted purposes (debt service, capital projects).

The general fund is the chief operating fund of the City of Kerrville. At the end of the current fiscal year, unreserved fund balance of the general fund was \$6,421,228. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 27.46% of total general fund expenditures.

The fund balance of the City of Kerrville's general fund decreased by \$764,747 during the current fiscal year. Key factors in this decrease are as follows:

- The FY 08 budget anticipated a \$1,750,132 drawdown of cash balance, which was in excess of the target reserve level in order to maintain a responsible tax rate. Audited figures from exhibit B-1 illustrate that on a budget basis, expenditures exceeded revenues by only \$759,557.
- Increases in current liabilities related to accounts payable and deferred revenue provide for the remaining reduction in the fund balance.

Proprietary Funds

The City of Kerrville's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the proprietary funds at the end of the year amounted to \$6,547,628 with unrestricted net assets of the utility fund at the end of the year amounting to \$6,620,272.

General Fund Budgetary Analysis

Actual expenditures in the general fund for 2008 exceeded revenues by \$759,557. The original budget anticipated a drawdown of cash balance which exceeded the city's policy driven target cash reserve. The final budget put this drawdown at \$1,750,132, which means that the actual drawdown was approximately \$990,000 less than anticipated. The combined net effects of the following budget to actual variances account for the lower than anticipated drawdown:

- The taxes and penalties category shows a significant negative variance from budget primarily due to property tax revenue which was approximately \$444,000 lower than anticipated. \$240,000 of this amount is due to a discrepancy in the distribution method used to apportion revenues between the general fund and the general debt service fund. The remaining amount is due to an actual collection rate being approximately 98% rather than the budgeted 100%. The discrepancy in the distribution is related to the revenues collected on those properties claiming the over 65 tax freeze. State code indicates that revenues collected based on the debt service requirements may only be used for debt service, while the formula used by comptroller's office to calculate the debt service rate excludes consideration of revenues from frozen properties. The problem arises when assessor collectors distribute all property tax income between general and debt service funds according to their pro-rata share of the total tax rate. Additional clarification of this issue will be sought in 2009, and adjustments will be made accordingly in the future.
- The charges for service revenue category exceeded budget by approximately \$459,000, primarily due to EMS revenues exceeding budget. This was caused by an increased number of service calls, as well as an increase in the number of critical care calls, which equates to a higher than anticipated average revenue per service call.
- Landfill operations actual expenditures were \$360,501 below budget due not expending funds which were budgeted for the purchase of a grant funded grapple truck and for the landfill expansion permit. Both of these expenditures were re-appropriated in the 2009 budget due to the timing of the actual invoices.
- The general operations budget had \$356,134 remaining at year end. This is primarily due to a reimbursement of workers compensation premiums (return of equity) and lower than budgeted cost of merit increases for general government employees.

Capital Asset and Long-Term Debt Administration

Capital Assets

The City of Kerrville's investment in capital assets for its governmental and business type activities as of September 30, 2008, amounts to \$90,895,404 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure and system improvements (including streets and drainage infrastructure) and machinery and equipment.

CITY OF KERRVILLE'S CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 2,510,700	\$ 2,283,843	\$ 2,439,576	\$ 2,439,576	\$ 4,950,276	\$ 4,723,419
Streets	19,192,587	18,499,953	-	-	19,192,587	18,499,953
Construction in progress	11,594,475	10,428,446	7,897,658	4,920,149	19,492,133	15,348,595
Buildings	4,722,218	4,280,076	6,265,916	6,485,913	10,988,134	10,765,989
Improvements other than buildings	6,388,788	6,432,690	25,899,513	25,037,019	32,288,301	31,469,709
Vehicles	2,334,432	2,629,165	772,370	763,837	3,106,802	3,393,002
Machinery and equipment	487,844	485,358	429,327	434,607	877,171	919,965
Total	\$47,191,044	\$45,039,531	\$43,704,360	\$40,081,101	\$90,895,404	\$85,120,632

Additional information on the City's capital assets can be found in Note II (C) on pages 53-56 of this report.

Long-Term Debt

At the end of the current fiscal year, the City of Kerrville has total governmental activities long-term debt outstanding of \$9,398,586 which the City expects to retire through the Debt Service Fund. The City also has business activity long-term debt outstanding of \$12,333,357 at September 30, 2008. The City of Kerrville's total bonded debt and loans increased by \$2,147,193 (25.30%) during the current fiscal year due to issuing additional debt for the Water and Sewer Utility.

The City's five year capital improvement plan identifies over \$64 million of capital improvements during the next five years (through 2013). The majority of these improvements (83.78%) are anticipated to be funded by debt obligations. The 2009 capital plan includes issuing approximately ten million dollars of Certificates of Obligation for use in the general and utility funds. As a result, the City has taken steps to improve its bond rating for 2009. In November of 2009, Standard and Poor's increased the City's general fund rating from an A+ to a AA-, utility fund rating from A to a AA-, and the economic improvement corporation from A- to A+.

LONG-TERM DEBT

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Gross Bonded Debt						
General obligation	\$ 2,645,525	\$ 2,656,650	\$ 3,299,475	\$ 3,313,350	\$ 5,945,000	\$ 5,970,000
Certificates of obligation	5,254,575	5,539,375	6,690,425	4,370,625	11,945,000	9,910,000
Revenue bonds	-	-	1,135,000	1,665,000	1,135,000	1,665,000
Total Bonded Debt	7,900,100	8,196,025	11,124,900	9,348,975	19,025,000	17,545,000
Bond premium/discount	(29,650)	(31,611)	(57,094)	(60,790)	(86,744)	(92,401)
Deferred amount on refunding	(179,066)	(189,014)	(232,147)	(245,044)	(411,213)	(434,058)
Net Bonded Debt	7,691,384	7,975,400	10,835,659	9,043,141	18,527,043	17,018,541
Other Long-term Debt						
State infrastructure bank loan	1,498,486	1,550,000	1,208,457	1,250,000	2,706,943	2,800,000
Capital leases	25,643	34,645	-	-	25,643	34,645
Compensated absences	659,059	257,423	152,071	90,456	811,130	347,879
Landfill closure and postclosure costs	2,713,155	2,435,656	-	-	2,713,155	2,435,656
Total	\$ 12,587,727	\$ 12,253,124	\$ 12,196,187	\$ 10,383,597	\$ 24,783,914	\$ 22,636,721

Additional information on the City's long-term debt can be found in Note II (E) on pages 58-61 of this report.

Modified Approach of Capital Assets

The City of Kerrville has adopted the modified approach for its streets system of capital assets. As a result, the City has made a commitment to preserve and maintain its streets system at certain condition levels determined by the City. No depreciation expense is reported for such assets, nor are amounts capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential. The City maintains an inventory of the streets system and performs periodic condition assessments to establish that the predetermined condition level is being maintained. The City's policy is to maintain a targeted overall weighted average Condition Index rating of 75 (fair condition). The City's engineers estimate the current pavement condition of the City's streets to be at a Condition Index rating of 79 (fair condition). The City makes annual estimates of the amounts that must be expended to preserve and maintain the streets system at the predetermined condition level. To preserve the City's streets system at the targeted Condition Index rating level of 75, the City's needed expenditures for 2008 were zero (\$0). Although Kerrville's weighted average Condition Index rating is 79, there are a number of streets that have failed and are deteriorating at a faster rate than normal. These streets will require reconstruction in order to maintain a weighted average Condition Index rating above 75. For three year historical information, please see page 74.

Items That Will Have a Significant Financial Impact

Economic Factors and Next Year's Budgets and Rates

The City has adopted an ad valorem tax rate of \$0.5500 per \$100 value for budget year 2009, which is the same as the tax rate of \$0.5500 per \$100 value in budget year 2008.

Sales tax receipts experienced in budget year 2008 were 1.03% greater than experienced in budget year 2007, and are anticipated to increase an additional 2.75% in budget year 2009. However, this assumption could change significantly if the existing economic climate worsens.

The number of water accounts increased from 9,191 in fiscal year 2007 to 9,270 in fiscal year 2008, for an increase of 1.01%. Billed water usage increased 1.11% from fiscal year 2007 to 2008. The number of water accounts are anticipated to increase an additional 1.5% in budget year 2009.

Hotel/motel occupancy tax receipts experienced in fiscal year 2008 were \$977,543 or 1.04% greater than experienced in budget year 2007, and are anticipated to increase an additional 3.6% in budget year 2009.

For 2009, the City has been awarded two substantial grants. The first grant is a COPs technology grant which will provide for updated communications systems and police technology infrastructure. The second grant is a safe routes to school federal grant which will provide for sidewalks between neighborhoods and schools throughout the City.



This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 800 Junction Highway, Kerrville, TX 78028 (830)-792-8330.

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BASIC FINANCIAL STATEMENTS

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CITY OF KERRVILLE, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Cash</i>	\$ 604,613	\$ 176,513	\$ 681,126	\$ 781,331
<i>Investments</i>	8,332,076	5,602,509	13,934,585	8,898,427
<i>Equity in Investment pool:</i>				
<i>Receivables (net of allowances for uncollectibles):</i>				
<i>Taxes</i>	241,025	--	241,025	--
<i>Accounts</i>	246,949	993,966	1,240,915	9,907,820
<i>Other</i>	1,741,387	--	1,741,387	--
<i>Interfund loan receivable</i>	47,824	--	47,824	--
<i>Due from other governments</i>	1,012,188	622,439	1,634,627	412,087
<i>Inventories</i>	54,219	293,413	347,632	1,148,628
<i>Prepaid assets</i>	--	2,250	2,250	--
<i>Other assets</i>	--	--	--	92,983
<i>Restricted assets:</i>				
<i>Cash</i>	--	--	--	19,958
<i>Investments</i>	2,041,094	767,850	2,798,944	8,823,235
<i>Deferred charges</i>	134,690	126,116	260,806	176,632
<i>Equity in joint venture</i>	3,390,388	--	3,390,388	--
<i>Capital assets (net of accumulated depreciation, where applicable):</i>				
<i>Nondepreciable property</i>				
<i>Land</i>	2,510,698	2,439,578	4,950,274	117,656
<i>Construction in progress</i>	11,594,476	7,897,658	19,492,133	1,048,837
<i>Streets</i>	19,192,588	--	19,192,588	--
<i>Depreciable property</i>				
<i>Buildings</i>	4,722,219	6,266,917	10,988,136	1,860,343
<i>Improvements other than buildings</i>	6,386,787	25,099,513	32,288,300	24,310,623
<i>Vehicles</i>	2,334,432	772,370	3,106,802	1,002,653
<i>Machinery and equipment</i>	342,693	412,268	754,961	--
<i>Office equipment</i>	105,151	17,069	122,220	--
<i>Total Assets</i>	<u>64,937,496</u>	<u>52,278,417</u>	<u>117,215,913</u>	<u>60,000,693</u>
LIABILITIES				
<i>Accounts payable and accrued liabilities</i>	2,008,186	1,240,273	3,248,459	5,486,692
<i>Payable from restricted assets:</i>				
<i>Accrued revenue bond interest</i>	--	33,122	33,122	--
<i>Customer deposits</i>	73,872	168,206	230,078	622,301
<i>Unearned revenue</i>	2,563	--	2,563	--
<i>Interfund loan payable</i>	--	47,824	47,824	--
<i>Noncurrent Liabilities:</i>				
<i>Due within one year</i>	1,140,378	1,233,267	2,373,645	2,395,000
<i>Due in more than one year</i>	11,447,349	10,982,920	22,410,269	13,198,199
<i>Total Liabilities</i>	<u>14,672,338</u>	<u>13,673,612</u>	<u>28,345,960</u>	<u>21,700,192</u>
NET ASSETS				
<i>Invested in Capital Assets, Net of Related Debt</i>	38,523,787	31,453,451	69,977,238	13,148,613
<i>Restricted For:</i>				
<i>Debt Service</i>	782,010	603,728	1,386,738	310,686
<i>Capital Projects</i>	2,857,832	--	2,857,832	3,200,831
<i>Unrestricted</i>	8,101,629	6,647,628	14,649,167	20,640,372
<i>Total Net Assets</i>	<u>\$ 60,265,158</u>	<u>\$ 38,604,805</u>	<u>\$ 88,889,983</u>	<u>\$ 37,300,501</u>

The accompanying notes are an integral part of this statement.

CITY OF KERRVILLE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Functions/Programs	Expenses	Program Revenues			Capital Grants and Contributions
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT					
Governmental Activities:					
General government	\$ 4,937,628	\$ 2,474,021	\$ --	\$ 123,819	
Public safety	11,632,917	2,338,622	421,036	106,592	
Culture and recreation	3,262,500	149,928	482,785	--	
Public works	3,008,951	84,962	--	1,004,329	
Business programs	179,727	--	20,000	--	
Interest on long-term debt	459,439	--	--	--	
Total expenditures	<u>23,381,162</u>	<u>6,047,533</u>	<u>903,820</u>	<u>1,234,640</u>	
Business-type Activities:					
Water & Sewer	6,611,782	8,802,617	--	1,420,761	
Kerrville-Schreiner Park	545,526	403,184	--	--	
Golf Course	898,050	912,462	686,003	--	
Total Business-type Activities	<u>8,055,358</u>	<u>10,118,243</u>	<u>686,003</u>	<u>1,420,761</u>	
Total Primary Government	<u><u>\$ 31,436,520</u></u>	<u><u>\$ 16,165,776</u></u>	<u><u>\$ 1,500,823</u></u>	<u><u>\$ 2,655,301</u></u>	
COMPONENT UNITS:					
Economic Improvement Corporation	\$ 2,062,872	\$ --	\$ 20,740	\$ --	
Kerrville Public Utility Board	46,990,800	49,591,827	--	234,055	
Total Component Units	<u>\$ 49,053,672</u>	<u>\$ 49,591,827</u>	<u>\$ 20,740</u>	<u>\$ 234,055</u>	

General Revenues
Property Taxes
Sales Taxes
Hotel Occupancy Taxes
Franchise Taxes
Alcoholic Beverage Taxes
Unrestricted Investment Earnings
Miscellaneous Income
Gain on Sale of Capital Assets
Transfers
Total General Revenues and Transfers
Change In Net Assets
Net Assets - Beginning
Net Assets - Ending

The accompanying notes are an integral part of this statement.

EXHIBIT A-2

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (2,339,988)		\$ (2,339,988)	
(8,668,668)		(8,668,668)	
(2,649,787)		(2,649,787)	
(1,910,660)		(1,910,660)	
(169,727)		(169,727)	
(459,439)		(459,439)	
<u>(16,195,269)</u>		<u>(16,195,269)</u>	
--	\$ 3,611,596	3,611,596	
--	(142,362)	(142,362)	
--	699,416	699,416	
--	<u>4,168,649</u>	<u>4,168,649</u>	
<u>(16,195,269)</u>	<u>4,168,649</u>	<u>(12,026,620)</u>	
		\$ (2,042,132)	
		2,035,082	
		<u>792,950</u>	
8,687,048	--	8,687,048	--
4,965,842	--	4,965,842	2,482,921
977,543	--	977,543	--
2,019,492	--	2,019,492	--
71,952	--	71,952	--
391,682	250,908	642,670	720,777
--	211,761	211,761	1,776
(202,443)	(34,926)	(237,369)	--
823,767	(823,767)	--	--
<u>17,634,883</u>	<u>(395,944)</u>	<u>17,238,939</u>	<u>3,205,473</u>
<u>1,439,614</u>	<u>3,772,708</u>	<u>5,212,319</u>	<u>3,098,423</u>
<u>48,826,544</u>	<u>34,832,100</u>	<u>83,657,644</u>	<u>33,302,078</u>
<u>\$ 60,265,158</u>	<u>\$ 38,604,805</u>	<u>\$ 88,869,963</u>	<u>\$ 37,300,601</u>

CITY OF KERRVILLE, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
<i>Cash</i>	\$ 303,679	\$ 163,425	\$ 467,104
<i>Investments</i>	3,763,626	3,865,071	7,618,696
Equity in investment pool:			
Receivables (net of allowances for uncollectibles):			
<i>Taxes</i>	217,173	23,862	241,025
<i>Accounts</i>	246,949	--	246,949
<i>Other</i>	696,453	771,829	1,468,282
<i>Interfund loan receivable</i>	47,824	--	47,824
<i>Due from other governments</i>	1,012,188	--	1,012,188
<i>Inventories</i>	25,139	--	25,139
<i>Restricted assets:</i>			
<i>Investments</i>	2,041,094	--	2,041,094
Total Assets	\$ 8,344,124	\$ 4,814,177	\$ 13,168,301
LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable and accrued liabilities</i>	\$ 1,092,361	\$ 368,810	\$ 1,461,171
Payable from restricted assets:			
<i>Customer deposits</i>	73,872	--	73,872
<i>Deferred revenue</i>	683,700	21,792	705,492
Total Liabilities	1,849,933	380,602	2,230,535
Fund balances:			
Reserved Fund Balances			
<i>Reserved for Interfund loans</i>	47,824	--	47,824
<i>Reserved for inventory</i>	25,139	--	25,139
<i>Reserved for debt service</i>	--	760,219	760,219
<i>Reserved for donor/grantor restrictions</i>	--	207,896	207,896
Unreserved	6,421,228	--	6,421,228
Unreserved, reported in nonmajor funds:			
<i>Special Revenue Funds</i>	--	536,230	536,230
<i>Capital Projects Funds</i>	--	2,929,230	2,929,230
Total fund balances	6,494,191	4,433,576	10,927,766
Total Liabilities and Fund Balances	\$ 8,344,124	\$ 4,814,177	\$ 13,168,301

The accompanying notes are an integral part of this statement.

CITY OF KERRVILLE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

Total fund balances - governmental funds balance sheet	\$ 10,927,766
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	47,176,188
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	219,814
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	597,437
Payables for bond principal which are not due in the current period are not reported in the funds.	(7,924,076)
Payables for capital leases which are not due in the current period are not reported in the funds.	(25,643)
Payables for bond interest which are not due in the current period are not reported in the funds.	(90,308)
Payables for notes which are not due in the current period are not reported in the funds.	(1,444,860)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(646,194)
Payables for contracts which are not due in the current period are not reported in the funds.	(2,713,165)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	179,068
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	134,690
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	50,971
Ambulance receivables unavailable to pay for current period expenditures are deferred in the funds.	422,857
Liens receivable unavailable to pay for current period expenditures are deferred in the funds.	9,297
Equity in a joint venture is not reported in the funds.	3,390,388
Net assets of governmental activities - statement of net assets	\$ 60,265,158

The accompanying notes are an integral part of this statement.

