



REGULAR CITY COUNCIL MEETING

February 26, 2024 at 6:00 PM

City Council Chambers
1600 Avenue M, Hondo, TX

AGENDA

Notice is hereby given that a Regular City Council Meeting of the governing body of the City of Hondo will be held February 26, 2024 at 6:00 p.m. in the City Council Chambers, City Hall at 1600 Avenue M, Hondo, Texas, for the purpose of discussing matters incident and related to the City of Hondo. The following items will be discussed, to-wit:

The public may also access the meeting remotely through video/conference from your computer, tablet or smartphone at: <https://boxcast.tv/channel/aetaajdf64jalxx20o9a>

Persons may submit questions or comments for items on the agenda by email to: rdolphus@hondo-tx.org. Questions or comments submitted by email must be received by the city at least 1 hour prior to the scheduled start of the meeting in order to be presented to the City Council during the meeting

1. Call to order.
2. Quorum check.
3. Invocation by Pastor Beverly Kelling, St. Paul Lutheran Church.
4. Pledge of Allegiance.
5. Citizens'/Public Comments: *Persons who desire to address the City of Hondo City Council will be received at this time. Those persons wishing to speak should complete a Public Comment Form and submit it to the City Secretary prior to the meeting. If the speaker wishes to comment on a particular agenda item, then the speaker should indicate such item(s) to on the form. Public comment is limited to 3 minutes per speaker. Speakers must conduct themselves in a civil manner. In accordance with the Texas Open Meetings Act, the City of Hondo City Council cannot deliberate or take action on items not listed on the meeting agenda.*

PRESENTATIONS

6. City Manager's Report. (John Naron)
7. Public Works Report. (Rene Saenz)

8. Hondo Police Department Annual Report. (Justin Soza)
9. San Antonio Food Bank Report/Update. (Mario Obleda)

PROCLAMATIONS

10. Proclamation for Hondo Public Library Day 2024 & Texas Municipal Library Director Association Award for 2023. (Mayor McAnelly)

CONSENT

The Consent Agenda is considered self-explanatory and will be enacted by the Council with one motion. There will be no separate discussion of these items unless they are removed from the Consent Agenda upon the request of the Mayor or a Council member.

11. Consideration and approval of the January 22, 2024 & February 12, 2024 Regular City Council meeting minutes. (Rebekah Dolphus)
12. Police Racial Profile report for January – December 2023 (Justin Soza)
13. Consideration and approval of the 1st Quarter Investment Report for FY 2024. (Chris Hill)
14. Consideration and approval of the 1st Quarter Financial Report for FY 2024. (Chris Hill)

OTHER BUSINESS

15. Discuss and consider possible approval of Ordinance 1283-02-24 authorizing the issuance of the City's Combination Tax and Revenue Certificates of Obligation, Series 2024 in an amount not to exceed \$11,300,000; providing payment thereof by the levy of an Ad Valorem Tax and further secured by a lien of the pledged revenues of the system; and other matters in connection therewith (John Naron and Chris Hill)

EXECUTIVE SESSION

16. Executive Session: The City Council of the City of Hondo may convene in Executive Session in accordance with the Texas Open Meetings Act, Texas Government Code:
Section 551.071(1) (A) and (2) (Consultations with Attorney) and Section 551.072 (Deliberations about Real Property), Section 551.074 (Personnel Matters), Section 551.076 (Deliberations about Security Devices), or Section 551.087 (Deliberations Regarding Economic Development Negotiations);Section 551.086 (Meeting concerning municipally owned utility-competitive matters);
 - a. Review and Consideration of payment dispute regarding Withum Consulting.
17. Discuss and consider appropriate action on items resulting from Executive Session.

18. Adjourn.

I hereby certify that the above Notice of Regular City Council Meeting of the governing body of the City of Hondo was posted on the bulletin board in City Hall, 1600 Avenue M, Hondo, Texas, at a place convenient and readily accessible to the general public at all times on February 23, 2024 at 1:15 p.m.

ATTEST:



Rebekah Dolphus
City Secretary



The City Council of the City of Hondo reserves the right to convene in Executive Session in accordance with the Texas Open Meetings Act, Texas Government Code: Section 551.071 (Consultations with Attorney), Section 551.072 (Deliberations about Real Property), Section 551.074 (Personnel Matters), Section 551.076 (Deliberations about Security Devices), or Section 551.087 (Deliberations Regarding Economic Development Negotiations) on any of the above items.

NOTICE OF ASSISTANCE AT PUBLIC MEETINGS

The City of Hondo City Council Meetings is available to all persons regardless of disability. If you require special assistance, contact the City Secretary forty-eight (48) hours prior to the meeting time at 830-426-3378.



City Council Communication

Title: City Manager's Report. (John Naron)

Date: February 26, 2024 **From:** John Naron, City Manager

INFORMATION:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:

MOTION:

ATTACHMENTS:

None

STAFF CONTACTS:

John Naron



City Council Communication

Title: Public Works Report. (Rene Saenz)

Date: February 26, 2024 **From:** Rene Saenz, Public Works Director

INFORMATION:

1. Avenue V (Update)
2. Second Phase of Chip Seal Project
 - Identify Streets
 - Funding
3. Spatz Water Well
 - Recommendation of Contractor

FINANCIAL IMPACT:

STAFF RECOMMENDATION:

MOTION:

ATTACHMENTS:

1. HON059 TWDB Contingent Notice of Award Item 7

STAFF CONTACTS:

Rene Saenz

Salvatore Pellittieri

From: Jane Martinez <Jane.Martinez@twdb.texas.gov>
Sent: Wednesday, January 24, 2024 3:43 PM
To: Salvatore Pellittieri; Christopher Hill
Cc: Dain Larsen; Jo Bradshaw; Alan Phillips
Subject: Hondo (62537,CID 04)- Concurrence to Award

Caution: This email originated outside of your organization. Please take care when clicking links or opening attachments. When in doubt, contact the sender via phone to confirm.

Good Afternoon,

On December 19, 2023, we received bid documents for the City Hondo TWDB DWSRF– funded project no. 62537, construction contract CID 04- Spatz Well Refurbishment and Waterline, including your request for authorization to contingently award the project. The bid document submittal consists of the following:

- Certified copy of advertisements for bids;
- Tabulation of bids;
- Proposal of lowest responsible bidder with Bid Bond;
- Debarment/Suspension Certification (SRF-404) for Contractor and Sub-Contractors;
- Disadvantaged Business Enterprise documentation;
- Site Certificate (ED-101) with documents;
- Consulting Engineer's recommendation to award;
- Construction inspection proposal; and
- Davis Bacon wage rates.

We note that the lowest responsive bidder is R.L. Jones LP, in the amount of \$1,279,815.00 for the Base Bid Items. The City is hereby authorized to contingently award the construction contract to R.L. Jones LP.

Please provide the fully executed and bound construction contract documents to the TWDB as soon as possible after awarding the contract. Upon our review of the documents, we would authorize the issuance of the Notice to Proceed.

Executed contract documents include the following:

- Contract Agreement;
- TWDB form TWDB-1109-A, SRF Project Public Awareness Certification – See guidance TWDB-1109;
- TWDB form ED-103, Contractor's Act of Assurance;
- TWDB form ED-104, Contractor's Act of Assurance Resolution;
- Performance Bond (the Bond must be dated on or after the date of the contract and it must remain in effect for one year beyond the date of approval by the consulting engineer);
- Payment Bond (one-year requirement also applies);
- Proof of Insurance (Workman's Compensation, liability (public and automobile) and other appropriate coverage (builder's risk, and property) with appropriate dollar amount coverage);
- DOL Wage Rates submitted by contractor;
- TWDB form WRD-255, Bidder's Certifications - EEO requirements;
- Sufficiency of Funds Statement (letter) describing the revised/current budget and all sources and uses of funds;
- Updated schedule milestone dates (received, advertise, bid open, start construction, finish construction); and

TWDB forms are located on our web site:

<http://www.twdb.texas.gov/financial/instructions/index.asp>.

Feel free to contact me if you have any questions.

Regards,

Jane Martinez, Ph.D.

Project Manager

Texas Water Development Board | Regional Water Project Development

Central Region| Team 5

512.475.1900 | jane.martinez@twdb.texas.gov





City Council Communication

Title: Hondo Police Department Annual Report. (Justin Soza)

Date: February 26, 2024 **From:** Justin Soza

INFORMATION:

FINANCIAL IMPACT:

None

STAFF RECOMMENDATION:

N/A

MOTION:

N/A

ATTACHMENTS:

1. HONDO POLICE DEPARTMENT 2023 ANNUAL REPORT (6) ITEM 8

STAFF CONTACTS:

Chief Soza



2023

HONDO POLICE DEPARTMENT ANNUAL REPORT



1030 Avenue Y
Hondo, Texas 78861
830-426-5353
www.hondo-tx.org

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MESSAGE FROM THE CHIEF

I am honored to present the 2023 Hondo Police Department Annual Report on behalf of the dedicated men and women who serve our community. This report aims to provide you with valuable insights into the daily operations of our department and underscores our commitment to transparency. The Hondo Police Department is unwavering in our commitment, in partnership with the citizens of God's Country, to effectively and efficiently provide the highest quality of professional police services. We are guided by innovative, proactive approaches to enhance the quality of life in Hondo while always maintaining the utmost respect for the rights and dignity of all residents. Our mission is encapsulated in every facet of our service, and this report reflects our dedication to these principles. As your police department, we understand that transparency is a fundamental element of trust and collaboration. You, the citizens of God's Country, deserve to be informed about law enforcement operations within your community. To that end, we have included comprehensive data in this report, covering various aspects of our department's activities to include: use of force, internal affairs investigation, animal care services, community engagement, operations, grants, and overall departmental statistical data. As we continuously strive for improvement, we have included a link to a survey aimed at gathering your valuable opinions on our department. Your feedback is essential in guiding our future direction and ensuring that we meet your expectations. This is your police department, and we are here to serve you. We value your trust and support, and we remain committed to our mission of keeping God's Country safe and secure while enhancing the quality of life in Hondo. Thank you for allowing us to serve and protect our wonderful community. Please do not hesitate to reach out if you have any questions or concerns. Together, we can continue to make Hondo a safe and thriving place to call home.



Justin Soza
Chief of Police



MISSION STATEMENT

The Hondo Police Department is committed, in partnership with the citizens of God's Country, to effectively and efficiently provide the highest quality of professional police services by using innovative, proactive approaches to improve the quality of life in Hondo, while at the same time maintaining respect for the rights and dignity of all.

CORE VALUES

Integrity: The Hondo Police Department is built upon a foundation of ethical and professional conduct. We are committed to the highest level of moral principles and ethics. All members of the department will adhere to the Law Enforcement Code of Ethics, which is a part of this manual.

Honesty: We will be truthful and trustworthy at all times.

Fairness: We are committed to equal application of the law to offenders and members of the public as well as the equal application of rules and regulations to all members of the department.

Courage: We are dedicated to meeting all challenges with the courage needed to accomplish our mission.

Compassion: We understand our role as community caretakers, and temper our application of the law with compassion and empathy.