CITY OF KERRVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
<i>Taxes and penalties</i>	\$ 14,694,692	\$ 1,859,360	\$ 16,554,052
<i>Licenses and permits</i>	448,653	42,060	490,703
<i>Intergovernmental</i>	864,866	71,000	936,026
<i>Charges for services</i>	1,930,429	1,503	1,937,932
<i>Grants</i>	251,008	89,118	341,024
<i>Fines and forfeitures</i>	420,076	—	420,076
<i>Interest</i>	266,591	126,090	391,081
<i>Miscellaneous</i>	1,233,649	17,022	1,250,671
Total revenues	<u>20,115,881</u>	<u>2,207,103</u>	<u>22,322,984</u>
Expenditures:			
Current:			
<i>General government</i>	4,438,106	1,282	4,439,388
<i>Public safety</i>	10,775,434	—	10,775,434
<i>Culture and recreation</i>	2,247,494	899,841	3,147,335
<i>Public works</i>	2,798,372	1,932,474	4,730,846
<i>Business programs</i>	179,727	—	179,727
<i>Capital outlay</i>	363,445	—	363,445
Debt service:			
<i>Principal, interest, and fiscal charges</i>	—	806,878	806,878
Total expenditures	<u>20,802,678</u>	<u>3,640,476</u>	<u>24,443,053</u>
Excess (deficiency) of revenues over (under) expenditures	(606,717)	(1,433,372)	(2,120,089)
Other financing sources (uses):			
<i>Transfers in</i>	1,061,892	1,416,740	2,478,632
<i>Transfers out</i>	(1,172,956)	(481,486)	(1,654,440)
<i>Proceeds from sale of capital assets</i>	33,033	—	33,033
Total other financing sources (uses)	<u>(78,030)</u>	<u>935,265</u>	<u>857,225</u>
Net change in fund balances	(764,747)	(498,117)	(1,262,864)
Fund balances, October 1	7,258,938	4,931,692	12,190,630
Fund balances, September 30	\$ 6,494,191	\$ 4,433,575	\$ 10,927,766

The accompanying notes are an integral part of this statement.

CITY OF KERRVILLE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Net change in fund balances - total governmental funds	\$ (1,262,864)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,613,080
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,075,082)
The gain or loss on the sale of capital assets is not reported in the funds.	(235,476)
Donations of capital assets increase net assets in the SOA but not in the funds.	934,329
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	67,828
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	9,298
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	347,439
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	9,002
Bond issuance costs and similar items are amortized in the SOA but not in the funds	(13,664)
(Increase) decrease in accrued interest from beginning of period to end of period	8,003
The net revenue (expense) of internal service funds is reported with governmental activities.	(69,382)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(380,472)
Certain fine revenues are deferred in the funds. This is the change in these amounts this year.	17,614
Certain ambulance receivables are deferred in the funds. This is the change in these amounts this year.	101,828
Change in joint venture equity is not reported in the funds.	745,695
Change in landfill postclosure costs is not reported in the funds.	(277,499)
Change in net assets of governmental activities - statement of activities	\$ 1,439,614

The accompanying notes are an integral part of this statement.

EXHIBIT A-7

CITY OF KERRVILLE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2008

	Enterprise Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Water and Sewer			
ASSETS				
Current Assets:				
<i>Cash</i>	\$ 164,809	\$ 11,704	\$ 176,613	\$ 47,608
<i>Investments</i>	6,410,762	101,747	5,602,600	713,381
<i>Equity in investment pool:</i>				
<i>Receivables (net of allowances for uncollectibles):</i>				
<i>Accounts</i>	993,966	..	993,966	..
<i>Other</i>	273,105
<i>Due from other funds</i>	127,943	..	127,943	..
<i>Due from other governments</i>	622,430	..	622,430	..
<i>Inventories</i>	240,926	52,488	293,413	29,080
<i>Prepaid assets</i>	..	2,260	2,260	..
Total Current Assets	7,560,844	268,189	7,819,033	1,003,074
Noncurrent assets:				
Restricted assets:				
<i>Investments</i>	757,860	..	757,860	..
Total Restricted Assets	757,860	..	757,860	..
Property, plant and equipment				
<i>Land</i>	439,676	2,000,000	2,439,676	..
<i>Buildings</i>	6,849,230	1,700,176	8,609,405	169,000
<i>Improvements other than buildings</i>	43,246,248	1,938,137	45,184,385	..
<i>Vehicles</i>	1,266,473	73,841	1,330,314	26,556
<i>Machinery and equipment</i>	827,948	368,160	1,196,098	37,967
<i>Office equipment</i>	132,319	..	132,319	..
<i>Construction in progress</i>	7,897,668	..	7,897,668	..
<i>Accumulated depreciation</i>	(21,912,321)	(1,182,073)	(23,094,394)	(207,667)
Net Property, Plant and Equipment	38,746,131	4,958,230	43,704,361	14,056
Deferred charges	126,116	..	126,116	..
Total Assets	47,189,941	5,216,419	52,406,360	1,077,930
LIABILITIES				
Current Liabilities:				
<i>Accounts payable and accrued liabilities</i>	1,123,493	116,780	1,240,273	466,626
<i>Accrued compensated absences</i>	113,784	38,286	152,070	13,865
<i>Due to other funds</i>	..	127,943	127,943	..
Total Current Liabilities	1,237,277	283,009	1,620,286	480,493
Current Liabilities Payable from Restricted Assets:				
<i>Accrued interest payable</i>	33,122	..	33,122	..
<i>Current portion of revenue bonds payable</i>	1,081,197	..	1,081,197	..
<i>Customer deposits</i>	160,206	..	160,206	..
Total Liabilities Payable from Restricted Assets	1,270,525	..	1,270,525	..
Noncurrent Liabilities				
<i>General obligation bonds</i>	3,034,089	..	3,034,089	..
<i>Certificates of obligation</i>	6,183,468	..	6,183,468	..
<i>State infrastructure bank loan</i>	1,166,210	..	1,166,210	..
<i>Revenue bonds</i>	680,163	..	680,163	..
<i>Interfund loan payable</i>	..	47,824	47,824	..
Total Noncurrent Liabilities	10,962,920	47,824	11,010,744	..
Total Liabilities	13,470,722	330,833	13,801,566	480,493
NET ASSETS				
<i>Invested in capital assets, net of related debt</i>	26,495,221	4,958,230	31,463,451	..
<i>Restricted for debt service</i>	603,726	..	603,726	..
<i>Unrestricted</i>	6,620,272	(72,844)	6,547,628	597,437
Total Net Assets	\$ 33,719,219	\$ 4,886,686	\$ 38,604,805	\$ 597,437

The accompanying notes are an integral part of this statement.

CITY OF KERRVILLE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Enterprise Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Water and Sewer			
OPERATING REVENUES:				
Charges for service	\$ 8,802,617	\$ 1,315,826	\$ 10,118,243	\$ 3,676,605
Total Operating Revenues	<u>8,802,617</u>	<u>1,315,826</u>	<u>10,118,243</u>	<u>3,676,605</u>
OPERATING EXPENSES:				
Personnel services	2,671,636	937,151	3,608,787	192,637
Repairs and maintenance	795,173	80,382	875,555	112,040
Supplies and materials	651,900	148,422	800,322	10,446
Utilities	634,162	126,281	760,443	7,486
Depreciation and amortization	1,077,322	203,766	1,281,088	3,587
General administration	277,155	(55,631)	221,624	6,088
Claims expense	--	--	--	2,742,601
Administration fees	--	--	--	732,784
Total Operating Expenses	<u>6,107,348</u>	<u>1,439,471</u>	<u>7,546,819</u>	<u>3,807,508</u>
Operating Income (Loss)	<u>2,695,269</u>	<u>(128,845)</u>	<u>2,571,424</u>	<u>(230,963)</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest income	243,839	7,149	260,988	40,957
Miscellaneous income	205,294	6,466	211,760	121,089
Intergovernmental revenue	201,611	--	201,611	--
Gain/loss from disposal capital assets	8,222	(43,147)	(34,926)	--
Interest expense	(504,434)	(4,106)	(608,639)	--
Total Non-operating Revenues (Expenses)	<u>154,432</u>	<u>(33,637)</u>	<u>120,795</u>	<u>162,026</u>
Net Income (Loss) before Capital Contributions and Transfers	<u>2,849,701</u>	<u>(167,482)</u>	<u>2,692,219</u>	<u>(68,937)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS:				
Capital contributions	1,219,250	685,003	1,904,253	--
Transfers In	2,284,742	70,000	2,354,742	--
Transfers out	(3,027,679)	(150,830)	(3,178,509)	(426)
Total Capital Contributions and Transfers	<u>476,313</u>	<u>604,173</u>	<u>1,080,486</u>	<u>(426)</u>
Change in net assets	<u>3,326,014</u>	<u>446,691</u>	<u>3,772,705</u>	<u>(69,362)</u>
Net Assets, October 1	<u>30,393,205</u>	<u>4,438,895</u>	<u>34,832,100</u>	<u>666,799</u>
Net Assets, September 30	<u>\$ 33,719,219</u>	<u>\$ 4,886,586</u>	<u>\$ 38,604,805</u>	<u>\$ 697,437</u>

The accompanying notes are an integral part of this statement.

CITY OF KERRVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Water and Sewer	Other Funds	Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities:				
<i>Cash Received from Customers</i>	\$ 9,089,480	\$ 1,304,314	\$ 10,393,794	\$ 3,697,874
<i>Cash Payments to Employees for Services</i>	(2,616,117)	(931,066)	(3,547,173)	(191,058)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(1,786,633)	(300,443)	(2,086,976)	(4,208,426)
Net Cash Provided (Used) by Operating Activities	4,688,830	72,816	4,760,645	(699,810)
Cash Flows from Non-capital Financing Activities:				
<i>Transfers From (To) Other Funds</i>	(738,166)	(213,544)	(951,710)	(426)
Net Cash Provided (Used) by Non-capital Financing Activities	(738,166)	(213,544)	(951,710)	(426)
Cash Flows from Capital and Related Financing Activities:				
<i>Proceeds from Issuance of Long-term Debt</i>	2,676,000	--	2,676,000	--
<i>Principal and Interest Paid</i>	(1,376,002)	(85,517)	(1,460,519)	--
<i>Acquisition or Construction of Capital Assets</i>	(3,157,073)	(10,220)	(3,167,293)	--
<i>Proceeds from Sale of Capital Assets</i>	8,222	87,093	96,115	--
Net Cash Provided (Used) for Capital & Related Financing Activities	(1,848,853)	(7,880)	(1,856,703)	--
Cash Flows from Investing Activities:				
<i>Proceeds from Sale and Maturity of Securities</i>	1,034,474	177,049	1,211,623	23,826
<i>Interest and Dividends on Investments</i>	243,839	7,149	260,988	40,957
Net Cash Provided (Used) for Investing Activities	1,278,313	184,198	1,482,611	64,783
Net Increase (Decrease) In Cash and Cash Equivalents	3,378,124	35,819	3,413,743	(635,452)
Cash and Cash Equivalents at Beginning of Year	2,197,447	167,833	2,365,280	1,396,341
Cash and Cash Equivalents at End of Year	\$ 5,676,671	\$ 203,452	\$ 5,779,023	\$ 760,889
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 2,696,260	\$ (123,845)	\$ 2,571,424	\$ (230,983)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
<i>Depreciation</i>	1,077,322	203,766	1,281,088	3,697
<i>Miscellaneous revenue and expense</i>	415,027	6,466	421,493	121,069
Change In Assets and Liabilities:				
<i>Decrease (Increase) In Receivables</i>	(190,897)	--	(190,897)	(273,105)
<i>Decrease (Increase) In Inventories</i>	(31,180)	(62,488)	(93,668)	9,425
<i>Decrease (Increase) In Prepaid Expenses</i>	--	(2,260)	(2,260)	--
<i>Increase (Decrease) In Accounts Payable</i>	603,037	52,849	655,886	(331,412)
<i>Increase (Decrease) In Accrued Wages Payable</i>	66,610	6,095	61,614	1,579
<i>Increase (Decrease) In Customer Deposits</i>	63,521	--	63,521	--
<i>Increase (Decrease) In Unearned Revenue</i>	(780)	(17,778)	(18,556)	--
Total Adjustments	1,991,581	198,680	2,168,221	(468,847)
Net Cash Provided (Used) by Operating Activities	\$ 4,688,830	\$ 72,816	\$ 4,760,645	\$ (699,810)
Transactions Not Affecting Cash Flow				
<i>Forgiveness of Interfund loan by Kerrville E/C</i>	\$ --	\$ 685,003	\$ 685,003	\$ --
<i>Developer contributions</i>	\$ 1,219,260	--	\$ 1,219,260	--
	\$ 1,219,260	\$ 685,003	\$ 1,904,263	\$ --

The accompanying notes are an integral part of this statement.

CITY OF KERRVILLE, TEXAS

*Notes to Basic Financial Statements
For the Year Ended September 30, 2008*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Kerrville, Texas, was founded in 1889. The City operates under the Council-Manager form of government as adopted by a home rule charter approved February 25, 1942. The City provides a full range of municipal services, including public safety (police and fire), highway and streets, parks and recreation, health and social services, including planning and zoning, and general administrative services. In addition, the City provides water and sewer service as a proprietary function of the City.

The accounting policies of the City of Kerrville, Texas, conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's general purpose financial statements.

The City of Kerrville is a home rule municipality governed by an elected mayor and a four member City Council who appoint a City Manager. The City's (primary government) financial statements include its component units. The accompanying general purpose financial statements comply with the provisions of the GASB Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Discretely Presented Component Units

The Kerrville Public Utility Board ("KPUB") - the electric utility, an entity legally separate from the City, is governed by a five member board appointed by the City Council. For financial statement purposes, KPUB is reported as a discretely presented component unit of the City because it appoints the governing body, is potentially obligated to finance any deficits that may occur, and receives significant franchise fees. Financial statements may be obtained from the Kerrville Public Utility Board, P.O. Box 911, Kerrville, Texas 78029. KPUB is presented as a business fund type.

The Kerrville Economic Improvement Corporation (EIC), an entity legally separate from the City, is governed by a seven member board of directors appointed by the City Council. For financial statement purposes, EIC is reported as a discretely presented component unit of the City because it appoints the governing body, and is potentially obligated to finance any deficits. EIC collects a half cent sales tax to support its activities. Separate financial statements are not prepared for EIC.

Joint Venture

Kerrville Airport Joint Venture - The City and Kerr County (the participants) operate a municipal airport under a joint venture agreement. Each participant provides financial support and is entitled to an undivided 50% interest in the physical property. The City reports its interest as "Investment in Joint Venture."

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2008

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The *Water and Sewer* fund accounts for the provisions of water and sewer service to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Additionally, the City reports the following fund types:

Special Revenue Funds account for the collection and disbursement of earmarked monies.

Debt Service Funds account for the accumulation and use of property and sales tax revenue to meet the debt service requirements of the City's general and revenue bonded debt.

Capital Projects Fund account for the acquisition or construction of governmental capital assets.

Internal Service Funds account for automotive maintenance facility operations, and employees health insurance services provided to other departments or agencies of the City.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are administrative fees and other charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer, Kerrville

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2008

Schreiner Park, and Golf Course enterprise funds are charges to customers for sales and services. The enterprise utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of FASB Pronouncements in Enterprise Funds

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow Financial Accounting Standards Board ("FASB") statements and interpretations issued after November 30, 1989 for its business-type and enterprise fund activities.

D. Assets, Liabilities, and Net Assets Or Equity

1. Deposits and Investments

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

Investments maturing within one year of date of purchase are stated at cost or amortized cost; all other investments are stated at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. All investment income is recognized in the appropriate fund's statement of activity and or statement of revenues, expenditures and changes in fund balance.

State law and the City's investment policy restrict both time and demand deposits, including certificates of deposit ("CD"), to those depositories doing business in the State of Texas and further requires full insurance and/or pledging of collateral. CDs are limited to a stated maturity not exceeding one year. Pledged collateral, equal to not less than 102% of the covered account balance, is limited to obligations of the U.S. Government, its agencies or instrumentalities and municipal obligations rated not less than AA or equivalent by two nationally recognized rating agencies. Independent safekeeping is required outside the pledging bank's holding company with monthly reporting. Securities are monitored and priced at market on a daily basis as a contractual responsibility of the depository.

State law and the City's investment policy limit repurchase agreements to those with defined termination dates executed with a Texas bank or a primary dealer (as defined by the Federal Reserve). The agreements require an industry standard, written master repurchase agreement and a minimum of 102% margin on collateral as well as delivery versus payment settlement and independent safekeeping. Repurchase agreements may not exceed one year to stated maturity.

State law and the City's investment policy require commercial paper be rated A1/P1 or equivalent by two nationally recognized rating agencies and restricts maturity to a maximum maturity of six (6) months.

State law and the City's investment policy restrict investment in SEC registered mutual funds to money market mutual funds striving to maintain a \$1 net asset value as further defined by State law. A rating of the mutual fund is not required.

State law requires that local government investment pools be rated AAA, or equivalent, by at least one nationally recognized rating agency. The City investment policy further restricts investments to AAA rated, "2a-7 like" (constant dollar) local government investment pools.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2008

governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1 by the City based on the January 1 property values as assessed by the Kerr County Central Appraisal District. Taxes are due without penalty until January 31, of the next calendar year. After January 31 the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

3. Inventories and Prepaid Items

All Inventories are valued at cost using the weighted average cost method. The consumption method is used to account for governmental fund type inventories. Under the consumption method, inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Customer deposits are also restricted.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Contributions of fixed assets to proprietary funds from external sources are recorded as revenue.

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

Buildings	30 years
Improvements other than building	40 years
System Infrastructure	40 years
Machinery and equipment	10 years
Office equipment	10 years
Vehicles	8 years
Drainage	50 years
Streets	N/A – use modified approach permitted by GASB-34

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2008

In the case of the initial capitalization of general infrastructure assets (i.e., streets and storm water drains), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets each year, including infrastructure assets, they are capitalized and reported at historical cost.

The City has adopted the modified approach for its streets system of capital assets. As a result, the City has made a commitment to preserve and maintain its streets system at certain condition levels determined by the City. The City Council is responsible for determining the appropriate condition level at which such assets are to be maintained. No depreciation expense is reported for such assets, nor are amounts capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential. The City maintains an inventory of the streets system and performs periodic condition assessments to establish that the predetermined condition level is being maintained. The City makes annual estimates of the amounts that must be expended to preserve and maintain the streets system at the predetermined condition level.

The KPUB utility plant, purchased from the Lower Colorado River Authority ("LCRA"), has been recorded at the original cost of the asset as recorded by LCRA. Accumulated depreciation includes amounts recorded by LCRA through the date of acquisition and depreciation since the date of acquisition. Utility plant additions subsequent to the acquisition are recorded at cost. Cost includes the costs of contracted services, direct materials, labor, overhead and an allowance for borrowed funds used during construction. Retirements of utility plant, together with removal costs less salvage, are charged to accumulated depreciation.

KPUB computes depreciation using the straight-line method over the estimated service lives of the various classes of depreciable property. Rates will be changed as needed based upon period engineering studies. Depreciation as a percentage of average depreciable plant was 3.8 percent for the year ended September 30, 2008.

6. Compensated Absences

Vested or accumulated vacation leave that is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method which approximate the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2008

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash

At year end, the carrying amount of the City's cash on hand and deposits was \$1,482,415 (including restricted cash of \$19,958). All of the bank balance was covered by federal deposit insurance and collateral pledged by the depository in the City's name and held by the City's agent.

Investments

The City's investments are categorized into these three categories of credit risk: (1) Insured or registered, or securities held by the City or its agent in the City's name, (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name or 3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name. At year end the City's investments were:

Investment Type	Carrying Amount	Fair Value	Weighted Average Maturity (Years)	Credit Rating
US Agencies				
FNMA	\$ 2,992,042	\$ 2,992,042	1.10	AAA
FNDN	995,729	995,729	0.17	AAA
FMCNDN	997,638	997,638	0.10	AAA
FHLB	2,000,000	2,000,000	1.39	AAA
Commercial Paper	994,000	994,000	0.20	A1P1
Certificates of Deposit	3,015,596	3,015,596	0.30	AAA
TexPool Local Government Pool	7,179,836	7,179,836	0.12	AAAm
TexSTAR Local Government Pool	3,912,501	3,912,501	0.09	AAAm
Accrued Interest	36,579	36,579		
Total Fair Value	22,123,921	22,123,921		
Pool Participants Excluded from Primary Government				
Less: Joint Venture (Airport JV)	(618,313)	(618,313)		
Less: DCU (Kerrville EIC)	(4,772,081)	(4,772,081)		
Total Fair Value - Primary Government	\$ 16,733,527	\$ 16,733,527		
Portfolio weighted average maturity			0.34	

The Texas State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool ("TexPool"). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by Standard and Poors. TexPool operates in a manner consistent with the Security and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

Texas Short Term Asset Reserve Program ("TexSTAR") and Local Government Investment Cooperative (LOGIC) operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, to the extent such rule is applicable to its operations. Accordingly, TexSTAR and LOGIC use the amortized cost method permitted by SEC Rule 2a-7 to report net assets and share prices since that amount approximates fair value. The investment activities of TexSTAR and LOGIC are administered by third party advisors. There is no regulatory oversight by the State of Texas over TexSTAR and LOGIC.

Concentration of Credit Risk. – The City's investment policy recognizes that over-concentration of assets by market sector or maturity as a risk to the portfolio. Diversification is a major object of the investment program. The

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2008

investment policy has established limits for concentration by market sector as shown below:

Interest Rate Risk – In order to limit interest and market rate risk from changes in interest rates, the City has set a maximum stated maturity date of two years, with an average weighted maturity of 90 days for the total portfolio. Longer maturities may be utilized for bond proceeds, but only if matched to planned expenditures of the funds.

Custodial Credit Risk – Deposits. In the case of time and demand deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City requires all deposits to be covered by Federal Depository Insurance Corporation (FDIC) insurance and/or be collateralized by qualified securities pledged by the City's depository in the City's name and held by the depository's agent.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

B. Receivables

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

	Governmental			Business-type	
	General	Other Nonmajor Governmental	Total Governmental	Water and Sewer	
				Internal Service	
Taxes receivable	\$ 255,498	\$ 28,061	\$ 283,559	\$ -	\$ -
Allowance for uncollectible taxes	(38,325)	(4,209)	(42,534)	-	-
	<u>217,173</u>	<u>23,852</u>	<u>241,025</u>	<u>-</u>	<u>-</u>
Accounts receivable	429,684	-	429,684	1,142,668	-
Allowance for uncollectible accounts	(182,735)	-	(182,735)	(148,702)	-
	<u>246,949</u>	<u>-</u>	<u>246,949</u>	<u>993,966</u>	<u>-</u>
Other receivables	943,133	771,829	1,714,962	-	273,105
Allowance for uncollectible accounts	(246,680)	-	(246,680)	-	-
	<u>696,453</u>	<u>771,829</u>	<u>1,468,282</u>	<u>-</u>	<u>273,105</u>
Due from other govt.	1,012,188	-	1,012,188	-	-
Total	<u>\$ 2,172,763</u>	<u>\$ 795,681</u>	<u>\$ 2,968,444</u>	<u>\$ 993,966</u>	<u>\$ 273,105</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2008

	<u>Deferred</u>	<u>Unearned</u>
Major Funds		
Delinquent property taxes receivable (General Fund)	\$ 198,022	\$ -
Ambulance revenue receivable (General Fund)	422,857	-
Municipal court fines receivable (General Fund)	50,971	-
Miscellaneous grants (General Fund)	9,297	2,553
	<u>681,147</u>	<u>2,553</u>
Nonmajor Funds		
Delinquent property taxes receivable (Debt Service Fund)	21,792	-
Total deferred/unearned revenue for governmental funds	<u>\$ 702,939</u>	<u>\$ 2,553</u>

C. Capital assets

Capital asset activity for the year ended September 30, 2008 was as follows:

Primary Government

	<u>Balance 9/30/2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers and Completed Construction</u>	<u>Balance 9/30/2008</u>
GOVERNMENTAL ACTIVITIES:					
GOVERNMENTAL FUNDS					
Capital assets, not being depreciated:					
Land	\$ 2,283,843	\$ 226,855	\$ -	\$ -	\$ 2,510,698
Streets	18,499,953	690,049	-	2,586	19,192,688
Construction in progress	10,428,446	1,983,112	(233,858)	(583,225)	11,594,475
Total capital assets not being depreciated	31,212,242	2,900,016	(233,858)	(680,639)	33,297,701
Capital assets, being depreciated					
Buildings	8,488,980	137,628	(24,990)	680,639	9,182,287
Improvements other than buildings	7,410,718	108,944	-	-	7,579,662
Vehicles	6,411,983	399,444	(611,601)	-	5,199,836
Machinery and equipment	1,633,783	75,234	(123,975)	-	1,585,042
Total capital assets being depreciated	22,946,464	781,260	(760,656)	580,639	23,646,797
Less accumulated depreciation for:					
Buildings	(4,208,904)	(254,635)	-	3,101	(4,160,038)
Improvements other than buildings	(978,028)	(212,847)	-	-	(1,190,875)
Vehicles	(2,782,818)	(606,498)	416,004	-	(2,873,310)
Machinery and equipment	(1,148,425)	(101,184)	102,038	2,522	(1,144,148)
Total accumulated depreciation	(9,118,175)	(1,075,062)	518,943	5,923	(9,668,371)
Total capital assets being depreciated, net	13,827,289	(293,812)	(241,613)	586,602	13,878,426
Governmental activities capital assets, net	\$ 46,039,531	\$ 2,606,204	\$ (476,471)	\$ 5,923	\$ 47,176,187

Although included with governmental capital assets on Exhibit A-1, capital assets of the garage internal service fund are detailed below:

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2008

	<u>Balance</u> <u>9/30/2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/2008</u>
GOVERNMENTAL ACTIVITIES:				
INTERNAL SERVICE FUNDS:				
Capital assets, being depreciated				
Buildings	\$ 159,000	\$ -	\$ -	\$ 159,000
Vehicles	25,556	-	-	25,556
Machinery and equipment	37,966	-	-	37,966
Total capital assets being depreciated	<u>222,522</u>	<u>-</u>	<u>-</u>	<u>222,522</u>
Less accumulated depreciation for:				
Buildings	(159,000)	-	-	(159,000)
Vehicles	(15,336)	(2,314)	-	(17,650)
Machinery and equipment	(29,733)	(1,283)	-	(31,016)
Total accumulated depreciation	<u>(204,069)</u>	<u>(3,597)</u>	<u>-</u>	<u>(207,666)</u>
Governmental activities capital assets, net	<u>\$ 18,453</u>	<u>\$ (3,597)</u>	<u>\$ -</u>	<u>\$ 14,856</u>
 BUSINESS-TYPE ACTIVITIES:				
Capital assets, not being depreciated:				
Land	\$ 2,439,576	\$ -	\$ -	\$ 2,439,576
Construction in progress	4,920,149	3,399,636	-	(422,127) 7,897,658
Total capital assets not being depreciated	<u>7,359,725</u>	<u>3,399,636</u>	<u>-</u>	<u>(422,127) 10,337,234</u>
Capital assets, being depreciated				
Buildings	8,593,674	15,731	-	8,609,405
Improvements other than buildings	43,518,672	1,243,686	-	422,127 45,184,385
Vehicles	1,288,124	136,215	(85,026)	- 1,339,314
Machinery and equipment	1,282,558	138,918	(205,378)	- 1,196,098
Office equipment	132,319	-	-	132,319
Total capital assets being depreciated	<u>54,795,247</u>	<u>1,534,650</u>	<u>(290,403)</u>	<u>422,127 58,461,521</u>
Less accumulated depreciation for:				
Buildings	(2,107,761)	(236,727)	-	- (2,343,488)
Improvements other than buildings	(18,481,653)	(803,319)	-	- (19,284,872)
Vehicles	(524,287)	(126,104)	82,447	- (666,944)
Machinery and equipment	(847,390)	(98,680)	162,230	- (783,840)
Office equipment	(112,880)	(2,370)	-	- (115,260)
Total accumulated depreciation	<u>(22,073,871)</u>	<u>(1,265,200)</u>	<u>244,677</u>	<u>- (23,094,394)</u>
Total capital assets being depreciated, net	<u>32,721,376</u>	<u>289,350</u>	<u>(45,726)</u>	<u>422,127 33,367,127</u>
Business-type activities capital assets, net	<u>\$ 40,081,101</u>	<u>\$ 3,668,986</u>	<u>\$ (45,726)</u>	<u>\$ 43,704,381</u>

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2008

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

Public safety	496,864
Culture and recreation	107,869
Public works	175,619
	<u>\$ 1,075,062</u>
Business-type Activities	
Water and sewer operations	\$ 1,061,434
Kerrville-Schreiner Park	62,707
Golf course	141,059
	<u>\$ 1,265,200</u>
Internal Service Fund:	
Garage fund	<u>\$ 3,597</u>

Construction commitments

The City has numerous active construction projects as of September 30, 2008. The projects include street, building, and storm drainage construction, park improvements, water system improvements, and sewer system improvements. These improvements are being paid with bond proceeds, EIC contributions and internally generated sources.

	<u>Spent to Date</u>	<u>Remaining Commitment</u>	<u>Total Commitment</u>
Governmental Activities:			
Drainage			
Burleson Street Off-Site Drainage	<u>11,902</u>	<u>5,114</u>	<u>17,016</u>
	<u>\$ 11,902</u>	<u>\$ 5,114</u>	<u>\$ 17,016</u>
Business-type Activities			
Water System			
Ridgewood Elevated Storage Tank	\$ 2,023,451	\$ 35,714	\$ 2,059,165
Ridgewood Southeast Transmission Line	-	165,000	165,000
Sewer System			
Belt Filter Replacement	<u>3,057</u>	<u>8,100</u>	<u>11,157</u>
	<u>\$ 2,026,508</u>	<u>\$ 208,814</u>	<u>\$ 2,235,322</u>

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2008

	<u>Balance 9/30/2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 9/30/2008</u>
KPUB				
Capital assets, not being depreciated:				
Land	\$ 117,656	\$ -	\$ -	\$ 117,656
Construction in progress	2,555,257	2,739,370	(3,645,890)	1,648,637
Total capital assets not being depreciated	<u>2,672,913</u>	<u>2,739,370</u>	<u>(3,645,890)</u>	<u>1,766,293</u>
Capital assets, being depreciated				
Distribution system	40,704,880	3,261,653	(356,114)	43,610,319
Buildings and equipment	4,084,400	194,466	(86,038)	4,172,828
Transportation equipment	1,706,711	101,161	(90,850)	1,717,022
Other	646,802	48,974	-	694,776
Total capital assets being depreciated	<u>47,121,793</u>	<u>3,606,154</u>	<u>(533,002)</u>	<u>50,194,945</u>
Less accumulated depreciation for:				
Distribution system	(18,330,095)	(1,784,130)	400,316	(19,713,809)
Buildings and equipment	(2,473,234)	(125,289)	88,038	(2,512,485)
Transportation equipment	(691,057)	(114,262)	90,850	(714,469)
Other	(264,605)	(25,958)	-	(280,563)
Total accumulated depreciation	<u>(21,748,991)</u>	<u>(2,049,639)</u>	<u>577,204</u>	<u>(23,221,426)</u>
Total capital assets being depreciated, net	<u>25,372,802</u>	<u>1,556,516</u>	<u>44,202</u>	<u>26,973,519</u>
Business-type activities capital assets, net	<u>\$ 28,045,715</u>	<u>\$ 4,295,885</u>	<u>\$ (3,601,788)</u>	<u>\$ 28,739,812</u>

KPUB uses a composite rate to depreciate its investment in the electric plant. The composite rate was 3.6% for the year ended September 30, 2008.

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2008

D. Interfund receivables, payables, loans, and transfers

Interfund receivables and payables

Fund	Interfund Receivable	Interfund Payable
Due From/To Other Funds Water and Sewer Fund	\$ 127,943	\$ -
Nonmajor business type funds	-	(127,943)
	<u>\$ 127,943</u>	<u>\$ (127,943)</u>

The interfund receivable and payable listed above was necessary to prevent a cash deficit in the Golf fund at the end of the fiscal year.

During the year EIC forgave a loan to the Golf Course Fund (approximately \$685,003 which was classified as an operating grant and contribution). The loan between the General Fund and the Golf Course Fund matures in May of 2009. The original balance was \$350,000 at an interest rate of 2.5% additional details are in the following table:

Due To	Maturity Date	Original Loan Balance	Interest Rate	Annual Payments	Current Balance
General Fund	May, 2009	\$ 350,000	2.50%	\$ 47,824	\$ 47,824

Interfund transfers

	Transfers	
	In	Out
Governmental activities: General Fund	\$ 1,061,892	\$ (1,172,955)
Nonmajor governmental funds	1,416,740	(481,485)
Business-type activities: Water and Sewer Fund	2,284,742	(3,027,679)
Nonmajor business-type funds	70,000	(150,830)
Internal service funds	-	(425)
	<u>\$ 4,833,374</u>	<u>\$ (4,633,374)</u>

Eliminations – Interfund transfers are reported in the governmental activities and business-type activities fund financial statements. In the Government-Wide Statements, interfund transfers are eliminated within the governmental activities column and within the business-type column.

Purpose of Transfers – Interfund transfers between the general fund and the nonmajor governmental funds relate to the funding of capital projects. The same is true within the water and sewer funds. However, the water and sewer fund also provides an administrative transfer to the general fund for indirect administrative costs.

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2008

E. Long-term debt

The City of Kerrville issues general obligation bonds, certificates of obligation bonds, contractual obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City.

General Debt Currently Outstanding:

Purpose	Original Amount	Year of Issue	Final Maturity	Average Annual Payment	Interest Rate	Balance 9/30/2008
GOVERNMENTAL TYPE ACTIVITIES DEBT						
General Obligation Bonds:						
Improvements	\$ 2,658,650	2007	2022	\$ 274,125	4.00%	\$ 2,645,525
						<u>2,645,525</u>
Certificates of Obligation:						
Improvements	6,075,000	2002	2022	664,250	3.25% - 5.00%	3,219,575
Improvements	2,035,000	2007	2027	153,500	4.00% - 4.20%	2,035,000
						<u>5,254,575</u>
						<u>7,900,100</u>
State Infrastructure Bank Loan	1,550,000	2007	2027	115,000	4.10%	1,488,486
						<u>9,398,586</u>
Total Governmental Type Activities Debt						
BUSINESS TYPE ACTIVITIES DEBT						
General Obligation Bonds:						
Improvements	\$ 3,313,350	1995	2007	\$ 341,900	4.25% - 5.10%	\$ 3,299,476
Refunding Revenue Bonds						
Refunding	3,313,350	1998	20089	\$ 594,300	4.25% - 4.7%	1,135,000
Certificates of Obligation:						
Improvements	8,326,000	2002	2022	644,250	3.25% - 5.00%	4,016,425
Improvements	2,675,000	2008	2022	233,350	3.33%	2,675,000
						<u>6,690,425</u>
State Infrastructure Bank Loan	1,550,000	2007	2027	92,800	4.10%	1,208,456
						<u>12,333,356</u>
Total Business Type Activities Debt						
Total Primary Government Long-Term Debt						
						<u>\$ 21,731,942</u>

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2008

Purpose	Original Amount	Year of Issue	Final Maturity	Average Annual Payment	Interest Rate	Balance 9/30/2008
KPUB						
Revenue Bonds						
Refunding	\$ 23,415,000	2001	2014	\$ 2,520,400	3.75% - 5.25%	\$ 13,060,000
Net unamortized bond premium						437,288
Unamortized loss on refunding						(521,080)
Total Discrete Component Unit Long-Term Debt						\$ 12,976,198

Purpose	Original Amount	Year of Issue	Final Maturity	Average Annual Payment	Interest Rate	Balance 9/30/2008
KERRVILLE ECONOMIC IMPROVEMENT CORPORATION						
Revenue Bonds						
Improvements	\$ 5,350,000	1999	2014	\$ 249,150	4.05% - 4.65%	\$ 2,615,000

Annual debt service requirements to maturity for general debt:

GOVERNMENT WIDE Due Fiscal Year Ending September 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2009	\$ 455,876	\$ 515,648	\$ 1,081,197	\$ 535,149	\$ 2,587,670
2010	451,225	498,744	1,169,620	440,530	2,558,128
2011	474,088	477,034	615,891	402,373	1,989,386
2012	492,046	456,049	642,237	376,247	1,966,579
2013	515,101	433,281	673,662	347,899	1,969,943
2014 - 2018	2,980,670	1,662,068	3,837,057	1,234,057	9,693,852
2019 - 2023	3,073,091	486,665	3,977,654	431,763	7,969,173
2024 - 2027	976,689	91,944	336,038	35,137	1,439,808
	\$ 9,398,586	\$ 4,619,434	\$ 12,333,356	\$ 3,803,164	\$ 30,154,540

KUB Due Fiscal Year Ending September 30,	Total		
	Principal	Interest	Total
2009	\$ 2,005,000	\$ 614,775	\$ 2,619,775
2010	2,085,000	518,741	2,603,741
2011	2,195,000	409,066	2,604,066
2012	2,295,000	294,009	2,589,009
2013	2,415,000	171,806	2,586,806
2014	2,065,000	54,206	2,119,206
	\$ 13,060,000	\$ 2,062,603	\$ 15,122,603