Profile of the Government

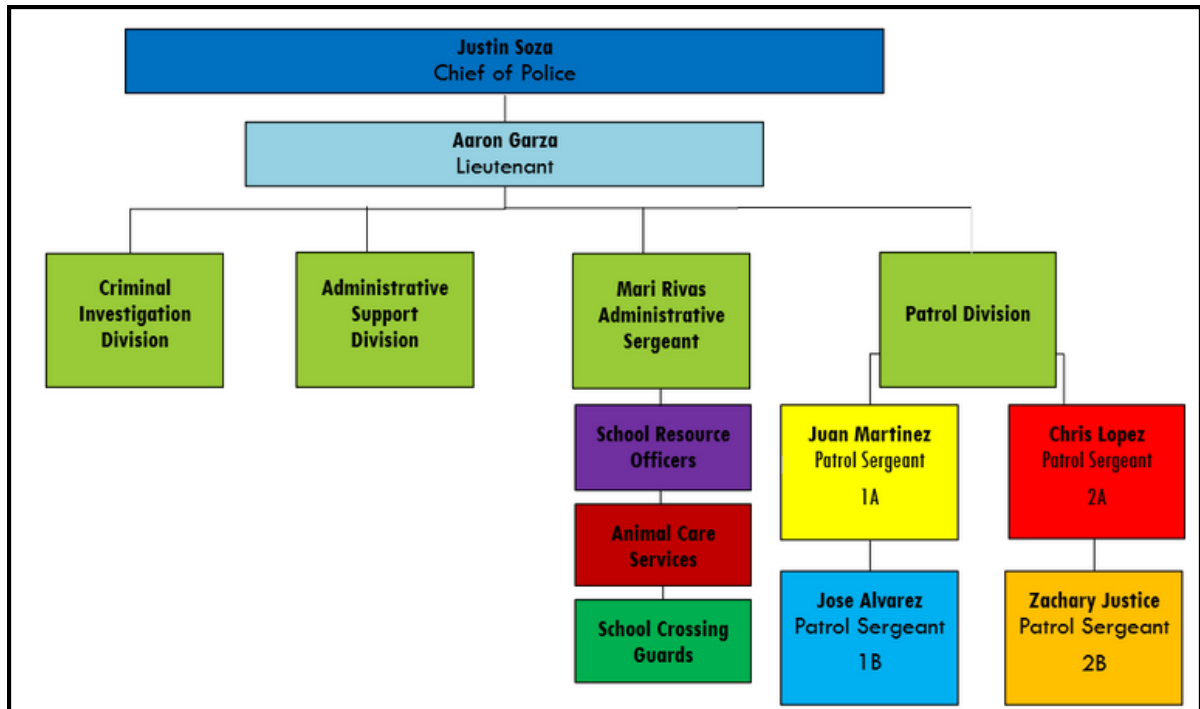
The City of Hondo, incorporated in 1942, is located approximately 40 miles west of San Antonio, Texas. The City of Hondo occupies approximately 9.6 square miles of land with an estimated population of 9,305 and an expected 3% growth over the next five (5) years. The City has operated under the council-manager form of government. Policymaking and legislative authority are vested in a City Council consisting of the Mayor and five council members. The City Council is responsible for establishing public policy on City matters by the passage of appropriate ordinances and resolutions. The City Manager is responsible for overseeing the day-to-day operations of the government, implementing policy established by City Council, and for appointing the heads of the various departments. The City provides a full range of services, including police, the construction and maintenance of streets, recreational facilities, cultural events, airport operations, water, electric, sanitation and sewer services

Profile of the Hondo Police Department

The Hondo Police Department is comprised of 25 Sworn Officers, 2 Administrative Assistants, 2 Animal Control Officers, and 7 School Crossing Guards. The Hondo Police Department is primarily responsible for the protection and safe guarding of the lives and property of Hondo residents through enforcement of criminal law. The core functions are carried out through four operational services: (1) The Chief's office provides departmental leadership by initiating programs and activities, guiding and mentoring personnel, serving as a member of the City's management team, ensuring compliance with policies and procedures, delegating and monitoring work assignments, supervising subordinate staff, and managing departmental budget and associated expenditures; (2) Patrol Division, which responds to 911 calls or service, contacts victims, complainants and witnesses, completes police and accident reports, gathers information to determine a crime has been committed, transports prisoners to jail and other detention facilities, documents observations, and conducts traffic stops and issues traffic citations; (3) The Investigation Division conducts and organizes criminal investigations by reviewing assigned reports, questions witnesses, victims, and informants, examines crime scenes, collects and processes evidence, and conducts surveillance of areas related to cases and crimes; and (4) The Administrative Office provides service to all walk-in complaints, finalizes all typed reports for processing and forwarding to the proper divisions and departments or citizens, prepares monthly reports for City Manager, and City Council meetings, and dispatches calls Monday through Friday. The Police Department's continued goal is to ensure the safety of the City of Hondo's citizens, visitors, businesses, and community. The Police Department goals for 2023 included a focus on training and communication as well as upgrading the department's technology to improve officer safety and over all customer service.

The City Council approved the department's budget of \$2,524,336 for FY 2022/2023.

Organizational Chart



2023 AT A GLANCE

Calls for Service



Incident Reports
Generated



11,450

1242

Reports/Supplements
Typed

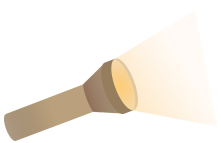
3230

Total Arrest

311



Business Checks/
Special Patrols



1256

Crashes



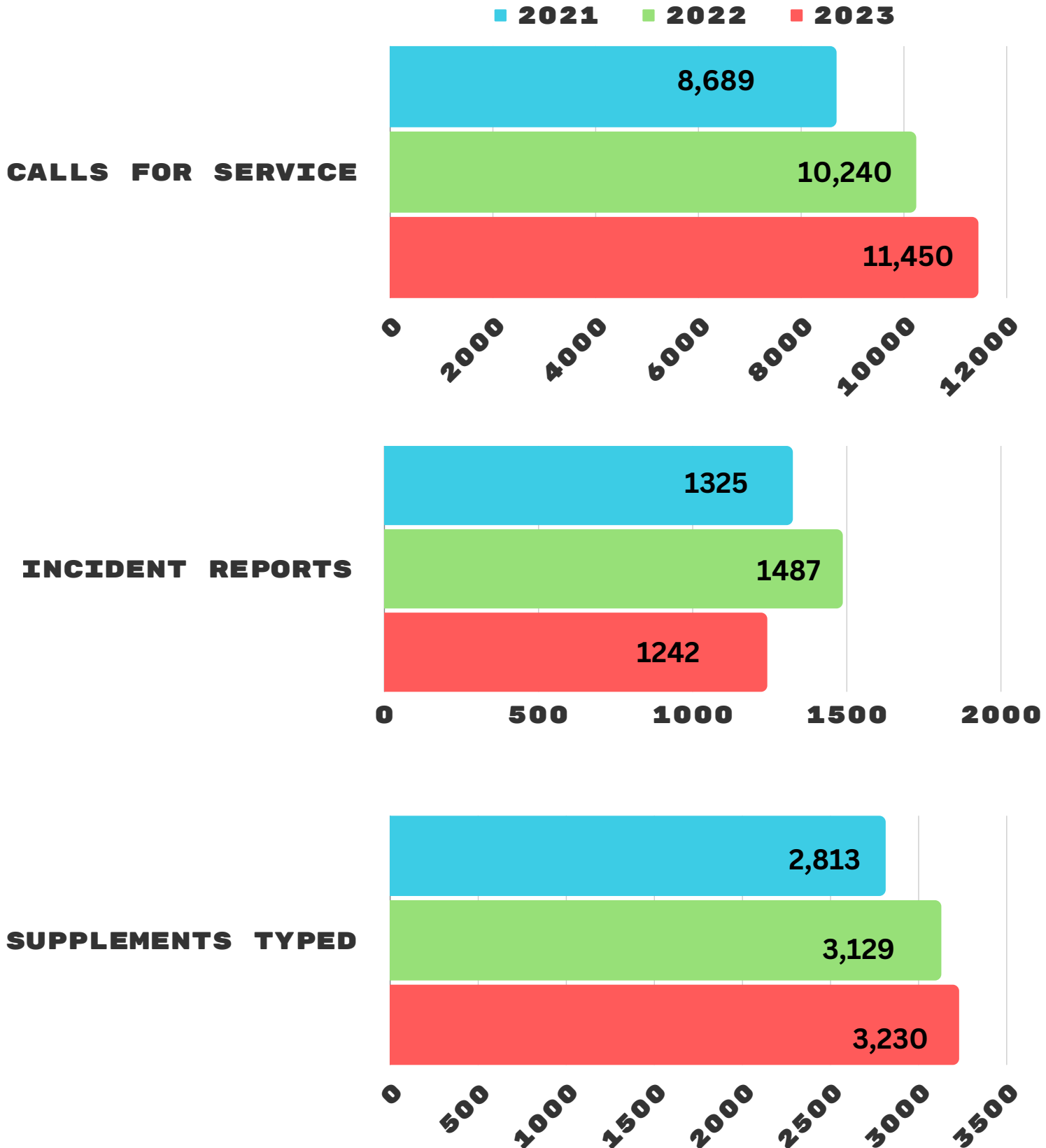
241

Total Traffic Stops

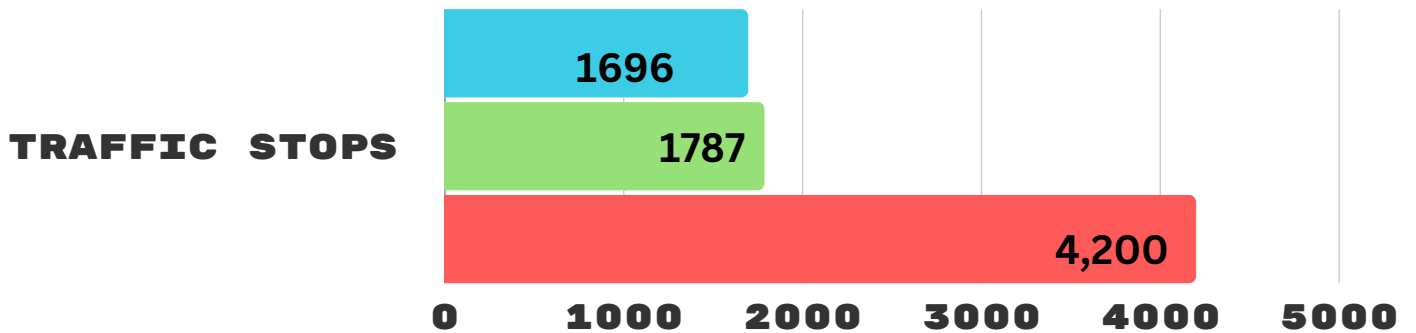
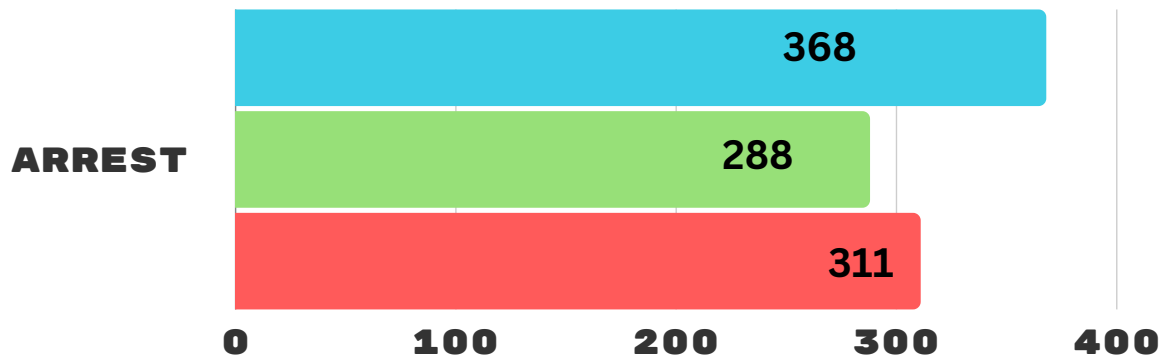
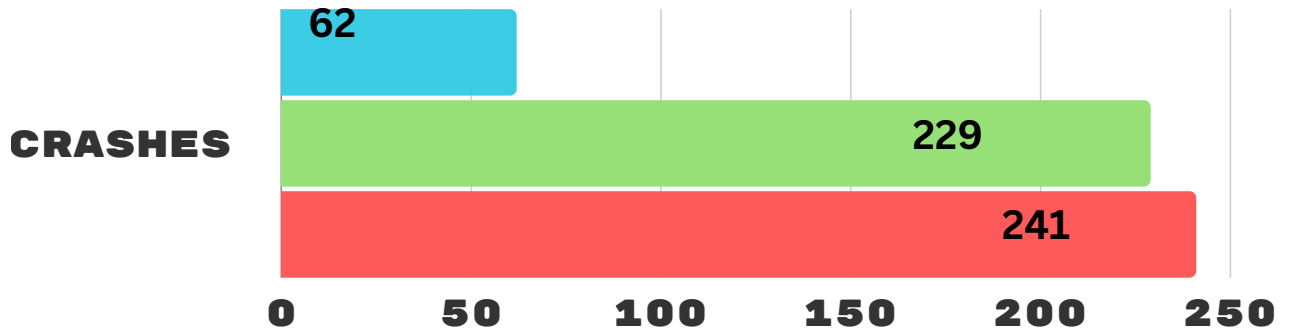


4200

3 YEAR COMPARISON



3 YEAR COMPARISON



2023 Grant Funds Received

Operation Lone Star	\$298,898.37
Office of the Governor Shield Grant	\$33,000.00
USDA	\$77,130.00
Tapeit	\$500.00

These grants were received during FY 22/23.



Capital Investment



Purchased 19 Panasonic Tough Pads, detachable key boards, and vehicle mounts to upgrade the department's in-car computer systems.

\$102,316.00-Grant Funded

Purchased 1 Thermo Scientific TruNarc Handheld Narcotics Analyzer

\$25,619.64-Grant Funded





Purchased rifle resistant shields for every HPD officer and one for every Hondo I.S.D. campus.

\$33,000-Grant Funded

Purchased 1 speed trailer with message board

\$34,034-Grant Funded



Purchased 2 New Ford Police Patrol Vehicles



**\$77,130-Grant Funded
\$77,130-City budget**

**15 Hand held Police
radios**

**\$21,000
Grant Funded**



Internal Affairs

In 2023 the Hondo Police Department received a total of 6 formal written complaints.

The Hondo Police Department takes all complaints seriously, and each complaint is reviewed by the Office of the Chief of Police. If deemed necessary, it is then assigned to an Investigator who is trained to conduct internal investigations of police officers and civilian employees as part of our Professional Standards.

Investigations of this nature can involve collecting information such as statements from the complainant, witnesses and employees on scene. They may also involve physical evidence collection and review, including audio / video data. As these types of investigations can take some time to collect, review and determine actions, the Hondo Police Department may take 60 days or more to complete, although we strive to complete these investigations as quickly as possible.

Once a determination on the complaint has been completed by the investigator, the findings will be presented to the Chief of Police. Once this has been done, you will receive a follow-up letter with the results of the investigation. All complaints are given one of the following final dispositions:

2023
Disposition of Complaints
2-Unfounded
3-Sustained
1-Exonerated

Unfounded - no truth to allegations.

Exonerated - allegations true, but are the result of adherence to departmental policy or procedure. Exonerated complaints will be reviewed by the Chief of Police for consideration of policy revision.

Not sustained - unable to verify the truth of the matter under investigation.

Sustained - allegations are true. Complaints will not be classified as sustained unless the finding is based on facts determined during the investigation.

2023 Use of Force Analysis

This analysis was conducted for the purpose of reviewing the Hondo Police Department's Use of Force for calendar year 2023. The Hondo Police Department takes its obligations seriously to effectively and efficiently provide the highest quality of professional police services with the least adverse impact on our citizens. Hondo Police Department is committed to protecting the rights of all persons and in using force only when necessary, and to the extent necessary, to achieve legal objectives. This analysis is conducted each year to comply with Texas Law Enforcement Best Practice 6.10 and to attempt to identify methods for reducing the number of incidents and the inherent risks involved.

Officers are trained by the department to use only the level of force necessary to bring a person under control and complete a legal objective. Police/citizen encounters can however, change instantly, and officers may be required to react quickly in using force to subdue a resisting subject. While officers prefer to escalate their level of force in an orderly manner beginning with the lowest level possible, the actions of a subject may compel officers to use a higher level of force that is immediately available to protect themselves and the public.

Hondo Police Department Policy requires Officers to document any application of force except for those arising in training, departmental demonstrations, or off-duty recreational activities.

There were a total of 22 reported Uses of Force in 2023. There was a total of 11,450 calls for service resulting in 311 arrest in 2023.

Total Number of Calls for Service: 11,450

Total Number of Arrest: 311

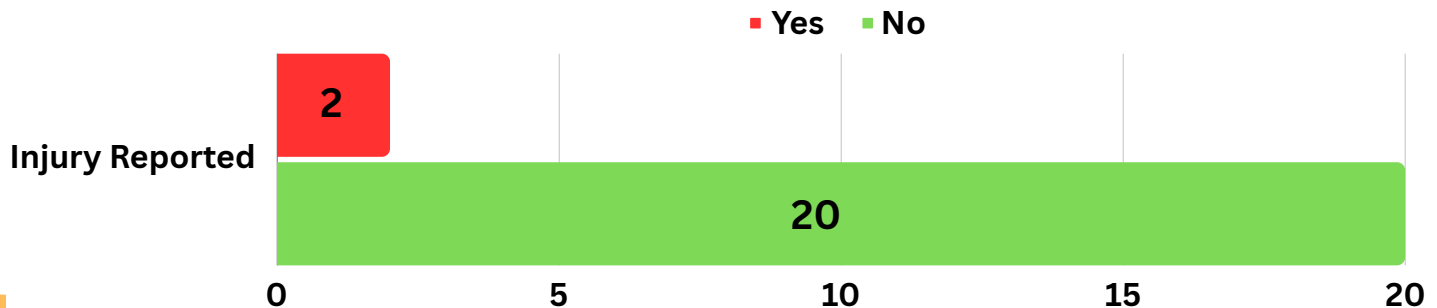
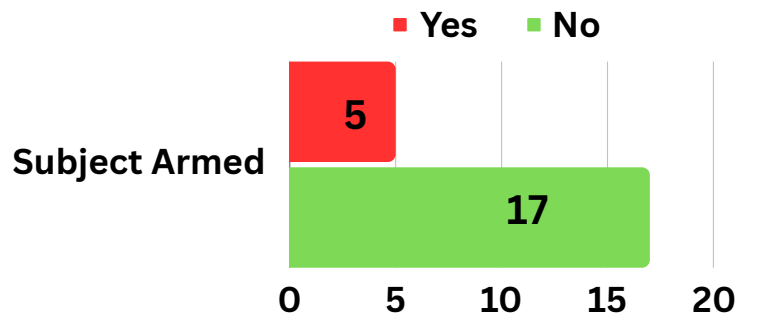
Total Number of Applications of Force: 22

2023 Use of Force Analysis

Each individual Use of Force Report is reviewed by the Officer's Supervisor, Lieutenant and the Chief of Police. At the time of the incident, the Use of Force is reviewed to ensure the use was appropriate and within the guidelines of Department Policy and Law. If the officer used force inappropriately, a departmental investigation is required and the officer may receive additional training, or in some cases, discipline up to and including termination from employment. This analysis is not intended to determine if an officer acted inappropriately, but to identify department wide trends that may suggest needed changes in policy, training, equipment or supervision.

Hondo Police Department Less Lethal Options:

Physical Control
OC Pepper Spray
Taser
Baton

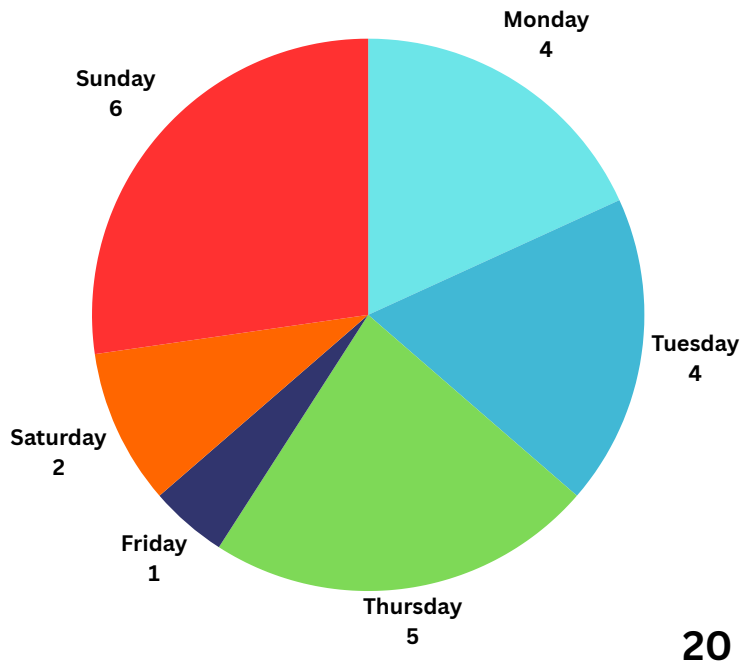


2 injuries were noted in Use of Force reporting:

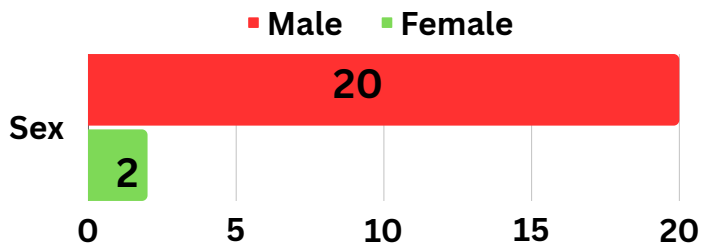
- 1.Small lacerations from Taser probes.
- 2.Minor laceration on hand from falling and climbing fences while running from officers.

2023 Use of Force Analysis

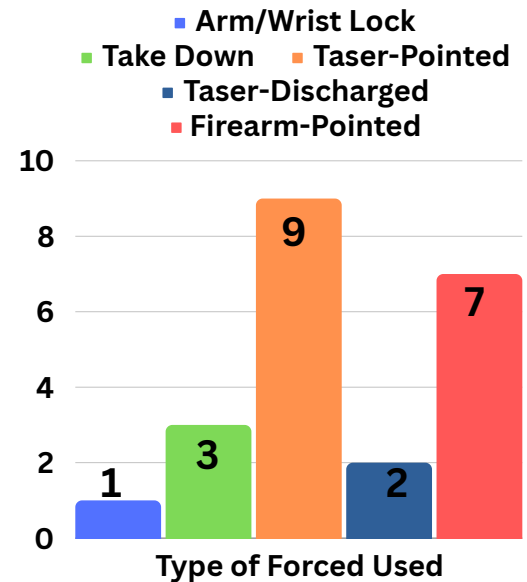
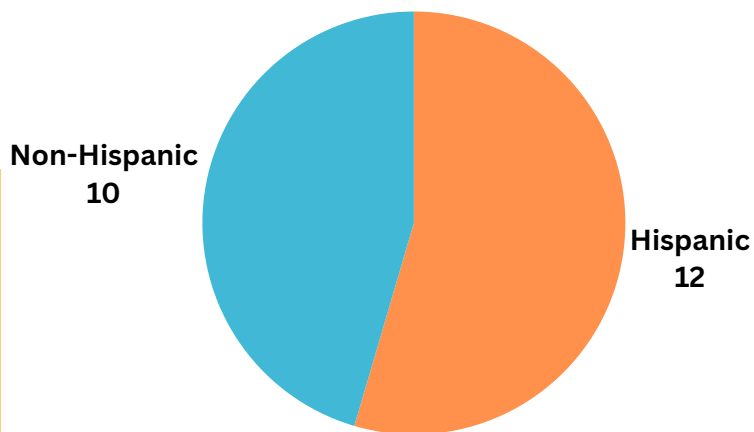
Use of Force by Day of the Week



Use of Force by Sex

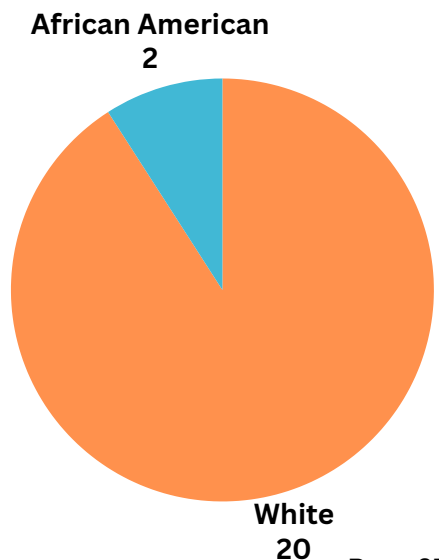


Use of Force by Ethnicity



It should be noted Officers did not discharge their handguns in any of the 9 incidents reported where a handgun was drawn and pointed.

Use of Force by Race



Community Engagement

2023 National Night OUT
#Downtown #hotdogs #blockparty
#communityfirst



2023 Hondoween!!!!

The Hondo Police Department supplied Paletas for N.E. Woolls field day. What a great way to cool off on a hot day!!!!





2023 National Crossing Guard Appreciation Day- We are so proud to celebrate our crossing guards! Our officers gladly took over crossing guard duties so the guards could enjoy breakfast.

Establishing connections with available resources for our community. Det. Flores and Admin. Sgt. Rivas attended a meeting arranged by the Medina County Criminal District Attorney's office. Bikers Against Child Abuse (BACA) met with surrounding Law Enforcement agencies to provide information about the services they provide for child victims. The Hondo Police Department now has their pamphlets and contact information available for guardians to contact for further assistance.