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2008

Kerrville Economic Improvement Corporation

Due Fiscal

Year Ending

September 30,

	Principal	Interest	Total
2009	\$ 390,000	\$ 109,935	\$ 499,935
2010	405,000	92,539	497,539
2011	425,000	73,858	498,858
2012	445,000	54,066	499,066
2013	465,000	33,248	498,248
2014	485,000	11,276	490,276
	\$ 2,615,000	\$ 374,022	\$ 2,989,022

Capital Lease Obligations

Purpose	Cost	Year Acquired	Year Matures	Monthly Payment	Interest Rate	Balance 9/30/2008
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GOVERNMENTAL TYPE ACTIVITIES DEBT

City Heavy equipment	\$ 70,398	2003	2009	\$ 852	4.00%	\$ 25,643
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Due Fiscal	Year Ending	Government
September 30,		Activities
	2009	\$ 26,278
	Less Interest	(635)
		\$ 25,643

During the year ended September 30, 2008, the following changes occurred in liabilities reported in the general long-term debt account group:

Description	September 30, 2007	Additions	Retirements	September 30, 2008	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,656,660	\$ -	\$ (11,125)	\$ 2,645,525	\$ 11,125
Certificates of obligation	5,539,375	-	(284,800)	5,254,575	390,925
Total bonds payable	8,106,025	-	(295,926)	7,800,100	402,050
Bond premium/discount	(31,611)	-	1,961	(29,650)	-
Deferred amount on refunding	(189,014)	-	8,948	(170,066)	-
Net bonds payable	7,975,400	-	(284,018)	7,691,384	402,050
State Infrastructure bank loan	1,550,000	-	(61,614)	1,488,486	53,626
Capital lease obligation	34,645	-	(9,002)	25,643	25,643
Compensated absences	257,423	981,122	(579,486)	659,059	659,059
Landfill closure and postclosure costs	2,435,656	277,499	-	2,713,165	-
	\$ 12,253,124	\$ 1,258,621	\$ (924,018)	\$ 12,587,727	\$ 1,140,378

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2008

Description	September 30, 2007	Additions	Retirements	September 30, 2008	Due Within One Year
Business-type activities					
General obligation bonds	\$ 3,313,350	\$ -	\$ (13,876)	\$ 3,299,476	\$ 13,875
Certificates of obligation	4,370,826	2,675,000	(355,200)	6,690,425	469,075
Revenue bonds	1,665,000	-	(530,000)	1,135,000	555,000
Total bonds payable	9,348,976	2,675,000	(899,076)	11,124,900	1,037,950
Bond premium/discount	(60,790)	-	3,696	(57,094)	-
Deferred amount on refunding	(245,044)	-	12,897	(232,147)	-
Net bonds payable	9,043,141	2,675,000	(882,482)	10,835,659	1,037,950
State Infrastructure bank loan	1,260,000	-	(41,543)	1,208,457	43,247
Compensated absences	90,456	108,657	(137,042)	152,071	152,071
	\$ 10,383,597	\$ 2,873,657	\$ (1,061,067)	\$ 12,196,187	\$ 1,233,268

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss relating to general liability, the accidental loss of real and personal property damage to City assets, errors and omissions and personal risks which relate to workers' compensation. The City participates in the Texas Municipal League Intergovernmental Risk Pool. As an Insured, the City is not obligated to reimburse the pool for losses. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the City's general purpose financial statements.

The City provides health care benefits to eligible employees. The City contributes 100 percent per month for each participant towards the premiums for employee coverage. The participants contribute 30 percent per month through payroll deductions towards the premiums for dependent coverage. All funds are deposited into the internal service fund out of which administrative fees, insurance premiums, and health claims, up to certain limits, are paid. The City is protected against unanticipated catastrophic individual losses by a stop-loss limit on individual claims of \$70,000 and an aggregate stop loss limit of \$1,940,121.

Because the City met its aggregate stop-loss limit in the fiscal year ended September 30, 2008, there was no unfunded claim obligation at year-end. The change in claim liability for the fiscal years ended September 30, 2008 and 2007, are as follows:

	September 30, 2008	September 30, 2007
Claims payable beginning of year	\$ 385,742	\$ 598,425
Claims incurred	3,493,023	1,322,928
Payment on claims	(3,432,589)	(1,535,611)
Claims payable end of year	\$ 446,176	\$ 385,742

Commercial insurance is purchased for the other risks of losses to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the two prior years.

B. Closure and Postclosure Care Costs

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future post closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of the landfill post closure care cost is based on the amount of

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2008

the landfill used during the year. The estimated liability for landfill post closure care costs was \$2,713,155 as of September 30, 2008, which is based on 64% usage (filled) of the landfill. It is estimated that an additional \$1,599,636 will be recognized as post closure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2016). The estimated total current cost of the landfill post closure care (\$4,312,791) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2008. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The City has contractually obligated the landfill operator to bear the cost of the landfill closure. The City monitors the closure costs meets the financial assurance requirements noted below.

The City's financial assurance requirements for closure and post closure care costs are being met through the financial test specified in TAC §37.271 (relating to Local Government Financial Test).

C. Contingent Liabilities and Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a party in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City contracts for garbage disposal with a third party. Under the terms of the agreement the city bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

D. Employee Retirement Systems and Pension Plans

The City and KPUB participate in the Texas Municipal Retirement System

Plan Description - The City provides pension benefits for all of its full-time employees (except firefighters) through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 774 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 774 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2007 valuations are contained in the 2007 TMRS Comprehensive Annual Financial Report which can be obtained by writing to P.O. Box 149153, Austin, Texas, 78714-9153.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2008

	<u>City</u>	<u>KPUB</u>
Deposit Rate:	7%	7%
Matching Ratio (Employer to Employee):	2-1	2-1
A Member is Vested After:	5 years	5 years
Members can retire at certain ages, based on the years of service with the Employer.		
The Service Retirement Eligibility for the Employer is:	5 years/age 60 20 years/any age	5 years/age 60 20 years/any age

Contributions - Under the state law governing TMRS, the actuary annually determines the City contribution rate. The rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect, i.e. December 31, 2007 valuation is effective for rates beginning January 2009.

	<u>City</u>	<u>KPUB</u>
Total # of participating entities	7%	7%
Employee deposit rate:	2 to 1	2 to 1
Matching ratio (employer to employee):	5	5
Years required for vesting	5 years/age 60	5 years/age 60
Service retirement eligibility	20 years/any age	25 years/any age
Updated service credit	100%	100%
Annually repeating	Yes	Yes
Annuity increase to retirees	70%	70%
Annually repeating	Yes	Yes
Supplemental death benefit		
For active employees	Yes	Yes
For retirees	Yes	Yes

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2008

Actuarial Assumptions

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Amortization Period	30 Years - Closed Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7%
Projected Salary Increases	Varies by age and service
Includes Inflation at	3.0%
Cost-of-Living Adjustments	2.1% (3.0% CPI)
City-Specific Assumptions	3.0%
Payroll Growth Assumption	Mid/Mid
Withdrawal Rates for Male/Female	

KPUB

Schedule of Actuarial Liabilities and Funding Progress

	<u>12/31/2005</u>	<u>12/31/2006</u>	<u>12/31/2007</u>
Actuarial Valuation Date	\$ 9,010,445	\$ 9,727,886	\$ 9,523,147
Actuarial Value of Assets (A)	\$ 9,840,607	\$ 10,730,715	\$ 11,658,320
Actuarial Accrued Liability (B)	91.6%	90.7%	81.7%
Percentage Funded (C) = (A)/(B)			
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL) (D)=(B)-(A))	\$ 830,162	\$ 1,002,829	\$ 2,135,173
Annual Covered Payroll (E)	\$ 2,555,297	\$ 2,707,024	\$ 2,712,039
UAAL as a Percentage of Covered Payroll (D)/(E)	32.5%	37.0%	78.7%
	<u>9/30/2006</u>	<u>9/30/2007</u>	<u>9/30/2008</u>
Accounting Year Ending			
Net Pension Obligation (NPO) at the Beginning of the Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual Required Contribution (ARC) (F)	\$ 340,216	\$ 372,580	\$ 360,660
Contributions Made (F)	\$ 340,216	\$ 372,580	\$ 360,660
NPO at the End of the Period	\$ -	\$ -	\$ -

Actuarial Assumptions

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Amortization Period	30 Years - Closed Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7%
Projected Salary Increases	Varies by age and service
Includes Inflation at	3.0%
Cost-of-Living Adjustments	3.0%
City-Specific Assumptions	3.0%
Payroll Growth Assumption	Mid/Mid
Withdrawal Rates for Male/Female	

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2008

E. Condensed Financial Information for Discrete Component Units

Following is selected condensed combining financial statement information for the government-wide financial statement for the discrete component units, KPUB and Kerrville Economic Improvement Corporation

	KPUB Electric Utility	Kerrville EIC	Total
Operating revenue	\$ 49,591,827	\$ -	\$ 49,591,827
Operating expenses	45,095,572	2,062,872	47,158,444
Depreciation and amortization	1,895,228	-	1,895,228
Operating income	2,601,027	(2,062,872)	538,155
Operating grants and contributions	-	20,740	20,740
Capital grants and contributions	234,055	-	234,055
Sales taxes	-	2,482,921	2,482,921
Investment income	593,540	127,237	720,777
Miscellaneous income	1,775	-	1,775
Change in net assets	<u>\$ 3,430,397</u>	<u>\$ 568,026</u>	<u>\$ 3,998,423</u>
Net working capital	\$ 10,711,528	\$ 5,043,836	\$ 15,755,364
Non-current assets	8,992,679	26,146	9,018,825
Plant, property and equipment - additions	28,739,812	-	28,739,812
Non-current liabilities	(622,301)	-	(622,301)
Bonds payable, net of current portion and unamortized premium/discount	(12,976,199)	(2,615,000)	(15,591,199)
Total fund net assets	<u>\$ 34,845,519</u>	<u>\$ 2,454,982</u>	<u>\$ 37,300,501</u>

APPENDIX C
FORM OF BOND COUNSEL'S OPINION

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LAW OFFICES
M^{CC}CALL, PARKHURST & HORTON L.L.P.

717 NORTH HARWOOD
NINTH FLOOR
DALLAS, TEXAS 75201-6587
TELEPHONE: 214 754-9200
FACSIMILE: 214 754-9260

700 N. ST. MARY'S STREET
1525 ONE RIVERWALK PLACE
SAN ANTONIO, TEXAS 78205-3603
TELEPHONE: 210 225-2800
FACSIMILE: 210 225-2984

600 CONGRESS AVENUE
1800 ONE AMERICAN CENTER
AUSTIN, TEXAS 78701-3246
TELEPHONE: 512 474-3805
FACSIMILE: 512 472-0871

February ___, 2010

**CITY OF KERRVILLE, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2010
DATED AS OF FEBRUARY 1, 2010
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$**

AS BOND COUNSEL FOR THE CITY OF KERRVILLE, TEXAS (the "City") in connection with the issuance of the certificates of obligation described above (the "Certificates"), we have examined into the legality and validity of the Certificates, which bear interest from the dates specified in the text of the Certificates until maturity or prior redemption at the rates and payable on the dates as stated in the text of the Certificates, and which are subject to redemption, all in accordance with the terms and conditions stated in the text of the Certificates.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the City, and other pertinent instruments authorizing and relating to the issuance of the Certificates including (i) the ordinance authorizing the issuance of the Certificates (the "Ordinance"), (ii) one of the executed Certificates (Certificate No. T-1), and (iii) the City's Federal Tax Certificate of even date herewith.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been authorized, issued and delivered in accordance with law; that the Certificates constitute valid and legally binding general obligations of the City in accordance with their terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion; that the City has the legal authority to issue the Certificates and to repay the Certificates; that ad valorem taxes sufficient to provide for the payment of the principal of the Certificates, as such principal matures, have been levied and ordered to be levied against all taxable property in the City, and have been pledged for such payment, within the limits prescribed by law; and that "*Surplus Revenues*" (as such term is defined and described in the Ordinance) received by the City from the ownership and operation of the City's Waterworks and Sewer System have been pledged to further secure the payment of the Certificates in the manner set forth in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, under the statutes, regulations, published rulings and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Certificates (i) is excludable from the gross income of the owners thereof, and (ii) is not includable in an owner's alternative minimum taxable income under section 55 of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on and assumed compliance by the City with, certain representations and covenants regarding the use and investment of the proceeds of the Certificates. We call your attention to the fact that failure by the City to comply with such representations and covenants may cause the interest on the Certificates to become includable in gross income retroactively to the date of issuance of the Certificates.

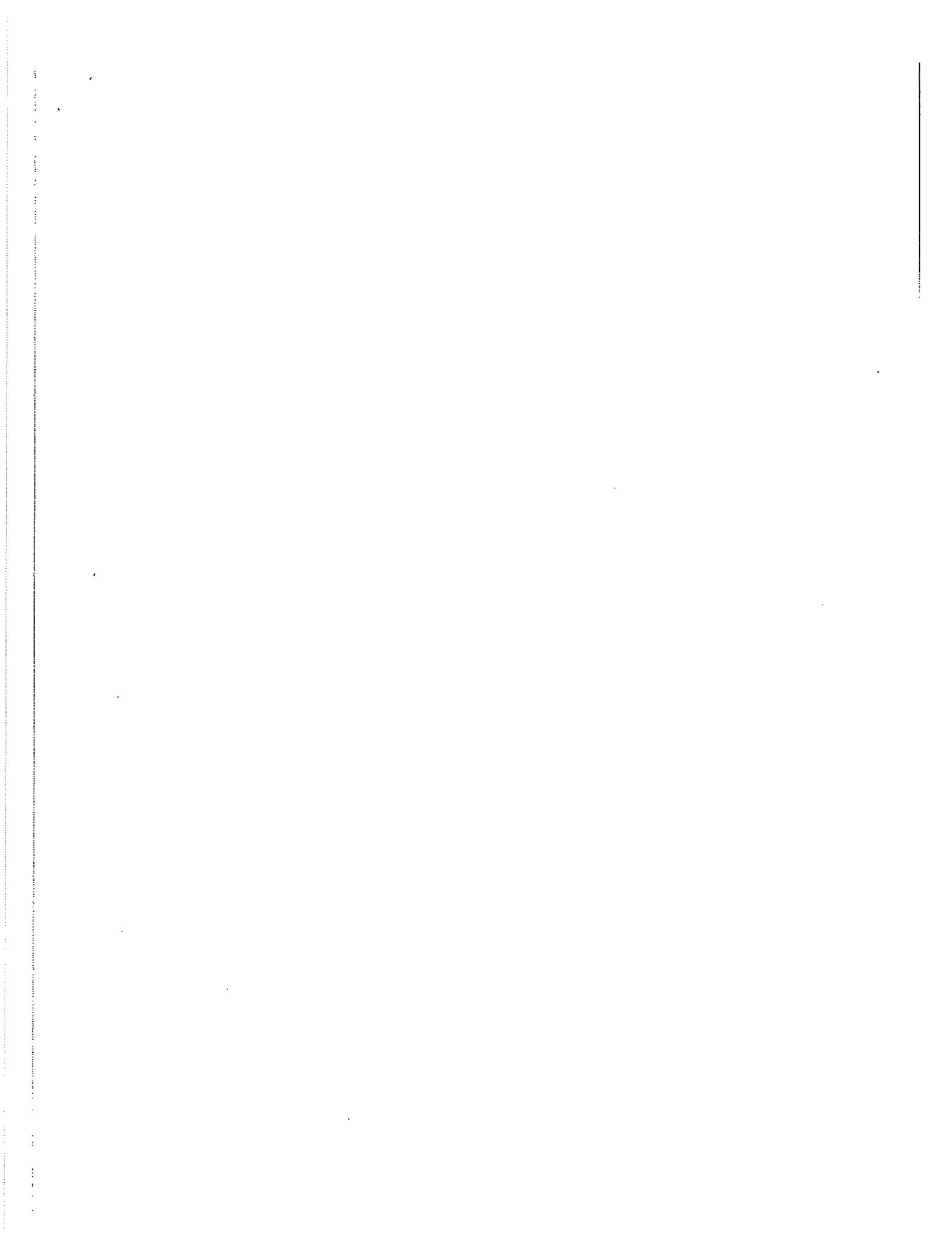
EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Certificates. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates, if any, for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and we have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of a result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates, if any, as includable in gross income for federal income tax purposes.

Respectfully,



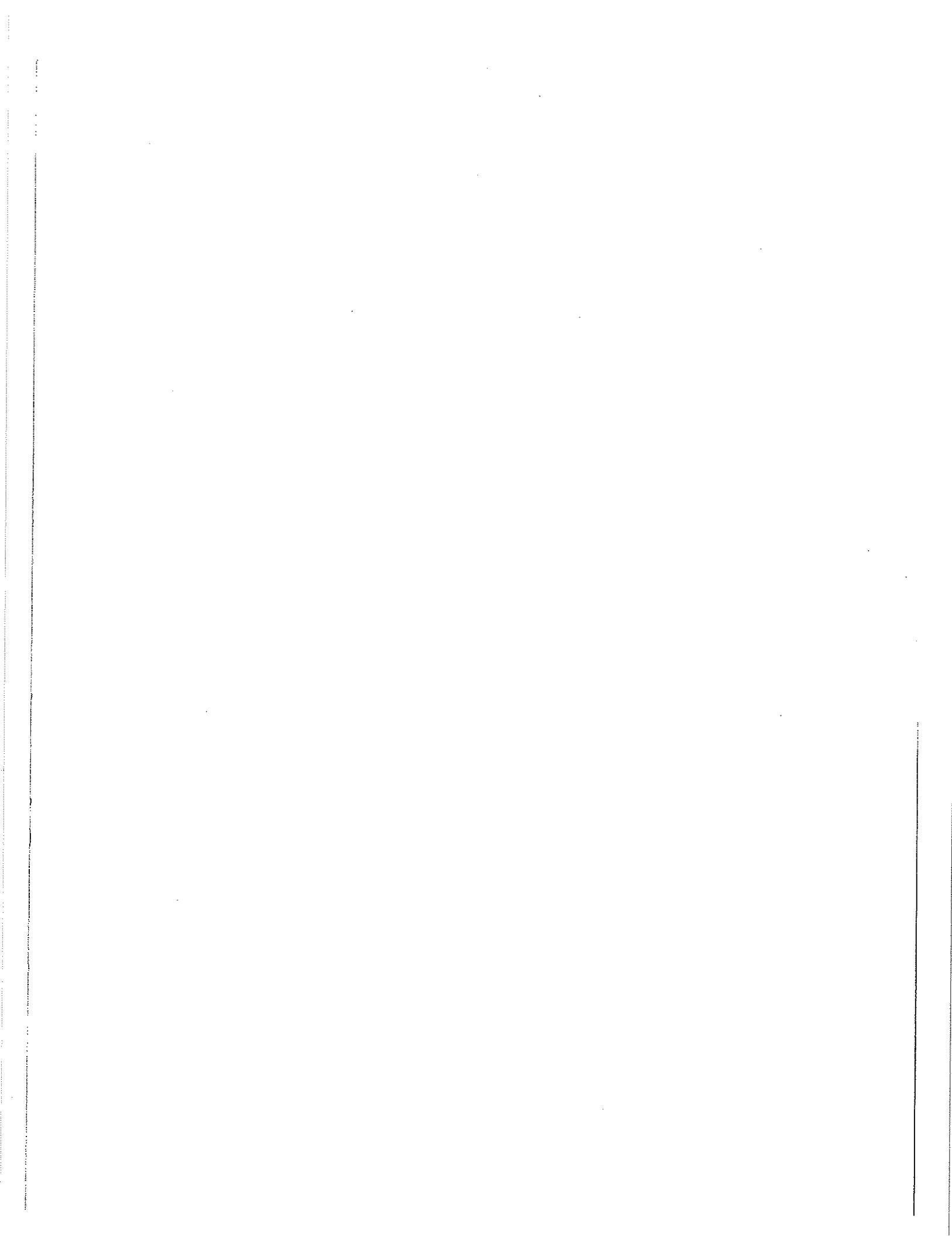
Financial Advisory Services
Provided By

FirstSouthwest 
A PlainsCapital Company.