This year the Hondo Police Department partnered with the Medina County Sheriff's Office, Devine Police Department, and Hondo Wal-Mart for National prescription drug take back day April 22, 2023.



Our Officers always enjoy taking the time for positive community contacts. We were invited to visit the kiddos of B.A.B.I Childcare. We learned that Elijah, one of our loyal supporters, was celebrating his birthday soon and seized the opportunity to help make it special!!! All these smiles let us know we are on the right track.

On 5/27/23 Officers responded to a residence regarding a large snake. The homeowners located the snake underneath a computer tower. Officers took possession of it, where it was safely transported and released in a safe area into its natural habitat. The snake was identified as a Blue Indigo, non-venomous. The snake was measured roughly around 5 1/2 feet.



Two of the many tasty items at Medina County First Responder Appreciation Day Meat Up.



Training

In 2023 our Officers completed 2870 hours
of continuing education training

Some of the Training Our Officers attended include:

- Added 2 ALERRT Instructors to our staff
- Added 3 TCOLE Instructors to our staff
- Detectives attended New Criminal Investigator Course
- Defensive Tactics Instructor
- Crime Scene Photography
 - Detectives attended Blood Stain Pattern and Analysis Course
- Interview and Interrogation
 - Field Training Officer
 - Latent Finger Printing
- 2 Sergeants attended the Texas Sergeant Academy
 - Added 1 D.A.R.E Instructor to our staff
- Detectives attend Search Warrant Course
- Stop Stick training
- Radar Training
- Leadership & supervision
- Intermediate Crime Scene
- Evidence Management



D.A.R.E.

2023 was the first time in several years the Drug Abuse Resistance Program (D.A.R.E.) made its return to Hondo.

Chief Justin Soza made the decision to bring back the program after consistently receiving the almost automated response, “Their parents” to the question who is telling kids to not use drugs. Chief Soza explained and acknowledge, “I am not, nor are my officers, outside of making an arrest”

We all assume parents and guardians are having these discussions with their children, but as any parent knows, our kids don’t always listen to us, especially when we have their best interest in mind. So, the decision was made to bring back D.A.R.E. in an attempt to take a proactive approach to intervene before we are called upon to interact with a child who was found to be in possession of “whatever” on one of our school campuses or within our community.

While the initial thought was to educate our youth about the dangers of using drugs, we have shifted our focus and use this program as an opportunity for positive interactions to build relationships with the youth of our community as well and an opportunity to strengthen our partnership with Hondo I.S.D. and members of our community.

Hondo Police Departments D.A.R.E. program covers a wide array of topics including drug and alcohol awareness, vaping, online and social media safety, bullying prevention, and teen mental health. Additionally, the program focuses on general life skills to encourage and support good decision-making for a safe and healthy life.

*****Program was funded through funds received from the Texas Opioid Abatement Settlement.

2023 D.A.R.E. graduating class



Blue Santa



Blue Santa Account Balance End of 2022: \$ 6,873.53

Total Monetary Donations in 2023: \$ 3,335

Blue Santa Account Balance with donations: \$ 10,208.53

Total Expenditures for 2023: \$ 1,126.20

TML Insurance proceeds from claim: \$24,057.19

Blue Santa Account Balance End of 2023: \$ 33,139.52

**This year, with the gift donations and
the monetary donations the
Hondo Police Department was able to assist:
35 local families
and
90 Children
for this holiday season.
35 turkeys were also given
out to families in need this year.**

Crime Scene



This year the Hondo Police Department added a formal crime scene division. Our staff underwent training to become Crime Scene Technicians. The training they completed included: Legal Aspects of a Crime Scene Search, Preparing for a Crime Scene Investigation, Investigating a Crime Scene, Sketching and Photographing, Fingerprinting Identification, Collection, and Preservation of Evidence, DNA Evidence, Specific Crime Scene Searches, Simulated Crime Scene, Computer and Other Electronic Evidence. In addition, they have been to training related to processing the sexual assault crime scene and Forensic Photography. We are excited to celebrate their hard work in helping the Hondo Police Department establish a formal crime scene response unit.





Awards

2023 Officer of the Year

Ivan Rodriguez

“My vote for officer of the year is Ivan Rodriguez #828. His reports are consistently well written and thorough, and he has been very productive both with traffic enforcement and self-initiated activity while on patrol.”

“My vote for officer of the year is Ivan Rodriguez. Officer Rodriguez has shown a constant drive to learn and provide the proper service to our community. Officer Rodriguez comes to shift ready to get to work without hesitation. He tries to assist others with answers to questions they have. Officer Rodriguez always has a positive attitude and has a positive morale boost for others on shift.”

“Ivan is a great example of what I believe a Hondo PD Officer should embody. He is always presentable and wears his uniform in a professional manner that represents our Department well. Officer Rodriguez is always respectful, eager to learn and I have yet to hear him complaining. Statistically speaking he leads in productivity - taking calls, traffic enforcements this goes to show he puts in the work as well.”



2023 Certificate of Merit

**Manuel Garcia
Arturo Lopez
Millicent Anderson
Danica Clark**

Annual Intake Recap



Impounded/Transferred In

1278



Returned to Owner

96



Adopted

102



**Released To
Rescue/Transferred Out**

896

Euthanized

121

Bites

23

Dead Animal Pick up

183



**Approximately
1500 “I Worq” orders received.**

**80 Citations issued with
a total of 113 Violations**

Capital Investment & Achievements



Completed the purchase of a 2023 Chevrolet Silverado truck along with a fitted dog box.

Implemented the use of body cameras by our Animal Control Officers.



The City of Hondo Animal Care Services and Shelter passed their State Inspection and both Animal Control Officers have now achieved their Basic ACO Certification.



SPAY & NEUTER

This program helps our community combat animal overpopulation, which later reduced the number of animals filtered through our shelter.



Total of 46 residential pets serviced this year.

March Event | Serviced 22 pets | \$ 4K budgeted
September Event | Serviced 24 pets | \$ 4k Budgeted

Pets that are serviced also receive their **Rabies** vaccine as part of the procedure; helping prevent the spread of rabies in our community.



City of Hondo
Animal Care Services
& Shelter

**FREE SPAY+NEUTER
PROGRAM**

 Registration Begins:
MARCH 1st 2023 & will stay open
till MARCH 10th (or until spots are filled).

 Register at the:
Hondo Police Department,
1030 Avenue Y, Hondo, Tx.
Ph# (830)426-5353

 Program is only for residents
who reside within the city
limits of Hondo.

 Procedures will be scheduled
& done by the Hondo Veterinary
Hospital. Between the dates of
March 13th -31st 2023.

**PROGRAMA DE
ESTERILIZACION GRATUITA**
Hablamos Espanol - llama hoy.



Huts for Mutts

This year the Hondo Animal Shelter budget was allocated \$500.00, for the Huts for Mutts program. These funds allow for the purchase of wood that has been discounted due to minor imperfections. Dog houses are then built and stored to later be disseminated to pet owners that are in need of assistance in providing adequate shelter.



***In 2023:
4 houses were donated
to community members.***

"We are always looking for help! If your organization would like to schedule a workday to come in and build a dog's house, please give us a call!" - Chief Soza



Shelter Volunteer Day



Our Animal Shelter hosted its first Community Volunteer Day- volunteers assisted with various shelter duties.

Various Focus Areas

- Kennel Deep Clean
- Kitty Condo
- Outdoor Play Area
- Paint Station (Hutts4Mutts)
- Other/Storage



Trap Neuter Return (TNR)

This program helps combat animal overpopulation specific to stray animals in the community. The Animal Control division implemented changes on the TNR program. With several feral cat colonies identified, TNR measures were shifted to combat the feral cat population.

Captured animals are (Spayed or Neutered) by a licensed veterinarian, receive their Rabies Vaccine and returned to their captured location.

**A total of 16 cats were captured-
1 of which was euthanized & the
others returned.**

Signs and traps to notify residents of our efforts were updated and are posted up to 24 hours prior to efforts beginning in designated area.



Shelter Upgrades

- Upgraded window units in the Office and Kitty Condo to larger size units that also have heating capabilities.
- Two large fans purchased & installed.
- Set up both water cooling fans during summer.
- Added mulch to the play area.



Community Involvement & Events



ACOs believe the first step of compliance comes from educating citizen of laws and ordinances. They regularly participate in events to educate and promote shelter adoptions. Below are some event flyers and safety tip publication.



Through secured Microchip donations, events were organized to distribute this service to residents.

Enhanced Partnership with Hondo I.S.D.

The Police Department has identified an opportunity to strengthen its collaboration with Hondo Independent School District (Hondo I.S.D.). This multifaceted partnership offers several advantages. Firstly, it facilitates meaningful engagement between our officers and the youth within our communities. Additionally, it allows for the strategic placement of officers on school campuses at various intervals, effectively enhancing physical security measures. This partnership aligns with our commitment to proactive community policing while simultaneously reinforcing safety protocols within educational institutions.

Data-Driven Decision-Making and Strategic Planning

The department's administration is committed to data-driven decision-making and strategic planning. This approach places a strong emphasis on utilizing data and intelligence to inform its actions and policies. This is done by relying on data and intelligence, identifying trends, assessing community needs, and through allocating resources more efficiently. Further, enabling them to make well-informed, evidence-based decisions, enhancing their overall effectiveness. Rather than reacting hastily to isolated events, they proactively explore multiple avenues, considering the broader implications of their choices. This strength enables them to stay ahead of challenges, respond effectively to emerging issues, and continuously improve our services to the community.

Specialized Unit for Enhanced Service

The Police Department is seizing an opportunity by leveraging the recently approved positions from the City Council to establish a specialized unit. This unit will focus on traffic enforcement and addressing specific criminal activities pinpointed through citizen complaints and criminal intelligence gathering. This strategic move is expected to bring substantial benefits to the community. The unit's dedicated focus on addressing specific complaints and criminal issues will provide a level of responsiveness that regular patrol resources may not always accommodate, given their daily service demands.

The Community

The department views the community as one of its greatest assets and sees numerous opportunities in strengthening this relationship. By establishing various avenues for community engagement through public outreach initiatives, the department can build stronger connections with all community members. Furthermore, prioritizing transparency will further enhance these opportunities, fostering trust and collaboration between the department and the community. This community-centric approach represents a significant opportunity for the Hondo Police Department.

Community Survey

We know there is always room for improvement so the Hondo Police Department invites you to take this “Community Survey on Public Safety and Law Enforcement”

It will take approximately five minutes of your time and is completely confidential. Your participation will help our agency to improve its services, processes, and reputation.

The survey is designed for a law enforcement agency to gather opinions and experiences from members of its community. The survey assesses five key components that involve your local law enforcement agency:

***Community involvement *Safety *Procedural justice *Performance *Contact and satisfaction**

You may come into contact with multiple law enforcement agencies, but please answer the questions thinking only about the Hondo Police Department that invited you to participate in this survey.

It should be noted the term “law enforcement agency” is used throughout the survey to refer to the Hondo Police Department.

Please indicate your response to each item by selecting the appropriate answer based on your feelings, opinions, and experiences. You may skip any survey items you do not feel comfortable responding to or know how to answer, but we encourage you to respond to as many items as possible. This is not a test, and there are no right or wrong answers. Please answer each question honestly.

Please note this is not an avenue to file an official complaint on a specific officer regarding an specific event. If you wish to file a complaint on a specific officer/ employee regarding a specific event please contact the Hondo Police Department at 830-426-5353.





City Council Communication

Title: San Antonio Food Bank Report/Update. (Mario Obleda)

Date: February 26, 2024 **From:** Jamie Kindred

INFORMATION:

San Antonio Food Bank Chief of Government & Public Affairs Mario Obleda will give a short report/update on the involvement of the Food Bank in our city/county and how they utilize the Fair Hall for the monthly food distributions.

FINANCIAL IMPACT:

N/A

STAFF RECOMMENDATION:

MOTION:

ATTACHMENTS:

None

STAFF CONTACTS:

Jamie H Kindred
jkindred@hondo-tx.org



City Council Communication

Title: Proclamation for Hondo Public Library Day 2024 & Texas Municipal Library Director Association Award for 2023. (Mayor McAnelly)

Date: February 26, 2024 **From:** Mayor John McAnelly, Mayor

INFORMATION:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:

MOTION:

ATTACHMENTS:

1. PROCLAMATION FOR PACKET

STAFF CONTACTS:



**Proclamation
City of Hondo
Achievement of Library Excellence Award
February 2024**

WHEREAS, the pursuit of knowledge and literacy is the cornerstone of a thriving society; and

WHEREAS, libraries stand as beacons of enlightenment, fostering learning, creativity, and community engagement; and

WHEREAS, the City of Hondo, recognizing the contribution of libraries to the cultural and educational fabric of our community, has supported the enhancement and accessibility of library services; and

WHEREAS, the Hondo Municipal Library has been honored with the Texas Municipal Library Directors Association Achievement of Library Excellence Award for the year 2023, a testament to its dedication, leadership, and accomplishments in these ten categories: 1) serving the underserved and special populations, 2) innovative marketing, 3) collaborative efforts, 4) new and unique services, 5) literacy support, 6) digital inclusion, 7) workforce development, 8) cultural, topical, or educational events, 9) other services, and 10) staff development; and

WHEREAS, the Hondo Public Library has met the requirements of excellence and is one of 84 out of the 545 public library systems in the State of Texas to receive the 2023 Texas Municipal Library Directors Association Achievement of Library Excellence Award; and

WHEREAS, this recognition not only celebrates the hard work and dedication of the library staff, library advisory board, and volunteers but also highlights the entire community's collective efforts to nurture a culture of reading, inquiry, and discovery; and

WHEREAS, February is "Love Your Library" month, a fitting time for this celebration;

NOW, THEREFORE, be it resolved that I, John McAnelly Jr., Mayor of Hondo, proclaim February 26, 2024 to be Hondo Public Library Day in the City of Hondo, Texas and encourage all residents to visit the library and enjoy the programs and variety of services offered.

ATTEST:

Rebekah Dolphus
City Secretary

John McAnelly Jr.
Mayor





City Council Communication

Title: Consideration and approval of the January 22, 2024 & February 12, 2024 Regular City Council meeting minutes. (Rebekah Dolphus)

Date: February 26, 2024 **From:** Rebekah Dolphus, City Secretary

INFORMATION:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:

MOTION:

ATTACHMENTS:

1. FEB 12 2024 MINUTES
2. JAN 22 2024 MINUTES ITEM 11

STAFF CONTACTS:

Rebekah Dolphus

MINUTES

REGULAR CITY COUNCIL MEETING

Monday, February 12, 2024 @ 6:00PM

City Council Chambers, 1600 Avenue M Hondo, Texas

1. Call to order.

Mayor McAnelly called the meeting to order at 6:01 p.m.

2. Quorum check.

Mayor John McAnelly, Mayor Pro Tem Jose “Porky” Ytuarte, Councilman Brett Williams, Councilman Bobby Vela, Council Member Rachel Ramirez.

Absent: Councilman John E. Villa

Staff Present: City Manager John Naron, City Attorney Richard Lindner, City Secretary Rebekah Dolphus, Administrative Assistant to the City Manager Stephanie Velasquez, Chief Financial Officer Chris Hill, IT Administrator Josh Rodriguez, Public Works Director Rene Saenz, Development Services Director Uche Echeozo, Director of Marketing Sean Patty, Director of Aviation Ryan Elder, EDC Executive Director Douglas Dowler, HR Manager Michele Thacker

3. Invocation by Mayor John McAnelly

4. Pledge of Allegiance.

5. Citizens’/Public Comments: *Persons who desire to address the City of Hondo City Council will be received at this time. Those persons wishing to speak should complete a Public Comment Form and submit it to the City Secretary prior to the meeting. If the speaker wishes to comment on a particular agenda item, then the speaker should indicate such item(s) to on the form. Public comment is limited to 3 minutes per speaker. Speakers must conduct themselves in a civil manner. In accordance with the Texas Open Meetings Act, the City of Hondo City Council cannot deliberate or take action on items not listed on the meeting agenda.*

No public comments.

PRESENTATIONS

6. City Manager’s Report. (John Naron)

The City of Hondo Library received the TMLDA Achievement of Excellence In Library Award, commended by John for Elsie and her team's exemplary work, with plans to present a proclamation at the upcoming meeting.

MINUTES

REGULAR CITY COUNCIL MEETING

Monday, February 12, 2024 @ 6:00PM

City Council Chambers, 1600 Avenue M Hondo, Texas

Rise Broadband has shown better compliance with regulations, with Mr. Saenz providing weekly updates. Total damages stand at \$17,111.91 for water lines and \$28,305.38 for sewer lines, though recent incidents are not yet reflected in these totals, mainly due to difficulties in identifying previously unmapped lines.

7. Public Works Report. (Rene Saenz)

The Wastewater Treatment Plant CDBG Clarifier project has been approved, with the contractor set to mobilize February 13, 2024 to address sewage intake challenges. Gerardo Trevino of RGV Industrial Machine Shop and Pumps LLC has been awarded the contract, aiming for completion between August and September.

Progress on the Water Tower lighting project includes purchasing steel conduit and exploring cost-saving opportunities, with the City of Hondo investing \$26,100 and Hondo ISD contributing approximately \$5,000. Access will be facilitated through a Knox Box, with discussions on lighting colors and access control.

CONSENT

8. Discuss and consider approving the minutes from January 22, 2024. (Stephanie Velasquez)
9. Discuss and consider Resolution Number 421-24 of the City of Hondo, Texas providing Notice of General Election for the City Council Members Place 1 and Place 2; to be held jointly with Hondo Independent School District on May 4, 2024. Establishing early voting location and polling place for the election; authorizing the City Manager to enter a contract with Medina County Elections Administrator and making provisions for the conduct of the election. (Stephanie Velasquez)
10. Discuss and consider authorizing the City Manager to execute a lease amendment with Corrigan Air Center. (Ryan Elder)
11. Discuss and consider approval of the Second Amended Chapter 11 Plan for Endo International PLC at the recommendation of the Official Committee of Opioid Claimants. (Chris Hill & John Naron)
12. Discuss and consider authorizing the City Manager to execute a License Agreement with H5 AG Services, LLC. (John Naron)

MINUTES

REGULAR CITY COUNCIL MEETING

Monday, February 12, 2024 @ 6:00PM

City Council Chambers, 1600 Avenue M Hondo, Texas

13. Discuss and consider making various Appointments to Boards and Commissions.
(Mayor McAnelly)

Councilman Vela made a motion to approve the consent agenda with the exception of Items 8 and 12; seconded by Councilman Williams. Motion passed unanimously.

Councilman Vela stated no action on items 8 and 12. Mayor McAnelly confirmed.

OTHER BUSINESS

14. Discuss and consider proposed Splash Pad Development Project. (John Naron)

Mr. Naron requested to table the discussion due to incomplete information and pending bond requirements and engineering work. He aims for resolution by the next meeting.

Councilman Vela made a motion to table the item; seconded by Council member Ramirez. Motion passed unanimously.

The City Council of the City of Hondo convened into Executive Session at 6:14 p.m.

15. Executive Session: The City Council of the City of Hondo may convene in Executive Session in accordance with the Texas Open Meetings Act, Texas Government Code: Section 551.071(1) (A) and (2) (Consultations with Attorney) and Section 551.072 (Deliberations about Real Property), Section 551.074 (Personnel Matters), Section 551.076 (Deliberations about Security Devices), or Section 551.087 (Deliberations Regarding Economic Development Negotiations); Section 551.086 (Meeting concerning municipally owned utility-competitive matters);
- a. Discussion and possible action regarding potential litigation with BG Interpool, Inc.
 - b. Discussion with City Manager regarding performance review.
 - c. Discussion with City Attorney regarding the affiliation between EDC and City of Hondo.
 - d. Discussion with City Attorney regarding legal service matters.

The City Council of the City of Hondo reconvened into regular session at 8:10 p.m.

MINUTES

REGULAR CITY COUNCIL MEETING

Monday, February 12, 2024 @ 6:00PM

City Council Chambers, 1600 Avenue M Hondo, Texas

16. Discuss and consider appropriate action on the items resulting from Executive Session.

Councilman Vela made a motion to direct our City Attorney to move forward as directed with potential litigation on BG Interpool, Inc.; seconded by Councilman Williams. Motion passes unanimously.

17. Adjourn.

Councilman Ytuarte made a motion to adjourn; seconded by Councilman Vela. Motion passes unanimously.

Meeting adjourned at 8:11 p.m.

PASSED AND APPROVED THIS 26TH DAY OF FEBRUARY 2024.

John McAnelly, Jr., Mayor

ATTEST:

Rebekah Dolphus
City Secretary

MINUTES
CITY OF HONDO
REGULAR CITY COUNCIL MEETING
JANUARY 22, 2024 at 6:00 p.m.

1. Call the meeting to order.

Mayor McAnelly called the meeting to order at 6:00 p.m.

2. Quorum check.

Mayor John McAnelly, Council Member Brett Williams, Council Member Rachel Ramirez, Council Member John E. Villa, Council Member Bobby Vela, Mayor Pro Tem Jose "Porky" Ytuarte.

ABSENT: None

Staff Present: City Manager John Naron, City Attorney Richard Linder, Admin Assistant to City Manager Stephanie Velasquez, Human Resource Manager Michele Thacker, Director of Public Information and Recreation Jamie Kindred, Development Services Manager Uche Echeozo, Wastewater Superintendent Stephen Winters, IT Manager Josh Rodriguez, Chief of Police Justin Soza.

3. Invocation by Pastor Steve Peyton-New Fountain Methodist

4. Pledge of Allegiance.

5. Citizens'/Public Comments: Persons who desire to address the City of Hondo City Council will be received at this time. Those persons wishing to speak should complete a Public Comment Form and submit it to the City Secretary prior to the meeting. If the speaker wishes to comment on a particular agenda item, then the speaker should indicate such item(s) to on the form. Public comment is limited to 3 minutes per speaker. Speakers must conduct themselves in a civil manner. In accordance with the Texas Open Meetings Act, the City of Hondo City Council cannot deliberate or take action on items not listed on the meeting agenda.

Penny Soliz, a resident of 2106 18th Street, addressed the council regarding her chicken-keeping practices. She acknowledged that while the city ordinance permits a maximum of six chickens, she currently cares for approximately 20-22 birds. Soliz has engaged in discussions with the city manager, emphasizing the high standard of care and appropriate housing she provides for her chickens.

Furthermore, Soliz highlighted her community contributions, noting that she generously donates eggs to the local food pantry. She also organizes bake sales to raise funds, assisting children who otherwise could not afford to attend church camp. Soliz emphasizes that these acts of kindness are

an integral part of her ministry, allowing her to give back to the community. Her commitment to providing eggs free of charge underlines her dedication to this cause.

Angel Hernandez, who resides at 1116 Ave K, addressed the council with a pressing concern about a local general contractor. She explained that he had previously sent letters to each council member, informing them of a legal judgment passed by Judge Haus against Lupe Salazar, operating as Salazar Cement.

Hernandez detailed the timeline of events, noting that despite giving Salazar a full year to rectify the damages caused, there was no effort made by Salazar to resolve the issue. Consequently, Hernandez was compelled to seek resolution through small claims court. In this legal proceeding, Judge Haus of Medina County Precinct 3 ruled in favor of Hernandez, issuing a \$10,000 judgment against Salazar. Although Salazar initially made a partial payment of \$400 via money order, there has been no further payment or communication since then.

Hernandez also expressed her astonishment upon discovering that Salazar is currently working on a project at the Medina County Annex building. He raised a significant concern to the council: how is it permissible for an individual with an outstanding legal judgment to be contracted for work on county property? This query reflects Hernandez's desire for accountability and adherence to legal and ethical standards in community dealings.

Florestella Gonzales, residing at 1002 Ave S, approached the council to express her concerns regarding the status of the Animal Advisory Board. She noted her awareness that the board was scheduled to hold meetings quarterly each year. However, Gonzales shared her observation that there seems to have been a lack of any such meetings for almost a year, to her knowledge.

Gonzales pointed out that while the mayor is known to appoint members to various boards, there has been no recent information or updates regarding appointments or activities of the Animal Advisory Board. This lack of communication has led to her concern about the board's current status. She questioned whether the board has been dissolved or is still active.

Gonzales emphasized the importance and value of the Animal Advisory Board, expressing her hope that it continues to function. Her concern reflects a desire for transparency and continuity in the board's operations, which she believes play a vital role in the community.