EXHIBIT D

**REQUIREMENTS OF INSURER RELATING TO
MUNICIPAL BOND INSURANCE POLICY**

[To come from Insurer, if any]



**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Discussion and direction concerning notice of amendment to certificate of adjudication application No. 18-2002C submitted by Comanche Trace Ranch & Golf Club L.L.L.P. to the Texas Commission on Environmental Quality

FOR AGENDA OF: 1/26/10 **DATE SUBMITTED:** 1/21/10

SUBMITTED BY: Charlie Hastings  **CLEARANCES:** Todd Parton 
Public Works Director 

EXHIBITS: Notice from TCEQ with application for amendment, Current Copy of Certificate of Adjudication No. 18-2002, Copy of applicable pages of Development Agreement, Copy of Water Right Conveyance to Kerrville

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER:

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
\$	\$	\$	

PAYMENT TO BE MADE TO:

REVIEWED BY THE FINANCE DIRECTOR:

SUMMARY STATEMENT

The City of Kerrville received notice from the Texas Commission on Environmental Quality (TCEQ) that Comanche Trace Ranch & Golf Club L.L.L.P. has applied to amend Certificate of Adjudication No. 18-2002 to maintain reservoirs and utilize tributaries to transport river water through their golf course for recreation and recirculation purposes. The notice is being published and mailed to the water right holders of record in the Guadalupe River Basin pursuant to 30 TAC §295.158(b). The current Certificate of Adjudication No. 18-2002 authorizes the owner to divert up to 136 acre-feet of water per year from the Guadalupe River and to maintain six off-channel and five on-channel reservoirs and to impound the diverted water. The application was received on October 16, 2008, and declared administratively complete and accepted for filing with the TCEQ Office of the Chief Clerk on May 14, 2009.

If approved, the new application does not increase the amount of water that would be diverted, it would allow for the Applicant to maintain six additional on channel reservoirs and one off channel reservoir with a combined maximum capacity 46.3 acre-feet. The applicant seeks to use the bed and banks of an unnamed tributary of Stone Creek to transport water that will be provided under a Contract for Water Lease related to authorizations under Certificate of Adjudication 18-2001 for 104 acre-feet of additional water to be used for recirculation and aesthetic purposes.

RECOMMENDED ACTION

Discussion and possible action.

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



NOTICE OF AN AMENDMENT TO A CERTIFICATE OF ADJUDICATION

APPLICATION NO. 18-2002C

Comanche Trace Ranch & Golf Club L.L.L.P., has applied to amend Certificate of Adjudication No. 18-2002 to maintain six on-channel reservoirs and one off-channel reservoir and to utilize the bed and banks of a segment of an unnamed tributary of Stone Creek, and two separate segments of Stone Creek, Guadalupe River Basin, including the reservoirs located therein, to transport the water to the proposed reservoirs for recreation and recirculation purposes in Kerr County. More information on the application and how to participate in the permitting process is given below..

APPLICATION. Comanche Trace Ranch & Golf Club L.L.L.P., 3074 Bandera Highway, Kerrville, Texas 78028, Applicant, seeks to amend Certificate of Adjudication No. 18-2002 pursuant to Texas Water Code §§11.122 and 11.042, and Texas Commission on Environmental Quality Rules 30 Texas Administrative Code §295.1, *et seq.* Notice is being published and mailed to the water right holders of record in the Guadalupe River Basin pursuant to 30 TAC §295.158(b).

Certificate of Adjudication No. 18-2002 authorizes the Owner to maintain six off-channel reservoirs (A, B, C, E, I, J) and five on-channel reservoirs (D, F, G, H, K) on Dry Hollow, and an unnamed tributary of Dry Hollow, tributary of the Guadalupe River, and impound water diverted from the Guadalupe River, Guadalupe River Basin.

The Certificate authorizes the Owner to divert and use not to exceed 136 acre-feet of water per year from the Guadalupe River at a maximum diversion rate of 2.4 cfs (1,080 gpm) for storage, recreation, and subsequent diversion for agricultural purposes to irrigate 471.4 acres out of a 1,131.78-acre tract in Kerr County.

Owner is also authorized to use the bed and banks of an unnamed tributary of Dry Hollow to convey water to reservoirs F, G, and H for re-circulation and aesthetic purposes.

29.968889° N Latitude and 99.130833° W Longitude.

Reservoir R is an existing off-channel reservoir located 5.7 miles east of Kerrville impounding 27.5 acre-feet of water with a surface area of 2.76 acres. Station 0+ on the centerline of the dam is S 47.15° E, 2,419 feet from the south corner of the Watt Survey, also being 29.971389° N Latitude and 99.127222° W Longitude.

Applicant requests to use the bed and banks of the unnamed tributary of Stone Creek to convey the water for recirculation and recreation (aesthetic) purposes via several features. The water for the first feature will be discharged into Reservoir L, thence to Reservoir M, thence to Reservoir N. Water will be diverted from Reservoir N for recirculation back into Reservoir L. Water for the second feature will be discharged into Stone Creek upstream of Reservoir P and allowed to flow downstream into Reservoir P where it will be diverted for recirculation. Water for the third feature will be discharged into Stone Creek upstream of Reservoir Q and allowed to flow downstream into Reservoir Q where it will be diverted for recirculation. The reach for these features is upstream of and including Reservoir Q. Reservoir O is a separate on-channel reservoir with no pumping feature. Reservoir R is an existing reservoir and will be used for additional impoundment of run off water from the already permitted irrigation system.

The diversion points and their associated rates are described as follows:

Diversion Point 2 is located on the perimeter of Reservoir P, on Stone Creek, 5.6 miles southeast of Kerrville, bearing S 2.95° E, 3,488 feet from the south corner of the William Watt Original Survey No. 66, Abstract No. 365, also being at Latitude 29.966667° N, Longitude 99.1325° W. Water will be diverted at a maximum diversion rate of 0.2 cfs (100 gpm).

Diversion Point 3 is located on the perimeter of Reservoir Q, on Stone Creek, 5.7 miles southeast of Kerrville, bearing S 9.90° E, 3,991 feet from the south corner of the Watt Survey, also being at Latitude 29.965278° N, Longitude 99.130833° W. Water will be diverted at a maximum diversion rate of 0.2 cfs (100 gpm).

Diversion Point 4 is located on the perimeter of Reservoir N, on an unnamed tributary of Stone Creek, 5.3 miles southeast of Kerrville, bearing S 14.85° E, 1,785 feet from the south corner of the Watt Survey, also being at Latitude 29.971389° N, Longitude 99.131667° W. Water will be diverted at a maximum diversion rate of 1.1 cfs (500 gpm).

The discharge points and their associated rates are described as follows:

Discharge Point 1 is located approximately 300 feet upstream of Reservoir P, on Stone Creek, 5.6 miles southeast of the City of Kerrville, bearing S 6.033333° E, 3,195 feet from the south corner of the William Watt Original Survey No. 66, Abstract No. 365, also being Latitude 29.967222° N, Longitude 99.131944° W. Water will be discharged at a maximum rate of 0.2 cfs (100 gpm).

be submitted in writing to the Office of the Chief Clerk at the address provided in the information section below.

If a hearing request is filed, the Executive Director will not issue the permit and will forward the application and hearing request to the TCEQ Commissioners for their consideration at a scheduled Commission meeting.

INFORMATION. Written hearing requests, public comments or requests for a public meeting should be submitted to the Office of the Chief Clerk, MC 105, TCEQ, P.O. Box 13087, Austin, TX 78711-3087 or electronically at <http://www.tceq.state.tx.us/about/comments.html>. For information concerning the hearing process, please contact the Public Interest Counsel, MC 103, at the same address. For additional information, individual members of the general public may contact the Office of Public Assistance at 1-800-687-4040. General information regarding the TCEQ can be found at our web site at www.tceq.state.tx.us. Si desea información en Español, puede llamar al 1-800-687-4040 o por el internet al <http://www.tceq.state.tx.us>.

Issued: December 22, 2009

Current Cert. of Adjud. No. 18-2002

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION



**AMENDMENT TO
CERTIFICATE OF ADJUDICATION**

Certificate of Adjudication No. 18-2002B Type: §§11.122, 11.042

Owner: Comanche Trace Ranch & Address: 3074 Bandera Highway
Golf Club, L. L. L. P. Kerrville, Texas 78028

Filed: March 9, 2000 Granted: SEP 12 2000

Use: Irrigation County: Kerr

Watercourse: Unnamed tributary of Dry Hollow and Dry Hollow, tributary of the Guadalupe River and the Guadalupe River Basin: Guadalupe River Basin

WHEREAS, Certificate No. 18-2002 authorized the owner, with a time priority of 1924, to divert and use not to exceed 136 acre-feet of water per annum from the Guadalupe River at a maximum rate of 2.4 cfs (1080 gpm) for irrigation of 99 acres of land in the William Watt Survey 65, Abstract No. 364, and the William Watt Survey 66, Abstract No. 365, Kerr County; and

WHEREAS, Certificate No. 18-2002, as amended, authorizes the owner to maintain an existing off-channel reservoir (Reservoir A); to construct and maintain an off-channel reservoir (Reservoir I) and to impound therein water diverted from the Guadalupe River for subsequent irrigation; and

WHEREAS, Certificate No. 18-2002, as amended also increased the area to be irrigated; and

WHEREAS, Comanche Trace Ranch and Golf Club, L. L. L. P. (Comanche Trace) seeks to amend the certificate, as amended, by adding authorization to store the water currently authorized for diversion from the Guadalupe River in 4 additional proposed off-channel reservoirs (Reservoirs B, C, E and J) and 5 proposed on-channel reservoirs (Reservoirs D and K on Dry Hollow, tributary of the Guadalupe River and Reservoirs F, G and H on an unnamed tributary of Dry Hollow); and

WHEREAS, Comanche Trace also seeks authorization to convey the stored Guadalupe River water down the bed and banks of the unnamed tributary of Dry Hollow between Reservoirs F, G, and H and to subsequently re-circulate the streamflow between the aforesaid reservoirs; and

WHEREAS, the Texas Natural Resource Conservation Commission finds that jurisdiction over the application is established; and

WHEREAS, no person protested the granting of this application; and

WHEREAS, the Commission has complied with the requirements of the Texas Water Code and Rules of the Texas Natural Resource Conservation Commission in issuing this amendment.

NOW, THEREFORE, this amendment to Certificate No. 18-2002, as amended, is issued to Comanche Trace Ranch and Golf Club, L. L. L. P., subject to the following terms and conditions:

1. IMPOUNDMENTS

Certificate Owner is authorized to construct and maintain 4 off-channel reservoirs and to construct and maintain 5 on-channel reservoirs and impound therein water diverted from the Guadalupe River under this certificate, as amended. The reservoirs are described as follows:

Reservoir B, an off-channel reservoir will be located 4.4 miles south of Kerrville and will impound 6.0 acre-feet of water with a surface area of 0.9 acres. The reservoir will be N 41.73° E, 5129 feet from the south corner of the William Watt Survey No. 66, Abstract No. 365, also being 29.985°N Latitude and 99.119°W Longitude.

Reservoir C, an off-channel reservoir will be located 4.2 miles south of Kerrville and will impound 4.4 acre-feet of water with a surface area of 0.97 acres. The reservoir will be N 37.53° E, 5997 feet from the south corner of the William Watt Survey No. 66, Abstract No. 365, also being 29.987°N Latitude and 99.119°W Longitude.

Reservoir D, an on-channel reservoir will be located on Dry Hollow, tributary of the Guadalupe River 4.4 miles south of Kerrville and will impound 9.5 acre-feet of water with a surface area of 1.60 acres. The reservoir will be N 47.8° E, 8559 feet from the west corner of the William Watt Survey No. 65, Abstract No. 364, also being 29.985°N Latitude and 99.1099°W Longitude.

Reservoir E, an off-channel reservoir will be located 4.7 miles south of Kerrville and will impound 1.2 acre-feet of water with a surface area of 0.29 acres. The reservoir will be N 30.17° E, 1596 feet from the south corner of the William Watt Survey No. 66, Abstract No. 365, also being 29.975°N Latitude and 99.125°W Longitude.

Reservoir F, an on-channel reservoir will be located on an unnamed tributary of Dry Hollow 4.3 miles south of Kerrville and will impound 0.4 acre-feet of water with a surface area of 0.09 acres. The reservoir will be N 1.76° W, 3777 feet from the south corner of the William Watt Survey No. 66, Abstract No. 365, also being 29.985°N Latitude and 99.133°W Longitude.

Reservoir G, an on-channel reservoir will be located on an unnamed tributary of Dry Hollow 4.2 miles south of Kerrville and will impound 1.7 acre-feet of water with a surface area of .34 acres. The reservoir will be N 13.18°E, 4583 feet from the south corner of the William Watt Survey No. 66, Abstract No. 365, also being 29.987°N Latitude and 99.125°W Longitude.

Reservoir H, an on-channel reservoir will be located on an unnamed tributary of Dry Hollow 4 miles south of Kerrville and will impound 22.3 acre-feet of water with a surface area of 2.10 acres. The reservoir will be N 17.88°E, 5485 feet from the south corner of the William Watt Survey No. 66, Abstract No. 365, also being 29.988°N Latitude and 99.123°W Longitude.

Reservoir I, an off-channel reservoir will be located 4.1 miles south of Kerrville and will impound 65 acre-feet of water with a surface area of 8.71 acres. The reservoir will be N 43°E, 8428 feet from the south corner of the William Watt Survey No. 66, Abstract No. 365, also being 29.989°N Latitude and 99.109°W Longitude.

Reservoir J, an off-channel reservoir will be located 4.2 miles south of Kerrville and will impound 1.5 acre-feet of water with a surface area of .34 acres. The reservoir will be N 46.92°E, 10926 feet from the west corner of the William Watt Survey No. 65, Abstract No. 364, also being 29.991°N Latitude and 99.107°W Latitude.

Reservoir K, an on-channel reservoir will be located on Dry Hollow 4.1 miles south of Kerrville and will impound 0.3 acre-feet of water with a surface area of .09 acres. The reservoir will be N 41.68°E, 7094 feet from the south corner of the William Watt Survey No. 66, Abstract 365, Kerr County, also being 29.988°N Latitude and 99.118°W Longitude.

2. DIVERSION AND USE

- A. Owner is authorized to convey the 136 acre-feet of water per annum currently authorized for diversion by this certificate from the Guadalupe River to the aforesaid reservoirs for subsequent diversion and irrigation of land currently included in the certificate.
- B. Owner is authorized to use the bed and banks of the unnamed tributary of Dry Hollow to convey water authorized for diversion from the Guadalupe River under this certificate, as amended, between Reservoirs F, G, and H for aesthetic purposes and to re-circulate the water between the reservoirs.

3. TIME LIMITATIONS

- A. Construction of the lakes herein authorized shall be in accordance with standard engineering practices and shall be commenced within one year and completed within two years from the date of issuance of this amendment.

B. Failure to commence and complete construction of Reservoirs B, C, D, E, F, G, H, J, and K within the period stated above, shall cause this authorization, with respect to the lakes not modified/constructed, to expire and become null and void without further Commission consideration, unless permittee applies for an extension of time to commence and/or complete construction prior to the respective deadlines for commencement and completion, and the application is subsequently granted.

This amendment is issued subject to all superior and senior rights in the Guadalupe River Basin.

Certificate owner agrees to be bound by the terms, conditions and provisions contained herein and such agreement is a condition precedent to granting of this amendment.

All other matters requested in the application which are not specifically granted by this amendment are denied.

This amendment is issued subject to the Rules of the Texas Natural Resource Conservation Commission and to the right of continuing supervision of State water resources exercised by the Commission.

TEXAS NATURAL RESOURCE
CONSERVATION COMMISSION


For the Commission

Date Issued: SEP 12 2000

THIS IS A CONFORMED COPY OF THE COMANCHE TRACE DEVELOPMENT AGREEMENT THAT INCORPORATES THE ORIGINAL AGREEMENT DATED 1/26/99 AND AMENDMENTS DATED 12/14/99 AND 1/25/2000. THIS AGREEMENT SHOULD BE USED AS A REFERENCE ONLY BUT IS NOT INTENDED TO BE A SUBSTITUTE FOR THE ORIGINAL DOCUMENTS

have been published and adopted by the City Engineer (a copy of which has been provided to Developer and which Developer acknowledges receipt) for the design and/or construction of streets, sidewalks, curb and gutter, water distribution system, sanitary sewer collection system, storm water drainage facilities, and other public improvements constructed in accordance with the development of the Property, whether or not required by the Subdivision Regulations.