Presentations

6. City Managers Report. (John Naron)

City Manager John Naron recently shared an update with the council, reflecting on his engaging experiences and upcoming initiatives in the community.

Naron began by expressing his enthusiasm about participating in the recent leadership luncheon hosted by the chamber. He highlighted the event's focus on collaboration and positivity, emphasizing the importance of working in unison with various entities like the Economic Development Corporation (EDC), the chamber, and Medina County. Naron shared his personal philosophy of maintaining a positive outlook, a trait he encourages among all employees and council members, advocating for a culture that consistently speaks highly of their town.

He also provided an update on his meeting with the EDC, where he discussed the trunk line expansion project. The EDC has committed \$1 million to this initiative, which has been met with positive feedback, especially given the significant amount of economic development activity in the area.

Naron then turned to the topic of planning and zoning. He informed the council of an upcoming meeting, the first in a long while, aimed at reviewing the current board members and their willingness to continue serving. This information will be relayed back to the mayor for any necessary arrangements.

Furthermore, Naron mentioned that permits for several businesses, including James Avery, and Boise Cascade, are progressing. He expressed particular excitement about Boise Cascade's upcoming pre-construction meeting, praising their commitment to building a structure that goes beyond the typical warehouse design, reflecting a sense of pride in their project.

Lastly, Naron touched on the positive developments at Hondo, noting the addition of more job opportunities in the community. He concluded by expressing his anticipation and excitement for the ongoing growth and improvements in the area.

7. Public Works Report. (Rene Saenz)

None.

CONSENT

Council Member Williams motioned to approve consent agenda items 9, 10, and 11; seconded by Council Member Villa. The motion carried by the following vote: AYE: Williams, Vela, Ytuarte, Ramirez, Villa. NAY: None. ABSTAIN: None ABSENT: None

Council Member Vela motioned to approve consent agenda item 8 with corrections; seconded by Council Member Ramirez. The motion carried by vote: AYE: Williams, Vela, Ytuarte, Ramirez, Villa. NAY: None. ABSTAIN: None. ABSENT: None

Council Member Vela motioned to table consent item 12; seconded by Council Member Ytuarte. The motion carried by the following vote: AYE: Ytuarte, Vela, Williams, Villa, Ramirez. NAY: None. ABSTAIN: None. ABSENT: None.

8. Discuss and consider approving the minutes from January 8, 2024. (Stephanie Velasquez)
9. Discuss and consider Ordinance repealing City of Hondo Ordinance 1196-04-19 Juvenile Curfew. (Chief Soza)
10. Discuss and consider Ordinance of the City of Hondo, Texas amending Appendix A, "Fee Schedule" of the Code of Ordinances of the City of Hondo, Texas by amending pertinent sections to reflect current fees, increased fees, deleted fees, and new fees; providing a repeater clause; providing severability and setting an effective date. (John Naron and Chris Hill)
11. Discuss and consider Resolution No. 420-24, for the Governor Criminal Justice Division grant application 'K-9 Patrol Unit'. (Chief Soza)
12. Discuss and consider 2024/25 Holiday Calendar. (Michele Thacker)

OTHER BUSINESS

13. Discuss and consider the purchase of Animal Control Items. (Chief Soza)

Chief Soza approached the council to request authorization for the purchase of essential equipment for the Animal Control unit, detailing the funding strategy and the need for these acquisitions.

Soza proposed the purchase of a custom truck bed from Jones Trailers for \$8,825. This specialized unit, unique to Jones Trailers, is intended for integration into the newly acquired Animal Control truck from the previous budget. Additionally, he sought approval to buy a Ford Maverick from Cecil Ford, priced at \$25,133 plus fees. This vehicle is earmarked to replace the outdated Animal Control vehicles currently in use.

The chief explained the logistical plan for these purchases. The existing removable dog box in the current Animal Control truck will be transferred to the new Maverick, negating the need for an additional dog box. This efficient use of resources aligns with the department's goal to maximize functionality while minimizing expenses.

The funding for these acquisitions, Soza clarified, would come from the tax notes issued in 2022. Initially, \$55,000 was allocated for police radios and \$23,000 for a speed trailer. However, both items were covered by grants, leaving those funds available. The previous interim city manager, Mr. Herrera, authorized \$37,359 for the current Animal Control truck, leaving a balance of \$40,641. This remaining amount is sufficient to cover the costs of the Maverick and the custom truck bed.

Chief Soza's presentation underscored the department's commitment to resourceful financial management and the enhancement of the Animal Control unit's capabilities.

City Manager John Naron informed the Council about trying out the Ford Maverick, a smaller and more affordable truck option priced around \$25,000. He mentioned that with the rising costs of larger trucks, the Maverick could be a cost-effective alternative for city use, especially since it won't be needed for heavy hauling tasks.

Council Member Vela motioned to approve item number 13; seconded by Council Member Ytuarte. The motion carried by vote: AYE: Williams, Vela, Ytuarte, Ramirez, Villa. NAY: None. ABSTAIN: None ABSENT: None

14. Discuss and Update on the Fiber Optic Project Progress, Including Incident Damage Requiring City of Hondo's Assistance.

City Manager John Naron addressed the council with an update on the ongoing Rise Broadband project and its impacts on local utility services. In his presentation, John highlighted that over the last week, the city has experienced a notable increase in utility disturbances, with 20 sewer line hits and 18 water line hits. He pointed out the significance of these figures in the context of the broadband project's progress and its impact on the city's infrastructure.

A particularly noteworthy incident occurred close to John's own residence, at Avenue G and 30th Street, where a six-inch water main was hit. This incident not only underlines the extent of the infrastructure challenges faced but also brings to light the close-to-home impact of such developments. In response to this situation, the Sewer and Water Department showcased exemplary efficiency and teamwork. Their quick and adept handling of the situation led to the rapid repair of the damaged water main, thereby preventing any major service disruptions, especially in residential areas.

Council Member Villa addressed City Manager John with an inquiry regarding the recent utility incidents. He posed a clarifying question, seeking to understand the distribution of responsibility for the 20 reported incidents. Specifically, he asked, "John, out of these 20 incidents, could you clarify how many were attributable to the city's actions, and how many were a result of the company's operations?"

Wastewater Superintendent Stephen Winters provided a detailed response to Council Member Villa's inquiry regarding the utility incidents. He clarified that only about five of the 20 reported

incidents were marked hits, indicating clear responsibility. The remaining incidents involved unknown locations, presenting a challenge in determining accountability. Winters explained that when the wastewater crew is dispatched to investigate, they often face difficulty in pinpointing the exact locations of sewer laterals running from each residence. The crew attempts to identify these lines by locating the stack on top, but this is not always a straightforward process. This response highlighted the complexities involved in managing the city's underground utility infrastructure and the efforts made by the water department to address these challenges.

City Manager John Naron addressed the council with an assurance regarding the data on the utility incidents. He acknowledged that the current information on marked and unmarked hits was not complete. However, he committed to providing a comprehensive report shortly. Naron explained that the necessary data needed to be compiled from iWorQ, the city's infrastructure management system. He expressed confidence that once this data was aggregated and analyzed, it would enable them to provide accurate estimates and a clearer understanding of the situation. This commitment from the City Manager highlighted the city's dedication to transparency and thoroughness in addressing the council's inquiries and managing the city's infrastructure challenges.

Councilman Ytuarte directed a question to Wastewater Superintendent Stephen Winters, expressing concern about the recent utility incident data. He referenced a list, noting that out of 19 incidents recorded eight were not marked. His inquiry sought clarification on the reasons behind these unmarked incidents. He posed several possibilities, such as whether these unmarked locations were absent from the city's maps, or if it was due to the inability to visually identify cleanouts or meters. Councilman Ytuarte's question highlighted the need for understanding the specifics of why certain incidents weren't marked, which is crucial for improving the city's infrastructure management and response strategies.

Wastewater Superintendent Stephen Winters responded to Councilman Ytuarte's question with a focus on the wastewater aspect of the utility incidents. He explained that for the incidents identified as 'not marked,' their approach involved examining the stack on the house and searching the ground for a cleanout as part of their investigation process. Despite these efforts, Winters candidly admitted that in some cases, they had to rely on their best guess due to the absence of clear indicators. He acknowledged that, regrettably, the precise location of the sewer lateral was unknown in these instances. This response from Winters highlighted the challenges faced by the wastewater team in accurately identifying and addressing the locations of underground infrastructure, especially when clear markers or indicators were not present.

Councilman Villa voiced concerns about the cost of the repairs, highlighting the need to avoid unnecessary spending of taxpayer money on issues caused by the company involved. He stressed the importance of financial prudence and accountability in managing these situations.

Councilman Williams echoed Councilman Villa's sentiments, agreeing on the importance of the company taking financial responsibility for the damages caused. He emphasized that regardless of whether the damage was marked or unmarked, the company should bear the cost, especially if it

led to property damage. Drawing a personal analogy, he stated that if he were to cause similar damage, he would feel a sense of responsibility to cover the costs incurred. His stance highlighted a strong position on corporate accountability and the ethical responsibility to rectify damages caused by company operations.

City Attorney Richard Lindner intervened in the discussion, addressing the mayor and council members. He suggested that if they wished to explore legal options regarding the utility damage and repair responsibilities, it would be prudent to discuss these matters in an executive session. Lindner's recommendation was aimed at ensuring that any legal considerations, strategies, or sensitive information were discussed in a confidential setting, away from public scrutiny, to maintain the integrity of the legal process and the council's decision-making.

Mayor McAnelly responded thoughtfully to City Attorney Richard Lindner's suggestion, acknowledging the potential need for a legal discussion in the future. He concurred that exploring legal options might be necessary eventually, but emphasized the current focus on gathering more comprehensive reports. Mayor McAnelly highlighted the importance of continuing to receive updates from Mr. Naron and Mr. Winters, particularly regarding the tracking of expenses related to the utility works. She expressed confidence in their ability to keep detailed records of the mounting costs, ensuring that this information would be readily available if and when the council decides to delve into legal considerations. Her response demonstrated a balanced approach, prioritizing thorough information gathering while keeping the option open for future legal discussions.

Callie, representing Rise Broadband, addressed the council with a comprehensive update and offered her assistance regarding the ongoing broadband project. She oversees the project across various towns, including the area extending to Cuero. Callie informed the council that the projected completion date for the project is the end of April, acknowledging this as an ideal target.

She expressed her understanding of the strain the project has placed on both the city's resources and its citizens. Callie emphasized that while they are moving swiftly to complete the work across multiple towns, they are acutely aware of the impact on the community. She stressed that addressing these concerns and making things right is a top priority for the company.

Further, Callie mentioned her recent discussion with the city manager, focusing on how she could help alleviate citizen complaints, a task she has successfully undertaken in other towns. Recognizing the council's role as the voice of the community, she expressed her appreciation for their efforts in listening to and addressing citizens' concerns.

Concluding her address, Callie offered to respond to any questions or concerns the council might have, demonstrating her commitment to open communication and collaboration in resolving any issues arising from the broadband project.

Mayor McAnelly posed a question to Callie from Rise Broadband regarding the next phase of the broadband installation. The Mayor inquired about the method of cabling from the main lines to individual houses, specifically asking whether this part of the project would also involve

underground installation. The Mayor expressed a concern about the potential for further disruption, given the challenges already faced with the current phase of the project. This question aimed to clarify the future steps of the project and assess the likelihood of additional impacts on the community and city infrastructure.

Callie responded to Mayor McAnelly's concerns, explaining that the next phase of cabling to individual houses will be significantly less disruptive compared to the current work. She clarified that this stage involves hand trenching, which is much less invasive than the boring and drilling activities they've been conducting so far. Callie emphasized that this approach should minimize the impact on the community and the city's infrastructure.

Additionally, she pointed out that the decision to opt for the service rests entirely with the citizens. While advocating for the service as a valuable asset for community progress, Callie acknowledged the importance of giving residents the choice to decide if they want to avail of it. Her response indicated a commitment to both progressing with the essential infrastructure work and respecting the preferences and concerns of the community.

Councilman Williams acknowledged the benefits of the broadband project, comparing it to the historical significance of bringing power to rural areas. However, he voiced a strong complaint regarding the project's execution, particularly concerning the environmental and community impact during adverse weather conditions.

He pointed out that the continuous work during wet weather had led to ruts being made in the grass and mud being dragged onto the streets, which he identified as a violation of SW3P regulations. Councilman Williams expressed frustration over the lack of immediate cleanup and the visible mess in his neighborhood and around Hondo.

Emphasizing the need for greater respect and consideration for the town, he expressed concern about the damage to grass and landscaping caused by the project's operations. Beyond the issue of hitting utility lines, his main grievance centered on the need for proper restoration of the affected areas.

Concluding his statement, Councilman Williams directly questioned the commitment of Rise Broadband to return and rectify these landscape damages, seeking assurance that the company would take responsibility for the restoration of the community's environment impacted by their work.

In her response, Callie from Rise Broadband acknowledged the concerns raised by Councilman Williams, while also highlighting the positive outcomes of their projects in other towns. She cited Stockdale as a prime example where initial challenges were effectively managed, leading to a satisfactory resolution for the community.

Callie emphasized that in Stockdale, and similar towns, once construction was completed, complaints subsided as everything was restored to its original state. She admitted that there were

growing pains initially, but through careful coordination and respect for local resources, they were able to leave the town excited and satisfied with the service.

Reiterating her commitment, Callie assured the council that repairing and restoring any damage caused during the construction process is a top priority for Rise Broadband. She shared a personal connection with the town of Hondo, mentioning that her family resides there, which makes the impact of the project more personal to her.

Callie expressed gratitude towards the Public Utilities director for their responsiveness, despite the challenges and occasional miscommunications. She appreciated the city manager's efforts in facilitating effective communication between the city and the contractors.

Concluding her response, Callie emphasized her commitment to respecting the town and its resources. She expressed willingness to address any feelings of being overwhelmed, either by the council or the town staff, ensuring that moving forward, the focus would be on respectful and efficient progress.

Councilman Ytuarte addressed Callie from Rise Broadband with several critical concerns about the conduct and safety practices of her crews. He emphasized the need for immediate action on these issues.

Firstly, he highlighted a significant safety concern, citing an instance where crews were working without managing traffic or showing concern for safety during a busy time with heavy 18-wheeler and school rush hour traffic. He stressed the lack of consideration for the safety of both the citizens and the crew members themselves.

Secondly, Councilman Ytuarte brought up the issue of the speed of the company's vehicles on city streets. He recounted an incident where a vehicle, moving too fast, missed a turn and reversed into a Dodge Charger, causing damage. He pointed out that this wasn't an isolated incident and expressed concern over the potential for more serious accidents, given that many of the vehicles are transporting large equipment.

Lastly, he addressed the problem of crews dumping slush on private properties, including a specific incident where it was dumped near a funeral home during a service, showing a lack of compassion and respect for the community and its residents.

Councilman Ytuarte stressed that these issues reflect poorly on Rise Broadband and Callie as its representative. He urged her to take these concerns seriously, not just because of the public and televised nature of the meeting but because they are critical to the community's safety and well-being. He called for her to provide answers and solutions to the city manager and to satisfactorily address the community's inquiries and concerns.

Callie responded with an assurance of her commitment to the community and its well-being. She empathized with the concerns raised, drawing from her own experience of living in a small town.

She emphasized that Rise Broadband aims to contribute positively to the community's growth and not to cause any issues, especially regarding safety.

Callie assured the council that she would take personal responsibility to address these issues. She vowed to communicate the council's concerns not only to the executive team at Rise Broadband but also directly to the workers involved. Her response reflected a dedication to ensuring that the company's operations align with the highest standards of safety and community respect.

The mayor and council expressed their gratitude to Callie for attending the meeting and addressing their concerns. The mayor summarized the key takeaways from the discussion, noting the projected end date of the project as the end of April. The mayor also emphasized the expectation that, upon completion, the project should leave the community looking good and restored.

Additionally, the mayor provided clarifications for the benefit of those listening to the meeting. She reiterated the color coding system for utility markings, explaining that green is typically used for sewer lines and orange for communication lines.

Finally, in the absence of the public works director, the mayor reminded citizens to be vigilant about potential sewer problems as work continues in their areas. She advised residents to remove their cleanout caps and to contact the city if they experience any issues. This would allow the creation of a work order and enable the city to respond effectively. This guidance underscored the council's commitment to proactive and responsive management of the utility works and their potential impact on the community.

EXECUTIVE SESSION

15. Executive Session: The City Council of the City of Hondo may convene in Executive Session in accordance with the Texas Open Meetings Act, Texas Government Code: Section 551.071(1) (A) and (2) (Consultations with Attorney) and Section 551.072 (Deliberations about Real Property), Section 551.074 (Personnel Matters), Section 551.076 (Deliberations about Security Devices), or Section 551.087 (Deliberations Regarding Economic Development Negotiations); Section 551.086 (Meeting concerning municipally owned utility-competitive matters);

- a. Review and Consider Lease Agreement for the Range Project.
- b. Review and Consideration of Payment Request from Withum Consulting.

The City Council and the City of Hondo convened into Executive Session at 6:44 p.m.

16. Discuss and consider appropriate action on items resulting from Executive Session.

The City Council of the City of Hondo reconvened out of Executive Session at 7:30 p.m.

No action taken.

17. Adjourn (7:30 p.m.)

Council Member Villa made motion to adjourn: seconded by Council Member Vela. The motion carried by the following vote: AYE: Villa, Ramirez, Williams, Vela, Ytuarte. NAY: None. ABSTAIN: None. ABSENT: None.

PASSED AND APPROVED THIS 26th DAY OF FEBRUARY 2024

JOHN McANELLY, JR., MAYOR

ATTEST:

Stephanie Velasquez, Acting City Secretary



City Council Communication

Title: Police Racial Profile report for January – December 2023 (Justin Soza)

Date: February 26, 2024 **From:** Justin Soza

INFORMATION:

The State of Texas requires all law enforcement agencies to collect and report to the Texas Commission on Law Enforcement and to their governing body the results of traffic stop contacts for compliance with the Texas Racial Profiling statute. The Hondo Police Department Racial Profiling Report was completed and submitted to the state on February 22, 2024. In compliance with statute, we are presenting the report to the Mayor and City Council. The report is publicly available from the Texas Commission on Law Enforcement, and it will also be added to the Hondo Police Department web page for review.

FINANCIAL IMPACT:

None

STAFF RECOMMENDATION:

N/A

MOTION:

N/A

ATTACHMENTS:

1. Racial Profiling Report 2023

STAFF CONTACTS:

Chief Soza

Racial Profiling Report | Full

Agency Name: HONDO POLICE DEPARTMENT
Reporting Date: 02/22/2024
TCOLE Agency Number: 325203

Chief Administrator: JUSTIN R. SOZA

Agency Contact Information:
Phone: (830) 426-5353
Email: jsoza800@hondo-tx.org

Mailing Address:
1030 AVENUE Y
HONDO, TX 78861-3717

This Agency filed a full report

HONDO POLICE DEPARTMENT has adopted a detailed written policy on racial profiling. Our policy:

- 1) clearly defines acts constituting racial profiling;
- 2) strictly prohibits peace officers employed by the HONDO POLICE DEPARTMENT from engaging in racial profiling;
- 3) implements a process by which an individual may file a complaint with the HONDO POLICE DEPARTMENT if the individual believes that a peace officer employed by the HONDO POLICE DEPARTMENT has engaged in racial profiling with respect to the individual;
- 4) provides public education relating to the agency's complaint process;
- 5) requires appropriate corrective action to be taken against a peace officer employed by the HONDO POLICE DEPARTMENT who, after an investigation, is shown to have engaged in racial profiling in violation of the HONDO POLICE DEPARTMENT policy;
- 6) requires collection of information relating to motor vehicle stops in which a warning or citation is issued and to arrests made as a result of those stops, including information relating to:
 - a. the race or ethnicity of the individual detained;
 - b. whether a search was conducted and, if so, whether the individual detained consented to the search;
 - c. whether the peace officer knew the race or ethnicity of the individual detained before detaining that individual;
 - d. whether the peace officer used physical force that resulted in bodily injury during the stop;
 - e. the location of the stop;
 - f. the reason for the stop.
- 7) requires the chief administrator of the agency, regardless of whether the administrator is elected, employed, or appointed, to submit an annual report of the information collected under Subdivision (6) to:
 - a. the Commission on Law Enforcement; and
 - b. the governing body of each county or municipality served by the agency, if the agency is an agency of a county, municipality, or other political subdivision of the state.

The HONDO POLICE DEPARTMENT has satisfied the statutory data audit requirements as prescribed in Article

2.133(c), Code of Criminal Procedure during the reporting period.

Executed by: JUSTIN R. SOZA
CHIEF OF POLICE

Date: 02/22/2024

Total stops: 3790

Street address or approximate location of the stop

City street	1086
US highway	2683
County road	10
State highway	9
Private property or other	2

Was race or ethnicity known prior to stop?

Yes	3785
No	5

Race / Ethnicity

Alaska Native / American Indian	21
Asian / Pacific Islander	15
Black	116
White	1908
Hispanic / Latino	1730

Gender

Female	1360
Alaska Native / American Indian	7
Asian / Pacific Islander	6
Black	32
White	675
Hispanic / Latino	640
Male	2430
Alaska Native / American Indian	14
Asian / Pacific Islander	9
Black	84
White	1233
Hispanic / Latino	1090

Reason for stop?

Violation of law	30
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	2
White	11

Hispanic / Latino	17
Preexisting knowledge	8
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	1
White	1
Hispanic / Latino	6
Moving traffic violation	3162
Alaska Native / American Indian	13
Asian / Pacific Islander	12
Black	95
White	1650
Hispanic / Latino	1392
Vehicle traffic violation	590
Alaska Native / American Indian	8
Asian / Pacific Islander	3
Black	18
White	246
Hispanic / Latino	315
Was a search conducted?	
Yes	118
Alaska Native / American Indian	0
Asian / Pacific Islander	2
Black	7
White	35
Hispanic / Latino	74
No	3672
Alaska Native / American Indian	21
Asian / Pacific Islander	13
Black	109
White	1873
Hispanic / Latino	1656
Reason for Search?	
Consent	37
Alaska Native / American Indian	0
Asian / Pacific Islander	1
Black	1
White	14

Hispanic / Latino	21				
Contraband	0				
Alaska Native / American Indian	0				
Asian / Pacific Islander	0				
Black	0				
White	0				
Hispanic / Latino	0				
Probable	64				
Alaska Native / American Indian	0				
Asian / Pacific Islander	0				
Black	6				
White	14				
Hispanic / Latino	44				
Inventory	7				
Alaska Native / American Indian	0				
Asian / Pacific Islander	0				
Black	0				
White	3				
Hispanic / Latino	4				
Incident to arrest	10				
Alaska Native / American Indian	0				
Asian / Pacific Islander	1				
Black	0				
White	4				
Hispanic / Latino	5				
Was Contraband discovered?					
Yes	52				
		Did the finding result in arrest?			
		(total should equal previous column)			
Alaska Native / American Indian	0	Yes	0	No	0
Asian / Pacific Islander	0	Yes	0	No	0
Black	2	Yes	0	No	2
White	13	Yes	8	No	5
Hispanic / Latino	37	Yes	22	No	15
No	66				
Alaska Native / American Indian	0				
Asian / Pacific Islander	2				
Black	5				
White	22				
Hispanic / Latino	37				

Description of contraband	
Drugs	39
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	8
Hispanic / Latino	31
Weapons	4
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	4
Hispanic / Latino	0
Currency	0
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	0
Hispanic / Latino	0
Alcohol	7
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	1
White	0
Hispanic / Latino	6
Stolen property	0
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	0
Hispanic / Latino	0
Other	10
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	1
White	5
Hispanic / Latino	4
Result of the stop	
Verbal warning	0

Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	0
Hispanic / Latino	0
Written warning	3198
Alaska Native / American Indian	19
Asian / Pacific Islander	12
Black	96
White	1728
Hispanic / Latino	1343
Citation	561
Alaska Native / American Indian	2
Asian / Pacific Islander	2
Black	20
White	172
Hispanic / Latino	365
Written warning and arrest	29
Alaska Native / American Indian	0
Asian / Pacific Islander	1
Black	0
White	8
Hispanic / Latino	20
Citation and arrest	2
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	0
Hispanic / Latino	2
Arrest	0
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	0
Hispanic / Latino	0
Arrest based on	
Violation of Penal Code	26
Alaska Native / American Indian	0
Asian / Pacific Islander	1

Black	0
White	7
Hispanic / Latino	18
Violation of Traffic Law	1
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	0
Hispanic / Latino	1
Violation of City Ordinance	0
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	0
Hispanic / Latino	0
Outstanding Warrant	4
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	1
Hispanic / Latino	3

Was physical force resulting in bodily injury used during stop?