7. **Subdivision Regulations:** Article 10, Chapter IV of the Code of Ordinances of the City of Kerrville, Texas, as amended, and such other ordinances previously or in the future adopted by City relating to the subdivision of property located as follows:
 1. within City's incorporated limits; and/or
 2. within City's extraterritorial jurisdiction as determined by Tex. Loc. Govt. Code §42.021, as amended.
- * 8. **Surface Water Rights:** The right to divert 136 acre feet per year of surface water from the Guadalupe River in the manner described in Certificate of Adjudication No. 18-2002, dated July 17, 1981, and filed of record with the TNRCC.
9. **Type I Reclaimed Water:** Domestic or municipal wastewater which has been treated to a quality suitable for a beneficial use pursuant to the 30 TAC Chapter 210 and other applicable rules and permits of the TNRCC or its successor agencies (otherwise called "reclaimed water"), the use of which is likely to result in contact between humans and the reclaimed water.
10. **Water Well No. 1:** Water well located on the Property drilled by Edmonds Drilling Co. and completed on or about January 20, 1978, to an approximate depth of 655 feet below the surface according to the records of the TNRCC.
11. **Water Well No. 2:** Water well located on the Property drilled by Edmonds Drilling Co. and completed on or about September 19, 1980, to an approximate depth of 600 feet below the surface, according to the records of the TNRCC.
12. **Water Well No. 3:** Water well located on the Property located on the approximately 1.73 acre tract of land described on Exhibit "B", attached to

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1. be approved as to substance and form by the City Attorney (which approval shall not be unreasonably withheld);
2. be in an amount equal to the estimated cost to complete construction of the public improvements associated with development of the property described in the Initial Final Plat, which cost estimate must be approved by the City Engineer;
3. not include costs related to construction of the City Improvements; and
4. must be effective for a term not less than 13 months after the date of approval of the Initial Final Plat.

4. Not later than October 1, 1999, Developer shall commence construction of the proposed 18 hole golf course set forth in the Concept Plan, with construction to be complete not later than October 1, 2000, and play to begin not later than July 1, 2001.

2. **Conveyance of the Surface Water Rights:** As additional consideration for this Agreement, Developer agrees to convey to City ownership of the Surface Water Rights as follows:
 1. Not later than sixty days after the annexation of any portion of the Property by City, Developer agrees to file the necessary application(s) with the TNRCC naming City as co-owner of the Surface Water Rights and conveying to City a one-half undivided interest in the Surface Water Rights. Developer shall use its best efforts to seek approval of such transfer of ownership interest to the City. City and Developer further agree:
 1. that Developer shall have the right to use the Surface Water Rights so long as Developer retains a one-half undivided interest in the Surface Water Rights;
 2. that Developer's continued use of the Surface Water Rights subsequent to the conveyance to City described above shall be solely for the irrigation of the proposed golf course, green belt, and common areas developed on the Property;

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3. that Developer shall bear all costs of diverting, pumping, and transporting the water diverted from the Guadalupe River for Developer's use;
4. that so long as Developer retains a one-half undivided interest in any portion of the Surface Water Rights, City will make no diversions of water for its own purposes from that portion in which Developer retains an ownership interest without the written consent of Developer;
5. that Developer shall not sell, grant, gift, mortgage, lease, or otherwise convey or encumber any of Developer's interest in the Surface Water Rights without the written consent of City unless such grant, gift, mortgage, lease, conveyance or encumbrance is:
 - (1) made in association with a conveyance of all or a portion of Developer's interest in the Property; and
 - (2) made subject to the provisions of this Agreement.

2. Developer agrees to file the necessary application(s) with the TNRCC conveying Developer's remaining interest in portions of the Surface Water Rights as follows:
 1. Not later than 90 days after the fifth anniversary of the date City commences providing Type I Reclaimed Water Service to the Property in accordance with Article VI.A. of this Agreement, Developer shall convey to City its full interest in the amount of the Surface Water Rights equal to 136 acre feet less 1.5 times the amount of the highest annual diversion by Developer during the five year period after Type I Reclaimed Water Service to the Property commenced;
 2. Not later than 90 days after the tenth anniversary of the date City commences providing Type I Reclaimed Water Service to the Property in accordance with Article VI.A. of this Agreement, Developer shall convey to City its full interest in the amount of the Surface Water Rights equal to the amount of the Surface Water Rights in which the Developer retained an interest after

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the conveyance described in paragraph a., above less the amount of the highest annual diversion by Developer during the ten year period after Type I Reclaimed Water Service to the Property commenced.

3. In determining the "highest annual diversion" pursuant to paragraphs a. and b., above, the total of the diversion that occurs during any annual period shall be reduced by the amount of excess water used to irrigate newly constructed holes on the golf course from the time of planting to the time the holes are open for play, generally known as the "grow-in period".
3. **Water Well No. 1 and Water Well No. 2:** As additional consideration for this Agreement, Developer agrees to convey to City ownership of Water Well No. 1 and Water Well No. 2 and other associated property and equipment as follows:
 1. Not later than 30 days after execution of a contract for construction of the City Improvements, Developer shall convey to City a one-half undivided interest in the title to Water Well No. 1 and Water Well No. 2 along with all associated equipment, pipelines, and storage facilities, as is, and in their existing condition without any express or implied warranties, including warranty of merchantability or fitness for a particular purpose, which warranties are expressly DISCLAIMED. City and Developer further agree that:
 1. Developer shall convey to City a general utility easement for all property on or under which is located all pipelines associated with Water Well No. 1 and Water Well No. 2;
 2. Developer shall convey to City ingress and egress easements not less than 25 feet wide to provide access to the Water Well No. 1 and Water Well No. 2 parcels, which easements shall be located on existing roads located on the Property or, alternatively, over an access road constructed by Developer in conjunction with the development;
 3. Developer shall have the right to pump water from Water Well No. 1 and Water Well No. 2 so long as Developer retains a one-half undivided interest in said wells;

THE STATE OF TEXAS
COUNTY OF KERR

§
§
WATER RIGHTS CONVEYANCE

Whereas, certain rights to divert and use water per annum measured at the point of diversion from the Guadalupe River for the irrigation of land located in Kerr County, Texas, exist and are authorized pursuant to the following Texas Water Rights Commission (now the Texas Natural Resource Conservation Commission) Certificate of Adjudication (hereafter called the "Water Rights"):

136 acre feet of Water Rights (irrigation) out of Certificate of Adjudication No. 18-2002, dated July 18, 1981, as amended from time to time ("Certificate"); and

WHEREAS, **COMANCHE TRACE RANCH & GOLF CLUB, LLLP** (hereafter referred to as "GRANTOR") owns the Water Rights; and

WHEREAS, GRANTOR has entered into a certain Development Agreement, as amended ("Development Agreement"), with the City of Kerrville ("GRANTEE"), pursuant to which the parties hereto have agreed to ownership, use, and transfer of certain of the Water Rights;

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS: That GRANTOR, in consideration of (i) the sum of TEN AND NO/10THS (\$10.00) DOLLARS to it in hand paid by GRANTEE, of Kerr County, Texas, receipt of which is hereby acknowledged, and (ii) GRANTEE's entry into the Development Agreement, and pursuant to and upon and subject to the terms of the Development Agreement does hereby **SELL, CONVEY, TRANSFER AND ASSIGN** to GRANTEE a one-half undivided interest in the Water Rights, subject to existing exceptions and encumbrances of record; provided that:

- (a) GRANTOR shall have the right to use all of the Water Rights so long as GRANTOR retains a one-half undivided interest in the Water Rights,

- (b) **GRANTOR**'s continued use of the Water Rights subsequent to this conveyance shall be solely for the irrigation of the proposed golf course, green belt, and common areas developed on the Property, as defined and provided in the Development Agreement,
- (c) **GRANTOR** shall bear all costs of diverting, pumping, and transporting the water diverted from the Guadalupe River for **GRANTOR**'s use,
- (d) So long as **GRANTOR** retains a one-half undivided interest in any portion of the Water Rights, **GRANTEE** will make no diversions of water for its own purposes from that portion in which **GRANTOR** retains an ownership interest without the written consent of **GRANTOR**, and
- (e) **GRANTOR** shall not sell, grant, gift, mortgage, lease, or otherwise convey or encumber any of **GRANTOR**'s interest in the Water Rights without the written consent of **GRANTEE** unless such grant, gift, mortgage, lease, conveyance or encumbrance is:
 - (1) made in association with a conveyance of all or a portion of **GRANTOR**'s interest in the Property; and
 - (2) made subject to the provisions of the Development Agreement.

The water rights conveyed hereby are conveyed "AS IS" without representation or warranty and any implied warranties are DISCLAIMED. **GRANTEE** agrees not to amend the Certificate in such a manner as to affect the use/rights of **GRANTOR** and **GRANTEE** as set forth herein. No other water rights of **GRANTOR** are hereby conveyed except as herein expressly provided. **GRANTOR** and **GRANTEE** agree that any covenant required hereunder shall not be unreasonably withheld, delayed or conditioned. **GRANTOR** does hereby expressly authorize the Texas Natural Resource Conservation Commission (TNRCC) or such agency or governmental body or authority having jurisdiction over the subject matter hereof, to make such changes in the records as are necessary to accomplish the terms and provisions hereof. **GRANTOR** and **GRANTEE** hereby agree to execute such other instruments as shall be necessary and required by the TNRCC or other applicable authority in regard hereto.

EXECUTED this 14th day of February, 2000.

COMANCHE TRACE RANCH & GOLF
CLUB, LLLP, a Colorado limited liability
limited partnership
By: COMANCHE TRACE, LLC,
A Colorado limited liability company,
General Partner

By: Thomas N. Morrill
Thomas N. Morrill, Manager

**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Recommendation and approval of a new city logo and tag line

FOR AGENDA OF: January 14, 2010 **DATE SUBMITTED:** January 26, 2010

SUBMITTED BY: Mindy N. Wendele **CLEARANCES:** Todd Parton
Director of Business Programs City Manager

EXHIBITS:

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER: *M*

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
\$	\$	\$	

PAYMENT TO BE MADE TO:

REVIEWED BY THE FINANCE DIRECTOR:

SUMMARY STATEMENT

At the January 12, 2010 council meeting, staff presented an update on the tag line and logo project. Staff requested council appoint a three-five member committee to review the tag line entries and the logo designs. The committee will bring a recommendation of the top three tag lines and top two logos.

The committee consists of Councilmember Gross, Kerrville Convention and Visitors Bureau Executive Director Sudie Burditt, Kerrville Area Chamber of Commerce President Brian Bondy, Main Street Advisory Board Vice President Kyle Bond and Director of Business Programs Mindy Wendele.

RECOMMENDED ACTION

For discussion and approval of a new tag line and logo design.

**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Boardwalk Pavilion Funding Options

FOR AGENDA OF: January 26, 2010 **DATE SUBMITTED:** January 15, 2010

SUBMITTED BY: Scott Gross,
Councilmember **CLEARANCES:**

EXHIBITS:

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER:

Expenditure Required: \$	Current Balance in Account: \$	Amount Budgeted: \$	Account Number:
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PAYMENT TO BE MADE TO:

REVIEWED BY THE DIRECTOR OF FINANCE:

SUMMARY STATEMENT

City Council discussion regarding potential/available funding sources and options for construction completion.

RECOMMENDED ACTION

Direct City Staff on funding sources and level of construction completion.

TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS

SUBJECT: Discussion Regarding Changes to City Licensing of Peddlers and Solicitors

FOR AGENDA OF: January 26, 2010 **DATE SUBMITTED:** January 14, 2010

SUBMITTED BY: Kevin Coleman  **CLEARANCES:** Kristine Ondrias 

EXHIBITS: Chapter 78 of Code of Ordinances

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER: 

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
\$	\$	\$	

PAYMENT TO BE MADE TO:

REVIEWED BY THE FINANCE DIRECTOR:

SUMMARY STATEMENT

Chapter 78 of the City Code of Ordinances regulates the licensing of peddlers, solicitors and itinerant merchants that operate in the City.

Generally, this Chapter regulates those individuals that sell goods and/or services without a permanent business location. The Chapter is enforced through the Development Services Department. Staff is currently reviewing changes in these regulations to add clarity to this enforcement.

RECOMMENDED ACTION

At this meeting Council will be asked to:

Review the existing regulations, and

- Provide staff direction regarding any elements of the regulation Council feels should be in staff's review.

Chapter 78 PEDDLERS AND SOLICITORS*

Sec. 78-1. Definitions.

The following words, terms and phrases, when used in this chapter, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

Canvasser and *solicitor* mean one who takes orders for future deliveries, or for services, or solicits subscriptions, in public places or from house to house or store to store and not from an established place on private premises (solicitation of funds or orders by telephone is not considered canvassing in this sense of the word.)

Itinerant merchant and *vendor* mean one who:

- (1) Sells, offers for sale, or takes orders for the sale of any goods or merchandise or exhibits the goods or merchandise for such purposes and who, for the purpose of carrying on such activities, rents or occupies any room or space in any building, structure or other enclosure, or rents or occupies any space on land not in any such building or structure in the city; and
- (2) Rents, leases, subleases or occupies such property or space for less than one year.

Peddler means a person who sells or offers for sale tangible merchandise from house to house, store to store, or on the sidewalks or in any public place including those located on private premises; his sales are not made from one established spot excepting where they are made on a sidewalk or other public place including those located on private premises and he makes delivery at the time of the sale. Whether or not he collects at the same time is immaterial.

Public place means those places which are not located in a permanent building structure and to which the public or a substantial group of the public has access and includes, but is not limited to, streets, highways, parking lots, vacant lots and sidewalks.

Sec. 78-2. Street sales.

No licensee under this chapter shall ply his vocation on any public right-of-way or property unless approved by the city council.

Sec. 78-3. Open air markets.

Each owner or operator of an open air market approved by special use permit shall be required to furnish the city clerk and the state comptroller's office a list of each person, firm or corporation leasing or occupying space in the market and the information required by section 78-32(a) and (b) for each lessee or occupant. Each owner or operator shall state with his information, the times and days that those lessees or occupants shall be present to offer for sale their merchandise.

Sec. 78-4. Penalty.

Any person violating any of the provisions of this chapter shall be guilty of a misdemeanor, and shall be subject to the penalties provided for in section 1-7. A

separate offense shall be deemed committed each day on which a violation occurs or continues.

Sec. 78-31. Required.

It shall be unlawful for any person, firm or corporation as well as their agents and employees to engage in the business of peddler, canvasser, solicitor or itinerant merchant or vendor of any merchandise, article, thing or service in the city without having first secured a license therefor from the city.

Sec. 78-32. Applications.

- (a) Applications for a license under this chapter shall be made to the city through the city clerk's office and shall state thereon:
 - (1) The identity of all persons who will operate under such license by name, social security number, driver's license number and permanent address;
 - (2) The kind of merchandise to be sold;
 - (3) The type of business operation the applicant wishes to engage in, including whether or not customers will be required to pay for their orders in advance of their receipt of order; and
 - (4) Clearances from the city zoning department, city health department, and city building department.
- (b) All applicants for a license under this chapter shall be required to produce at the time of making applications a valid current state sales tax permit and evidence that the applicant has advised the local office of the comptroller of the state of the location and time that sales are to be conducted. No license shall be granted for a period not covered by such sales tax permit.
- (c) Those applicants for a license under this chapter desiring to sell merchandise from a location on private premises shall accompany their application with the written permission of the private property owner allowing such business to be enacted on the private property.
- (d) Upon proper application and payment as provided in section 78-33, the city shall grant a license.

Sec. 78-33. Fees.

- (a) *Base fee.* The base fee for such license shall be \$600.00 for one year, which shall cover one person selling under such license.
- (b) *Additional persons.* The fee for each additional person who will operate under any such license issued shall be an additional \$10.00 for 30 days or \$100.00 for one year.
- (c) *Deposit.* In addition, those applicants desiring to engage in the kind of business in which the customer orders something and pays in advance therefor, before the receipt of the purchased item or service shall, in addition to the license fee, deposit the sum of \$750.00 in cash with the city to protect the citizens from any loss on account of such business operation, and, 30 days after the end of the license period, if there have been no complaints regarding the licensee, then such amount shall be refunded to the licensee. However, if the city has received complaints regarding such licensee concerning nonperformance or inadequate

performance, then the city has the right to hold the deposit in escrow until it has either received a written authorization for its release from such complainant or a certified copy of an order of a court of competent jurisdiction which has passed judgment on the dispute, and then the city shall distribute the money in accordance with the court order. No interest shall paid on the deposit.

(d) *Amendment to fees and charges.* The fees and charges set forth and/or established in this section may be changed and amended, from time to time, by resolution of the city council.

Sec. 78-34. Exemptions.

The following are exempt from the license provisions of this chapter:

- (1) Temporary special events, sales and festivals sponsored by charitable organizations recognized as such by the Internal Revenue Laws of the United States including, but not limited to, Boy Scouts and Girl Scouts, service clubs, school organizations, and etc.
- (2) Temporary special events, sales and festivals sponsored by governmental subdivisions, including school districts, Chamber of Commerce and Jaycees.
- (3) State arts and crafts fair and other special events such as the Easter Chili Cook-off or Jimmy Rodgers Jubilee, as approved by council provided that the organizer/operator of such events provides the information required for an open air market.
- (4) A traveling salesperson or solicitor calling only upon commercial businesses in the city.
- (5) Garage sales.
- (6) A business with a separate business location in the city that furnished proof of payment to the city of all ad valorem and personal property taxes then due.
- (7) Six or more businesses that are organized in a sales show, convention, or similar sales by an indoor shopping mall, hotel or similar sponsor.
- (8) Businesses conducted in an open air market in compliance with all laws and zoning regulations applicable thereto.
- (9) Sale of fresh produce (fruit, nuts, and vegetables).
- (10) Sale of firewood.

**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Update from Staff on FY10 Employee Compensation

FOR AGENDA OF: January 26, 2010

DATE SUBMITTED: January 15, 2010

SUBMITTED BY: Kimberly Meismen
Director of General Operations

CLEARANCES: Jeffrey Todd Parton
City Manager

EXHIBITS:

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER:

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
\$	\$	\$	

PAYMENT TO BE MADE TO:

REVIEWED BY THE FINANCE DEPARTMENT:

SUMMARY STATEMENT

The City hired Ray Associates to conduct a formal compensation and benefits study in 2006. It was determined with Council that we would include twelve cities and four local businesses as our benchmark employers. These included: Boerne, Cedar Hill, Cleburne, Ennis, Fredericksburg, Georgetown, New Braunfels, San Marcos, Schertz, Seguin, Watauga, Weatherford, KPUB, Kerrville State Hospital, Schreiner University, and Huser Construction. The following was the recommended action from the study:

1. Bring salary structure in line with a mid-market position (50th percentile).
2. Make annual adjustments to all salary schedules based on the most recent Employment Cost Index (ECI).
3. Develop a system for moving general government employees through pay ranges. Public safety employees are set up as step plans with tenure-based movement through the steps.
4. Benefits recommendations included:
 - a. Make dependent health insurance more affordable for employees.
 - b. Add three to four holidays per year to reach the market average of 11.6.
 - c. Add certification pay for water and wastewater certification/license renewals.
 - d. Allow accrual and carryover of sick leave up to a reasonable maximum accumulation.
 - e. Consider implementing a tuition reimbursement program.

Based upon these recommendations we have implemented the following:

- We conduct annual salary surveys with our benchmark employers.
- We consider the ECI and if appropriate, recommend an adjustment to the salary schedules.
- We implemented a merit increase program for general government employees to allow them to move through the pay ranges.
- We have made dependent coverage very affordable for our employees.
- We added two employee holidays to our schedule for a total of ten paid holidays.
- We are currently working on a formal certification pay plan for water/wastewater and other departments.
- We implemented a tuition reimbursement program for employees.

Council approved a 2% general government (\$22K) and step plan (\$140K) adjustment for FY10. This provided a pay increase for 38 general government employees and all of the employees on the step plans in the police and fire departments. No COLA was given to the other general government employees for FY10 because the CPI/ECI did not warrant a COLA. Because employees in police and fire are on step plans, they automatically receive a pay increase based on tenure not the CPI/ECI.

We advised Council that because we would not propose a COLA, we would recommend rewarding the general government employees with a mid-year (April 2010) merit increase (\$130K General Fund) based upon their performance. Council agreed and this amount was included in the base budget for FY10. We also budgeted \$24K for potential internal equity, 20+ year fire compression adjustments, and police dispatcher market adjustments.

To date, we have saved \$120K due to position vacancies and due to turnover and internal job changes, we estimate the general government merit increases (based on an average of 3.5%) to cost \$80,600 providing a budget savings of \$49,400.

RECOMMENDED ACTION

Consideration of potential future agenda item based upon Council direction.

**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Discuss status of application process for appointment to technical trade boards

FOR AGENDA OF: 1-26-10

DATE SUBMITTED: 1-19-10

SUBMITTED BY: Kevin Coleman *KC* **CLEARANCES:** Kristine Ondrias
Director of Development Services Assistant City Manager

EXHIBITS: Board Lists

List of potential applicants approached by staff

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER: *JL*

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
\$	\$	\$	

PAYMENT TO BE MADE TO:

REVIEWED BY THE DIRECTOR OF FINANCE:

SUMMARY STATEMENT

Staff would like to discuss the issue of vacancies on the technical trade boards as follows:

Building Board of Adjustment and Appeals:

One (1) vacant alternate position to expire 5-31-2010

One (1) vacant alternate position to expire 5-31-2011

Three (3) regular positions will expire 5-31-2010: James Maxwell, Joe Rogers, and Glinn White; only one (1) current member is eligible for reappointment

One application on file: Granger MacDonald.

Electrical Board of Adjustments and Appeals:

One (1) vacant alternate position expired 1-1-2010

One (1) vacant alternate position to expire 1-1-2011

Three (3) regular positions expired on 1-1-2010: Kenneth Bledsoe, Keith Harmon, and Robert Thomas; all are eligible for reappointment

No applications on file.

Mechanical Board of Adjustments and Appeals:

One (1) vacant alternate position to expire 9-13-2010

One (1) vacant alternate position to expire 9-13-2011

One (1) regular position expired 9-13-2009: Lee Underwood (eligible for reappointment)

One (1) regular position vacant; due to expire 9-13-2010: Willard Amann (deceased)

One application on file: Lee Underwood.

Plumbing Board of Adjustments and Appeals:

One (1) vacant alternate position to expire 12-31-2010

One (1) vacant alternate position to expire 13-31-2011

Three (3) regular positions expired on 12-31-2009: Charles Tremper, Daniel Lowery, and Don Nowlin (all are eligible for reappointment)

One application on file: Dwayne Downey.

RECOMMENDED ACTION

Staff will present the following options for discussion and request direction from council:

1. Councilmembers personally contact potential applicants and invite them to submit an application.
2. Council instruct staff to amend the board rules and procedures to allow persons to serve on multiple technical trade boards.
3. Council instruct staff to prepare an amendment to the ordinance removing term limits on the building board of adjustment and appeals.

BOARD OF ADJUSTMENT AND APPEALS (Building Code)

	<u>Telephone</u>	<u>Orig. Appt.</u>	<u>Re-Appt. Date</u>	<u>Exp. Date</u>
** INCE, SCOT W. 1801 Foothills PO Box 178, Harper, TX Building Contractor	896-7979 (O) 895-2016 (H)	06-23-09		05-31-11
*** LUCK, CALVIN 1200 Spur 100 Construction Industry	792-6955 (H) 896-9333 (O)	06-23-09		05-31-11
* MAXWELL, JAMES C. Chair 911 Panorama Dr. Engineer	895-2630 (H) 895-0032 (O)	05-27-08		05-31-10
****ROGERS, JOE MERCER 1015 Jackson Road Member at large from the public	792-5114(H)	06-27-06	05-27-08	05-31-10
*** WHITE, GLINN P.O. Box 290948 General Contractor	257-7477 (O) 896-9661 (H) 739-3060 (C)	06-27-06	05-27-08	05-31-10

ALTERNATES:

*****VACANT	05-31-10
*****VACANT	05-31-11

CITY STAFF:

Jeff Finley 792-8356 (O)
Chief Building Official

Qualifications: Shall be composed of:

- * Architect or professional engineer licensed to practice in the state of Texas;
- ** one member who is active in the construction industry;
- *** two contractors currently licensed to obtain building permits in the city; and
- **** one member at large from the public not presently in the construction industry in any manner;

***** alternates shall meet the qualification provisions applicable to regular member as stated within 1-3 above.

However, if the city council determines that there is no licensed architect or professional engineer available to serve, then a second citizen at large shall be selected. Except for the at-large members, all members must be residents of Kerr County, Texas, and operate or be employed by a building contractor business located within the city; however, no two members may be employed by or have an ownership interest in the same business or firm. The at-large members must be qualified voters of the city.

Powers and Duties: (1) To hear and decide appeals of orders, decisions, or determinations made by the Building Official relative to the application and interpretation of the IBC and IRC.
(2) To grant variances to the requirements of the IBC and the IRC.
(3) To suspend or revoke licenses in accordance with the provisions of this ordinance.
(4) To recommend amendments to this ordinance.

Jurisdiction Regarding Other Codes:

The board shall not have the jurisdiction to hear administrative appeals or to grant variances under the jurisdiction of: Supervisory Board of Electricians, Plumbing Appeals and Advisory Board; or the Mechanical Board of Adjustment and Appeals.

Term of Office: Two years; no more than two consecutive full terms without at least one full year off the board.

Quorum: Three members

Number of Members: Five

Officers: Shall be chairperson and vice-chairperson, appointed by the members from its voting members; shall be appointed at the first meeting after January 1; shall serve a one-year term; shall not serve more than two consecutive terms.

Meeting Time & Place: At the call of the chair, City Hall

Absences: Any member missing three, or 25%, of the duly called meetings during any period of 12 consecutive months for any reason other than a medical reason, shall have his membership reviewed by the Board. The board may recommend to the council that such member be removed from office.

Established by: Ordinance No. 2002-06 (replaced in its entirety), amended by Ordinance No. 2009-07 and 2009-22 Code of Ordinances: Chapter 26 - Article II - Section 26-33

Revised: January 20, 2010

ELECTRICAL BOARD OF ADJUSTMENTS AND APPEALS

	<u>Telephone</u>	<u>Orig. Appt.</u>	<u>Re-Appt. Date</u>	<u>Exp. Date</u>
BLEDSOE, KENNETH P.O. Box 290845 Master Electrician	896-8845 (O) 377-8300 (H)	01-13-09		01-01-10
FLOWERS, JOHN 213 Oak Lane South Master Electrician	895-2148 (O) 896-0456 (H)	01-09-07	01-13-09	01-01-11
HARMON, KEITH A. P.O. Box 2156 Master Electrician	896-9333 (O) 377-3727 (H)	09-14-04	06-24-08	01-01-10
PRIOUR, JOHN P. O. Box 797, Ingram Master Electrician	792-59000(O)	07-12-05	01-13-09	01-01-11
THOMAS, ROBERT 1220 Water Street Electrical Contractor	896-1233 (O) 257-5681 (H)	01-13-09		01-01-10

ALTERNANTES:

VACANT	01-01-10
VACANT	01-01-11

CITY STAFF:

Jeff Finley	792-8356 (O)
Chief Building Official	896-0517 (F)

Qualifications: Three licensed and active unrestricted master electricians, one active and licensed unrestricted journeyman electrician and one registered electrical engineer, all of whom shall live in Kerr County, and be residents of the city of Kerrville, or operate a business within the city. Should there not be an electrical engineer available to serve, then the city council shall appoint either an unrestricted journeyman or an unrestricted master electrician. If, however, such engineer is available at the time a vacancy next occurs, then he shall be appointed to such vacancy. No two members of the board shall be members of the same firm (Ordinance No. 1986-06). Alternates shall be required to have the same qualifications as a regular member.

Powers and Duties: To adopt rules and regulations for the conduct of its business; to authorize issuance of license required by the electrical code; to suspend licenses subject to the provisions of the electrical code; and to suggest changes and variations of the electrical code.

Term of Office: Two years

Quorum: Three

Number of Members: Five

Meeting Time & Place: At the call of the chair, city hall

Absences: Any member having three consecutive unexcused absences shall have his membership reviewed by the board. By majority vote, the board may recommend to the council that such member be removed from office. The council may then act upon such recommendation and either remove or retain such member.

Established by: Ordinance No. 1967-6, amended by Ordinance Nos. 1987-24, 2003-31 and 2009-20 Code of Ordinances: Chapter 26 - Article III - Section 26-66

Revised: January 20, 2010

MECHANICAL BOARD OF ADJUSTMENTS AND APPEALS

	<u>Telephone</u>	<u>Orig. Appt.</u>	<u>Re-Appt. Date</u>	<u>Exp. Date</u>
Kampfhenkel, Donald Chair "A" licensed contractor 2009 Lime Creek	257-4303 (O) 895-4238 (H) 257-4309 (F)	09-13-94	09-23-08	09-13-10
Underwood, Lee Vice-Chair "B" licensed contractor P.O. Box 293957	896-4083 (O) 896-6926 (H)	09-13-94	09-25-07	09-13-09
Amann, Willard Registered engineer				09-13-10
Land, Regan Phillip Member-at-large/public 164 Aqua Vista Dr.	792-3993 (O) 896-8871 (H)	04-14-09		09-13-11
Van Patten, James "B" licensed contractor 330 Scenic Valley Rd.	895-5849 (O) 895-0021 (H)	01-09-07	09-23-08	09-13-10

ALTERNATES:

VACANT	09-13-10
VACANT	09-13-11

CITY STAFF:

Jeff Finley Chief Building Official	792-8356 (O)
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Qualifications: Shall be composed of a registered engineer, one licensed air-conditioning contractor having a State of Texas class "A" license, two licensed air-conditioning contractors having a State of Texas class "B" license, and one member-at-large from the public. Should there not be an engineer available to serve, the board shall add a second member-at-large from the public.

Powers and Duties: The board shall have the power to hear appeals of decisions and interpretations of the building official and consider variances of the technical codes.

Term of Office: Two years

Quorum: Three Members

Number of Members: Five

Meeting Time & Place: At the call of the Chair, City Hall

Absences: Any member having three consecutive unexcused absences shall have his membership reviewed by the Board. By majority vote, the Board may recommend to the Council that such member be removed from office. The Council may then act upon such recommendation and either remove or retain such member.

Established by: Ordinance No. 94-18; amended by Ordinance Nos. 95-15, 2003-32 (in its entirety), 2008-13 (in its entirety)
Code of Ordinances: Chapter 26 – Article V – Section 26-171(B)(2)(a) through (h)

Revised: January 20, 2010

PLUMBING BOARD OF ADJUSTMENTS AND APPEALS

	<u>Telephone</u>	<u>Orig. Appt.</u>	<u>Re-Appt. Date</u>	<u>Exp. Date</u>
HOLLOWAY, STEVE PO 294454 Kerrville, TX 78029 Master Plumber	896-0890 (O/F) 377-4734 (H)	09-25-07	12-09-08	12-31-10
BRYANT, JOHNNY LEE 404 Sierra Road Master Plumber	377-0032 (O) 367-4765 (H)	08-11-98	12-09-08	12-31-10
TEMPER, CHARLES 702 Fay Drive Master Plumber	739-4194 (O)	01-08-08		12-31-09
LOWERY, DANIEL 512 Elm St. Master Plumber	896-1804 (H)	01-13-04	01-08-08	12-31-09
NOWLIN, DON 1201 Donna Kay Master Plumber	739-8714 (O)	01-13-04	01-08-08	12-31-09

ALTERNATES:

VACANT	12-31-10
VACANT	12-31-11

CITY STAFF:

Jeff Finley Chief Building Official 800 Junction Highway	792-8356 (O)
----------------------------------------------------------------	--------------

Qualifications: Three licensed and active unrestricted master plumbers, one active and licensed unrestricted journeyman plumber, and one registered engineer, all of whom shall live in Kerr County, and be residents of the city of Kerrville, or operate a business within the city. Should there not be a registered engineer available to serve, then the city council shall appoint either an unrestricted journeyman or an unrestricted master plumber. If, however, such engineer is available at the time a vacancy next occurs, then he shall be appointed to such vacancy. No two members of the board shall be members of the same firm (Ordinance No. 86-06).

Powers and Duties: Whenever the plumbing official shall reject or refuse to approve the mode or manner of plumbing work proposed to be followed or materials to be used in the installation or alteration of a plumbing system, or when it is claimed that the provisions of this code do not apply, or that any equally good or more desirable form of installation can be employed in any specific case, or when it is claimed that the true intent and meaning of the plumbing code or any of the regulations there under have been misconstrued or wrongly interpreted, the owner of such building may appeal from the decision of the plumbing official to the board. The board, when so appealed to and after a hearing, may vary the application of any provision of the plumbing code to any particular case when, in

its opinion, the enforcement thereof would do manifest injustice, and would be contrary to the spirit and purpose of this Code or public interest, or when, in its opinion the interpretation of the plumbing official should be modified or reversed (Sect. 105.2.1, 1985 Edition of Plumbing Code).

Term of Office: Two Years

Quorum: Three

Number of Members: Five

Meeting Time & Place: First Thursday of each month, City Hall

Absences: Any member having three consecutive unexcused absences shall have his membership reviewed by the board. By majority vote, the board may recommend to the council that such member be removed from office. The council may then act upon such recommendation and either remove or retain such member. (Ordinance No. 87-24)

Established by: Ordinance No. 67-5; amended by Ordinance Nos. 81-8 (in its entirety), 2003-03 (in its entirety)
Code of Ordinances: Chapter 26 – Article IV – Sections 26-121(B)(2)(a) through (c)

Revised: January 20, 2010

Trade Board Applications

List of Potential Candidates Approached by City Staff

December, 2009

Over the past month or so, Building Inspections staff has provided a committee application to the following individuals, asking them to consider serving on one of the City's technical trade boards:

Building Board:	Art Leonard - Integrity Homes – 257-6415
	Mick Freed – Freed and Barker Concrete – 377-2666
	Ken Chambers – Self Employed – 895-0042
Electrical Board:	John Flowers – Guadalupe Electric – 895-2149 (already on the board but knew an interested party)
	Jeremy Itz - JayDee's Electric – 896-0123
	Keith Harmon – Hill Country Concepts – 377-3727 (already on the board but knew an interested party)
Plumbing Board:	Chris Clark Clark Plumbing – 285-1468
	Dwayne Downey - Whelan Plumbing (Application on file)
Mechanical Board	C and F Company – contact Steve Flores – 257-7181 (two of their licensed guy were interested and were going to decided who might apply)

In addition the department has handed out the board application to members of the DSCAT Committee, the Building Board, and the Electrical Board at their most recent meetings. Contact information on the membership of these groups is attached.

b**Barron, Stuart**

Bus: (830) 792-8317
 E-mail: stuart.barron@kerrvilletx.gov

Brinkman, Carl Harvey

Harvey Brinkman Commercial Real Estate
 821-A Earl Garrett St.
 Kerrville, TX. 78028
 Bus: (830) 896-8888
 Bus Fax: (830) 896-8865
 E-mail: hbrink@ktc.com

Browning, Gordon

800 Junction Hwy.
 Kerrville, TX. 78028
 Bus: (830) 792-8350
 Bus Fax: (830) 896-0517
 E-mail: gordon.browning@kerrvilletx.gov

c**Carroll, Jeff**

Matkin-Hoover Engineering, Inc.
 8 Spence Road
 Boerne, TX. 78006
 Bus: (830) 249-0600
 Bus Fax: (830) 249-0099
 E-mail: jcarroll@matkinhoover.com

Coleman, Kevin

Director of Development Services
 800 Junction Hwy.
 Kerrville, TX. 78028
 Bus: (830) 792-8351
 Bus Fax: (830) 896-0517
 E-mail: kevin.coleman@kerrvilletx.gov

Conklin, Carson

JM Lowe & Company
 720 Earl Garrett Street
 Kerrville, TX. 78028
 Bus: (830) 895-5202
 Bus Fax: (830) 895-5204
 E-mail: cconklin@jmlowecompany.com

d**Diggs, Charlie**

Guadalupe Survey
 217-A W. Water St.
 Kerrville, TX. 78028
 Bus: (830) 895-1808
 Bus Fax: (830) 896-3534
 E-mail: charlie@guadalupeonline.com

Dunlap, Pat

Bus: (830) 792-8372
 E-mail: Pat.Dunlap@kerrvilletx.gov

f**Finely, Jeff**

Bus: (830) 792-8356
 E-mail: Jeff.Finley@kerrvilletx.gov

h**Halford, Cheri**

Bus: (830) 792-8314
 E-mail: Cheri.Halford@kerrvilletx.gov

Hastings, Charlie

Bus: (830) 792-8325
 E-mail: Charlie.Hastings@Kerrvilletx.gov

Huser, Steve

Huser Construction
 410 Cotton Gin Lae
 Kerrville, TX. 78028
 Bus: (830) 257-8588
 Bus Fax: (830) 257-8589
 E-mail: shuser@huserco.com

Hyde, Trevor

Comanche Trace Realty
 2801 Comanche Trace Dr.
 Kerrville, TX. 78028
 Bus: (830) 895-8505
 Bus Fax: (830) 895-8506
 E-mail: thyde@comanchetrace.com

i**Irvin, Rob**

Re/Max
 1835 Sidney Baker St.
 Kerrville, TX. 78028
 Bus: (830) 895-7771
 Mobile: (830) 377-6577
 Bus Fax: (830) 895-7772
 E-mail: info@RobIrvin.com

Ives, Amy

Environmental Health Office
 800 Junction Hwy.
 Kerrville, TX. 78028
 Bus: (830) 792-8352
 Bus Fax: (830) 896-0517
 E-mail: amy.ives@kerrvilletx.gov

j**Jackson, David L.**

David L. Jackson, Atty. at Law
 820 Main St., Ste #100
 Kerrville, TX. 78028
 Bus: (830) 896-3811
 Bus Fax: (830) 257-6119
 E-mail: djackson@ktc.com

l**Lenard, Art**

Ideal Homes, A Division of Integrity Home
 P.O. Box 291697
 Kerrville, TX. 78028
 Bus: (830) 257-6415
 Mobile: (830) 739-6415
 Bus Fax: (830) 257-3416
 E-mail: apl@integritygrouptexas.com

Lewis, Peter

Peter Lewis Architect & Associates
 334 W. Water St.
 Kerrville, TX. 78028
 Bus: (830) 896-4220
 Bus Fax: (830) 896-4220
 E-mail: peter@pwarchitect.com

Lowe, Mike

JM Lowe & Company
 720 Earl Garrett
 Kerrville, TX. 78028
 Bus: (830) 895-5202
 Bus Fax: (830) 895-5204
 E-mail: jmlowe@ktc.com

m**MacDonald, Justin**

MacDonald & Associates
 2951 Fall Creek Road
 Kerrville, TX. 78028
 Bus: (830) 257-5323
 Bus Fax: (830) 257-3168
 E-mail: tjmacdonald@macdonald-companies.com

Machann, Dwaine, Atty. at Law

Dwaine Machann, Atty. at Law
 222 Sidney Baker St., Suite 436
 Kerrville, TX. 78028
 Bus: (830) 895-3950
 Bus Fax: (830) 895-5200
 E-mail: dmachann@machannlaw.com

Martin, David

A3 Studio
 343 W. Water St.
 Kerrville, TX. 78028
 Bus: (830) 895-1313
 Bus Fax: (830) 895-4744
 E-mail: david@a3studiotx.com

Maxwell, Jim

Maxwell Engineering
 911 Panorama Dr.
 Kerrville, TX. 78028
 Bus: (830) 895-0032
 Bus Fax: 830950033
 E-mail: maxeng@ktc.com

McKeon, Tom

L. Duff Enterprises, Inc.
 301 La Casa Drive
 Kerrville, TX. 78028
 Bus: (830) 257-2454
 Bus Fax: (830) 257-1097
 E-mail: ldeinc@ktc.com

o**Ondrias, Kristine**

800 Junction Hwy.
 Kerrville, TX. 78028
 Bus: (830) 792-8384
 E-mail: Kristine.Ondrias@kerrvilletx.gov

r**Richards, Greg**

Patillo, Richards & Harpold
 280 Thompson Dr.
 Kerrville, TX. 78028
 Bus: (830) 257-8080
 Bus Fax: (830) 896-8489
 E-mail: greg@prhlaw.com

s**Stone, Mark**

903 Tanglewood Lane
 Kerrville, TX. 78028
 Bus: (830) 896-4678
 Mobile: (830) 739-2100
 E-mail: karstone@ktc.com

**Stracke, Bruce**

Integrity Homes
 1008 Sidney Baker So.
 Kerrville, TX. 78028
 Bus: (830) 257-6415
 Bus Fax: (830) 257-6415
 E-mail: bstracke@integritygrouptexas.com

t**Terrell Miller, P. E.**

Coyle Engineering, Inc.
9120 Dietz Elkhorn Rd.
Fair Oaks Ranch, TX. 78015-4904
Bus: (830) 755-8434
Bus Fax: (830) 755-8435
E-mail: terrellmiller@coyleengineering.com

v**Voelkel, Lee**

Voelkel Engineering & Surveying, PLCC
212 Clay Street
Kerrville, TX. 78028
Bus: (830) 257-3313
Bus Fax: (830) 257-3377
E-mail: lee@kerrcountysurveyor.com

w**Wellborn, Mike**

Bus: (830) 792-8310
E-mail: mike.wellborn@kerrvilletx.gov

z**Zuber, Rustin**

Zuber Construction
616 Clay Street
Kerrville, TX. 78028
Bus: (830) 895-2829
Bus Fax: (830) 895-1673
E-mail: rzuber@zuberconstruction.com

**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Receive an update and consider an official statement of the City of Kerrville regarding the Homeless Veteran's Housing Program being established in the City of Kerrville.

FOR AGENDA OF: 1-26-10

DATE SUBMITTED: 1-22-10

SUBMITTED BY: Todd Parton
City Manager

CLEARANCES: Todd Parton
City Manager



EXHIBITS:

KEDF email dated January 21, 2010

Draft letter from Mr. Pat Murray, CEO of Peterson Regional Medical Center
dated January 20, 2010

Email from Jody Grinstead, Kerr County Commissioner's Court Coordinator
dated January 21, 2010

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER:

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
TBD	TBD	TBD	

PAYMENT TO BE MADE TO: TBD

REVIEWED BY THE FINANCE DEPARTMENT: NA

SUMMARY STATEMENT

A program designed to serve the needs of homeless veterans is underway in the City of Kerrville. Approximately 5 acres of the Veteran's Administration Hospital is proposed for the construction of facilities to house displaced or homeless veterans from the Iraq and Afghanistan deployments. An RFP was posted for the construction of the facilities and two responses are now under consideration.

A public hearing was held in July 2009 to gather public input. This meeting was not widely advertised and was lightly attended.

Due to a lack of information regarding this program and the construction project, the Chamber of Commerce and KEDF have spearheaded an effort to gather specific information regarding the program and its potential impact on the community. Those efforts have been unsuccessful and no additional information has been forthcoming.

With the pending award of the RFP and due to the lack of information, Congressman Lamar Smith has requested that each of the stakeholders provide an official position statement regarding the project. Attached are several letters and emails that provide some background information.

RECOMMENDED ACTION

Establish an official position and direct the city manager to forward that statement to Congressman Lamar Smith.

Todd Parton

From: Kerr [information@kerredf.org]
Sent: Thursday, January 21, 2010 9:30 AM
To: Dan Troxell; Todd Parton; Mayor; 'Brian Bondy'; 'Pat Murray'; Pat Tinley
Subject: KEDF Information: RE: Homeless Veterans Housing Project

Economic Friends,

Good morning to everyone. Yesterday you received an email from Pat Murray on his concerns and questions regarding the Homeless Veterans Housing Project. This discussion and questions on the proposed Veterans project were brought to the front again on what the criteria and impact of this possible project could have on our community. I did visit Wednesday morning with Congressman Smith's office in Washington D.C. on what specifics and details they know about the project and information was limited. I was requested by the Congressman office to contact key economic stakeholders in our community about their concerns and questions they have regarding this V.A. project. You have read comments and concerns from Pat Murray and Judge Tinley on this project. Please forward your comments or concerns on this project to your KEDF office. Once everyone has had the opportunity to provide their input I will forward a letter to the Congressman's office. They have told me they will deliver Kerrville stakeholder's comments to our Veterans Administration Department of Affairs. I will also be visiting tomorrow with Robin at the VA on several other topics and we will discuss this particular issue as well.

Again our community is very blessed to have a wonderful V.A. facility and we support every effort to help our veterans but as a community we need to be informed clearly on the criteria and impact it could have on our community. Please respond with your comments ASAP so we may proceed with our letter to D.C. Have a great day!

Thanks

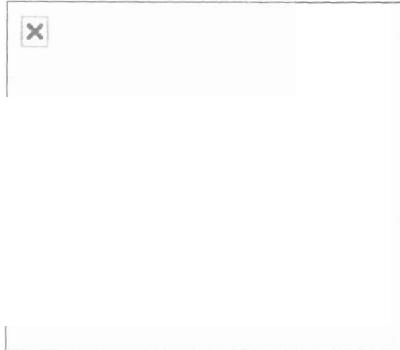
Guy Overby

www.kerredf.org

information@kerredf.org

830-896-1157

FAX830-896-1175



In late 2009 I heard limited discussion about the possibility of establishing a “homeless veteran’s housing program” in Kerrville, on the site/property of the Kerrville VA Hospital. Vague details were presented, implying use of approximately 5 acres of property; contracting for private construction and operation of facilities to house “homeless veterans” from recent Iraq and Afghanistan deployments. I believe that a “public hearing” was held on the grounds of the local VA hospital, with VERY short notice to area citizens; thus there was very poor turnout.

On Tuesday, January 19, 2010 I heard a verbal presentation from a VA official stating Kerrville has been selected for the site of a homeless veteran’s housing program, a RFP had been solicited and two responses to the RFP were being considered. This left me with the impression that this project “is a go”.

My questions are:

- 1) What is the project?
- 2) How many veterans will be housed?
- 3) What are the criteria for resident selection?
- 4) What support services (mental health care, social work, drug/alcohol counseling) will be offered by the Department of Veterans Affairs and what services will be expected of the community?
- 5) Will community input – specifically City, County, local economic development partners and related businesses be sought prior to finalizing a decision for development of the project?
- 6) Is this project consistent with local economic development priorities?
- 7) Will this project benefit or detract from the supply of local workforce?
- 8) Will this project benefit or detract from the supply of local housing?
- 9) Will this project benefit or detract from the local “quality of life”?
- 10) Is there another project like this that can be assessed for community impact?

It is difficult to develop an informed opinion without answers to these questions – and perhaps others. My uninformed opinion is that this project is NOT in the best interests of the Kerrville economy – that it has the potential to detract rather than add to our community. While additional employment is “nice”, and the new construction would bring short term benefit to a contractor, I believe our economic development efforts will be FAR better served pursuing an entity that will add to our local, state and federal tax base. In my view we are already “out of balance” with a disproportionate number of private non-profit/tax exempt, and federal, state, local government entities/employers.

Patrick Murray, CEO
Peterson Regional Medical Center
Kerrville, TX

Todd Parton

From: Jody Grinstead [jgrinstead@co.kerr.tx.us]
Sent: Thursday, January 21, 2010 8:13 AM
To: 'Pat Murray'; 'Kerr'
Cc: 'Dan Troxell'; 'Pat Tinley'; Mayor; Todd Parton; 'Robin Gutierrez'; 'Brian Bondy'
Subject: RE: Homeless Veterans Housing Project

To all:

Judge Tinley has the following additional questions:

1. Will the housing be for veterans only – or will dependents (spouses, children, extended family, etc.) also be eligible for housing?
2. For support or social services which are not provided directly by the VA, will the VA or other Federal agency or program provide or otherwise be financially responsible for the providing of such services?

Thank you!

Jody Grinstead
Kerr County
Commissioners' Court Coordinator
700 Main Street, Ste. 101
Kerrville, TX 78028
(830) 792-2211

From: Pat Murray [mailto:pmurray@petersonrmc.com]
Sent: Wednesday, January 20, 2010 3:28 PM
To: Kerr
Cc: Dan Troxell; Pat Tinley; Todd Bock; todd.parton@kerrilletx.gov; Robin Gutierrez; Brian Bondy
Subject: Homeless Veterans Housing Project

Good afternoon Guy – To follow up on our discussion this morning I have attached a few comments and questions related to the proposed "homeless veteran's housing project". As I told you – and shared with Robin yesterday afternoon – I was very surprised to hear that this project is moving forward without more formal vetting and local public input.

Recognizing that by verbalizing my concerns and questions some may conclude that I don't support local economic development; I believe that you and others know that I am extremely interested in growth. I just do not believe that this project is right for Kerrville at this point in time. Without further discussion or hearing a response to my questions, I will urge the City of Kerrville, Kerr County, the Kerr Economic Development Foundation and the Chamber of Commerce Board of Directors to express opposition to this project.

Thanks for the work that each of you do to make Kerrville a great place to live and work.

Patrick Murray, FACHE
CEO
Peterson Regional Medical Center
551 Hill Country Drive
Kerrville, TX 78028

Phone: 830.258.7728
Fax: 830.258.7574

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attachments, without reading or saving them in any manner. Receipt by anyone other than the intended recipient(s) is not a waiver of any privilege.

**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Update from Staff on Library Renovation Project

FOR AGENDA OF: January 26, 2010

DATE SUBMITTED: January 14, 2010

SUBMITTED BY: Antonio Martinez
Library Director

CLEARANCES: Kimberly Meismer
Director of General Operations

EXHIBITS:

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER: *WP*

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
\$	\$	\$	

PAYMENT TO BE MADE TO:

REVIEWED BY THE FINANCE DEPARTMENT:

SUMMARY STATEMENT

The following is an update on activities involving the renovation of the Butt-Holdsworth Memorial Library.

- January 7th - staff attended a meeting of the Steering Committee for the library renovation project.
- There will be four phases to the project:
 - » **Phase 1** - Necessary demolition or removal of 433 Water St. buildings and Carriage House, relocation of Friends, and site work (including grading, retaining walls, parking, walks, and lighting).
 - » **Phase 2** – Begin renovation of main building. Changes to the main building will increase usable space by approximately 15%.
 - » **Phase 3 & 4**- Renovation of History Center, river bank improvements and landscaping.
 - » Total project cost is estimated at \$6 million, minus the river bank work.
- There is approximately \$56K available for clean up of the 433 Water Street site. The City has heard from two potential buyers for the buildings. Proposals deadline was January 15th.
- The Energy Efficiency and Conservation Block Grant (EECBG) application was submitted by the deadline of January 15th. The total grant is \$86,325 and will be used to replace the library roof. The renovation project architect assisted in completion of the grant application and therefore is aware of this project assistance.
- The Friends of the Library have committed \$200,000 towards the construction of a Friend's facility at the current location of the Carriage House.

During the Steering Committee meeting, HEB representatives reported that the scope of the Library Foundation has changed to serve libraries in Kerr County, and not just the Butt-Holdsworth Memorial Library. They requested names of persons who could serve on the Foundation's establishment and governing boards.

- A meeting was held between City staff and HEB representatives on January 15th to provide further updates and to discuss project management. Peter Lewis and Bill Reynolds, HEB, will begin working on a narrative to include a timeline, strategic plan, and funding needs and sources. This group will meet again on January 29th.

RECOMMENDED ACTION

This information is provided for discussion only. No action is recommended at this time.

**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Keep Kerrville Beautiful

FOR AGENDA OF: January 26, 2010 **DATE SUBMITTED:** January 18, 2010

SUBMITTED BY: Councilmember Keeble **CLEARANCES:**

EXHIBITS:

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER: *JH*

Expenditure Required:	Current Balance in Account: \$	Amount Budgeted: \$	Account Number:
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PAYMENT TO BE MADE TO:

REVIEWED BY THE DIRECTOR OF FINANCE:

SUMMARY STATEMENT

Councilmember Keeble and Aquatics/Special Events Supervisor Ashlea Boyle attended the Keep Texas Beautiful training on January 13th and 14th in San Antonio. This training presented Kerrville with the information needed to start the program. Kerrville is now considered a provisional affiliate and will be required to complete nine steps listed below of the affiliate process.

- 1) Review the training manual
- 2) Determine the organizational structure and board membership
- 3) Prepare a mission statement
- 4) Prepare bylaws, organization guidelines, ordinance, or resolution of the organization
- 5) Get the facts about your community (needs and assessment evaluations)
- 6) Prioritize the projects to be accomplished in the first year
- 7) Establish a budget
- 8) Develop lists of community/volunteer organizations and media including any place information may be shared to assist in accomplishing goals
- 9) Send Keep Texas Beautiful copies of Kerrville's bylaws, ordinance/resolution, board/committee member list.

In determining the makeup of the board, the initial thought is to include one representative from the following: KISD, UGRA, TPWD, Master Naturalists, Main Street, Recycling Department, and the County.

Once Kerrville becomes an affiliate, we will have to do at least one event per year and attend one training per year.

RECOMMENDED ACTION

Update only. No action needed at this time.

**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Provide direction to city staff regarding public affairs programming for the City of Kerrville.

FOR AGENDA OF: 1-26-10

DATE SUBMITTED: 1-22-10

SUBMITTED BY: Todd Parton
City Manager

CLEARANCES: Todd Parton
City Manager

WP

EXHIBITS:

None

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER:

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
TBD	TBD	TBD	

PAYMENT TO BE MADE TO: TBD

REVIEWED BY THE FINANCE DEPARTMENT: NA

SUMMARY STATEMENT

City staff is requesting direction from the City Council regarding public affairs programming. Several members of the council have mentioned a desire to improve the city's public affairs efforts at several meetings over the past several months.

Pursuant to direction by the City Council, staff will bring back recommendations for public affairs programming at the regular City Council meeting of February 9, 2010.

RECOMMENDED ACTION

No recommendation is provided at this time.

**BUSINESS OF THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Appointments to the Main Street Advisory Board

FOR AGENDA OF: January 19, 2010

DATE SUBMITTED: January 19, 2010

SUBMITTED BY: Brenda Craig *BC* **CLEARANCES:**
City Secretary

EXHIBITS: Board List

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER: *JL*

SUMMARY STATEMENT

Consider appointments to the following board:

Main Street Advisory Board: Four terms expire January 31, 2010: Kyle Bond, Becky Coons, Wes Dorman, and Peter Lewis.

RECOMMENDED ACTION

Consider appointments.

MAIN STREET ADVISORY BOARD

	<u>Telephone</u>	<u>Orig. Appt.</u>	<u>Re-Appt. Date</u>	<u>Exp. Date</u>
SLETTEN, MATT Chairman 710 Rim Rock Rd	257-5151 (O) 895-1898 (H)	02-13-07	01-27-09	01-31-11
BOND, KYLE ALAN Vice-Chairman 419 East Lane	257-8233 (O) 459-0566 (H)	01-22-08		01-31-10
CARR, PENNI 202 Riverhill Blvd.	896-5569 (O) 896-0059 (H)	01-27-09		01-31-11
COONS, BECKY 131 Sandy Lane	895-2265 (O) 257-8873 (H)	01-22-08		01-31-10
DORMAN, WES 218 Quinlan #511	896-3850 (O) 257-7758 (H)	01-24-06	01-22-08	01-31-10
FRY, LEE 120 Victoria Drive	367-7109 (H)	01-27-09		01-31-11
LEWIS, PETER 334 W. Water St.	896-4220 (O) 896-1707 (H)	01-22-08		01-31-10
PETERSON, THOMAS 320 overland Trail W. Hunt, Texas 78024-3097	285-2374 (O)	02-13-07	01-27-09	01-31-11
SCHNEIDER, MELISSA 300 Ridge Road	896-2476 (H)	06-14-05	01-27-09	01-31-11

COUNCIL LIAISON

Scott Gross 792-5555 (O)
2908 Dry Hollow 210-363-1144 (C)
PO Box 291277

CITY STAFF:

Mindy Wendele 792-8343 (O)
715 Water Street

Powers and Duties: To encourage participation in the Main Street Revitalization Program; to establish goals and priorities for the Main Street Program; to review design appropriateness for the purpose of participation in the main street low-interest loan program and incentive grant projects; and to advise and support the main street program manager.

Term of Office: Two years with a maximum of two full successive terms (Bylaws)

Quorum: Five members

Number of Members: Nine

Absences: Any member who misses three consecutive meetings may be replaced (Bylaws).

Meeting Time & Place: Fourth Thursday at noon, 715 Water Street

Established by: Resolution No. 1994-133

Revised: June 1, 2009