Yes	3
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	2
Hispanic / Latino	1
Resulting in Bodily Injury To:	
Suspect	0
Officer	0
Both	0
No	3787
Alaska Native / American Indian	21
Asian / Pacific Islander	15
Black	116
White	1906
Hispanic / Latino	1729

Number of complaints of racial profiling

Total	0
Resulted in disciplinary action	0
Did not result in disciplinary action	0

Comparative Analysis

Use TCOLE's auto generated analysis	☒
Use Department's submitted analysis	☐

Optional Narrative

N/A

Submitted electronically to the



The Texas Commission on Law Enforcement



City Council Communication

Title: Consideration and approval of the 1st Quarter Investment Report for FY 2024. (Chris Hill)

Date: February 26, 2024 **From:** Chris Hill, Chief Finance Officer

INFORMATION:

In an effort to keep the City Council, staff and public informed of the receipt of quarterly interest earned on the City of Hondo's Investments, the 1st Quarter Investment Report for the Fiscal Year ending September 30, 2024, is presented for review.

FINANCIAL IMPACT:

The City increased earnings very significantly this year by changing investment strategy to TexPool Prime, US Treasuries and High Rate CDs. The quarterly earnings for 1st quarter ended December 31, 2023 was **\$241,688** which is the City's best quarter yet, plus the prior 3 quarters of 2023 of **\$624,160** bringing the total for the Calendar year 2023 to **\$865,848**.

STAFF RECOMMENDATION:

The City Staff recommends approval/acceptance of the 1st Quarter Investment Report for the 3-month period ended December 31, 2023, as presented.

MOTION:

Move to approve the 1st Quarter Investment Report for the fiscal year ending September 30, 2024.

ATTACHMENTS:

1. Dec 31 2023 Quarter Investment report signed

STAFF CONTACTS:

Chris Hill
Chief Finance Officer
chill@hondo-tx.org

John Naron
City Manager
jnaron@hondo-tx.org

City of Hondo
Investment Inventory Report
1st Quarter Report
December 31, 2023



Security	Owner	Avg. Rate/ Yield	Next Maturity	Original Amt.	Ending Balance	Ending Market	QTD Earnings
Water Rights - Owned (Fund 3)	Fund 03	0.00%		\$ 199,540.60	\$ 199,540.60	\$ 199,540.60	
Investment Fund - General	TXN	1.00%	N/A	496,452.17	500,166.94	500,166.94	\$ 3,714.77
Investment Fund - Water & Wastewater	TXN	1.00%	N/A	25,789.38	25,982.35	25,982.35	\$ 192.97
Investment Fund - Sanitation	TXN	1.00%	N/A	9,383.79	9,454.01	9,454.01	\$ 70.22
Investment Fund - Perpetual Care	TXN	1.00%	N/A	6,466.15	6,514.53	6,514.53	\$ 48.38
Investment Fund - General Street Capital Projects	TXN	1.00%	N/A	23,853.06	24,031.54	24,031.54	\$ 178.48
Investment Fund - ARPA	TXN	1.00%	N/A	9,660.43	9,732.72	9,732.72	\$ 72.29
Investment Fund - EDC	TXN	1.00%	N/A	45,438.99	45,778.99	45,778.99	\$ 340.00
Texpool - General Fund	Texpool	5.59%	N/A	4,250,000.00	4,578,813.87	4,578,813.87	\$ 64,007.19
Texpool - Electric	Texpool	5.59%	N/A	1,500,000.00	1,574,340.94	1,574,340.94	\$ 22,007.70
Texpool - Water & Wastewater	Texpool	5.59%	N/A	2,375,000.00	2,506,242.66	2,506,242.66	\$ 35,034.74
Texpool - General Street Capital Projects	Texpool	5.59%	N/A	1,875,000.00	1,880,664.44	1,880,664.44	\$ 26,289.79
CD Investment - EDC	CD - TXN	5.06%	1/15/2024	2,200,000.00	2,255,166.87	2,255,166.87	\$ 35,730.17
CD Investment - General Capital Projects	CD - TXN	5.06%	1/15/2024	1,100,000.00	1,127,623.80	1,127,623.80	\$ 17,865.73
CD Investment - ARPA	CD - TXN	5.06%	1/15/2024	900,000.00	922,568.25	922,568.25	\$ 14,616.89
CD Investment - Water and Wastewater	CD - TXN	5.06%	1/15/2024	500,000.00	512,968.54	512,968.54	\$ 8,127.32
CD Investment - Sanitation	CD - TXN	5.06%	1/15/2024	300,000.00	307,522.75	307,522.75	\$ 4,872.30
CD Investment - General Fund	CD - TXN	5.25%	1/4/2024	750,000.00	8,917.81	8,917.81	\$ 2,187.50
CD Investment - Water and Wastewater	CD - TXN	5.25%	1/4/2024	500,000.00	528,753.66	528,753.66	\$ 6,189.91
CD Investment - Perpetual Care Fund	CD - TXN	5.25%	1/4/2024	750,000.00	-	-	\$ -
CD Investment - General Capital Projects	CD - TXN	5.25%	1/4/2024	750,000.00	-	-	\$ -
TOTAL Investments and Interest Earnings				\$ 18,117,043.96	\$ 16,825,244.67	\$ 16,825,244.67	\$ 241,687.64

WEIGHTED AVERAGE MATURITY (Interest Bearing Only)	BOOK VALUE	DAYS TO MAT.
Texpool Prime	\$ 10,540,062	37
TXN CD (No penalty early withdrawal)		

Fund Totals of Investments	
General Fund	30.19%
Perpetual Care	3.18%
Gen. Street Cap Proj.	18.02%
Water & Wastewater	18.15%
EDC	13.68%
Sanitation	1.88%
ARPA	5.54%
Electric	9.36%
INVESTMENT TOTALS	\$ 16,825,244.67

This report is in compliance with the City's Investment Policy Section V, and the Reporting and Texas Government Code Section 2256.023.

Chris Hill

Christopher Hill, Chief Financial Officer



City Council Communication

Title: Consideration and approval of the 1st Quarter Financial Report for FY 2024. (Chris Hill)

Date: February 26, 2024 **From:** Chris Hill, Chief Finance Officer

INFORMATION:

To keep the City Council, staff and public informed of the receipt of revenues and expenditures of budgeted funds, the UNAUDITED 1st Quarter Financial Report is presented for review. Since these accounts have yet to be audited, they are subject to change by the City's audit firm.

Please see the attached financial report for December 31, 2023

FINANCIAL IMPACT:

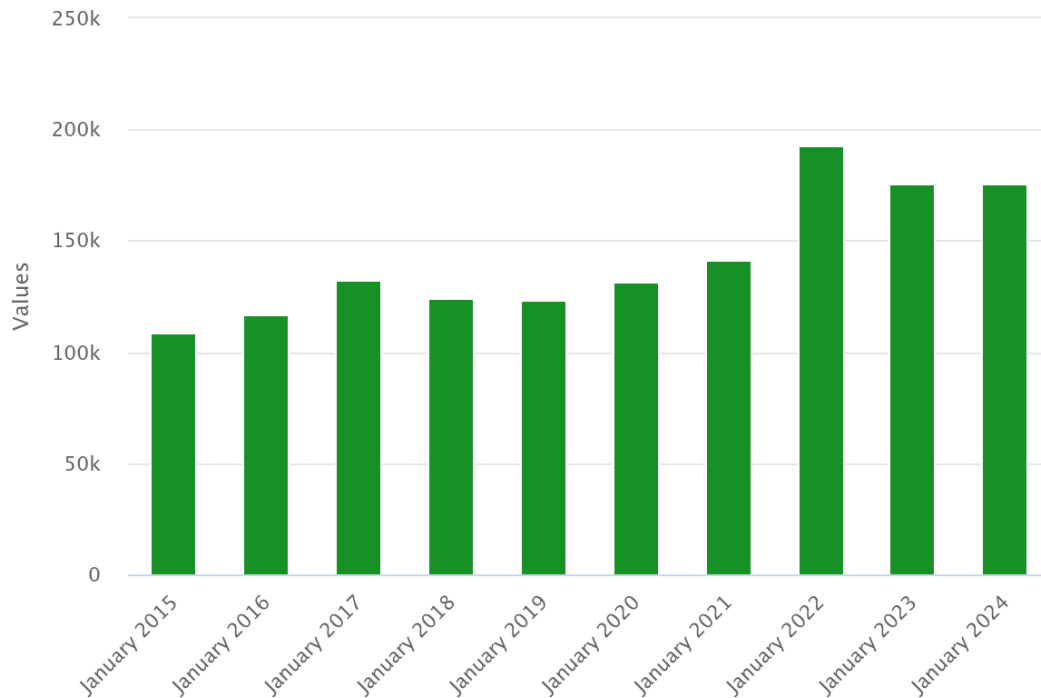
Sales tax is right on budget so far through the first quarter at 25.85% of budgeted amount.

Sales Tax Analysis:

Sales taxes flat in January

Sales tax collections for the month of January totaled \$175,850.14. This represents an increase of 0.11%, or \$188, compared to last year. Through January, sales tax collections are up \$43,993, or 6.72%, from the prior year, and at \$178,998, the 12-month moving average is 8.60% higher than this time last year.

The chart below shows the past 10 years of sales tax allocations for the month of January.



Water, sewer, and electric revenues are trending at budget and should be able to hit or be close to budget with the summer months still upcoming. Most of the property tax collections will come in January and February 2024.

STAFF RECOMMENDATION:

The City Staff recommends acceptance of the 1st Quarter Financial Report for the Fiscal Year ended September 30, 2024, as presented.

MOTION:

Approve the 1st Quarter Financial Report for the Fiscal Year ended September 30, 2024, as presented.

ATTACHMENTS:

1. Budget Report - December 31 2023
2. City of Hondo Quarterly Financial Dashboard CH

STAFF CONTACTS:

Chris Hill
Chief Finance Officer
chill@hondo-tx.org

John Naron
City Manager
jnaron@hondo-tx.org



February 26, 2024

Mayor and Member of City Council
City of Hondo, Texas

We are pleased to present the first quarter budget report for the City of Hondo, Texas. The attached schedules reflect activity for the 3-month period ending December 31, 2023. This report reflects the first 3 months of the fiscal year or 25% of the year (for analysis please compare % of Budget to 25%) All the debt service payments were not due until after the end of the first quarter, so the expenditures are below YTD budget amounts. Detailed fund summaries are included in this document.

This report is based upon the accounting records of the City of Hondo, Texas Finance Department.

General Fund

As the primary operating fund for the City, the General Fund accounts for revenues dedicated to general government activities. These revenues, primarily made up of taxes and fees, fund general administration, public safety, parks, recreation and public works functions. As of December 31, 2023, the general fund was at 27.66% of its budgeted revenues for the year. 17% of the property tax has been collected and we expect the majority of the remaining taxes in January and February 2024. Sales tax is relatively flat this year to budget. The city has received its loan proceeds and have collected 20% of its user fees to date.

Expenditures in the general fund are trending under budget at 24.27%. The departments trending over budget are due to larger capital expenditures in first quarter and will meet budget by year end.

As of December 31, 2023, the City reported a \$393,908 surplus in the general fund due to several departments trending under budget in expenditures and unspent capital project funds.

Bond and Sinking Fund

This fund receives an allocation of the property tax levy and debt payment reimbursements from the Economic Development Corporation and Utility Funds (Electric, Water/Wastewater and Airport). These resources are used to fund principal and interest payments on outstanding debt. Property taxes received were 16.44% of budget. No principal or interest payments were due as of December 31, 2023. This fund projects to finish breakeven for the year.

Electric Fund

The Electric Fund accounts for the fees received and the cost of service to the electricity customers of Hondo.

Expenses are under budget for fiscal year 2023/2024 in the Electric fund. Revenue is currently at budget with the seasonal variations expected. Expenditures were below budget at 22.36% primarily due the capital items that have not yet been delivered.

Water and Wastewater Fund

The Water/Wastewater Fund accounts for the fees received to fund the cost of water and wastewater services in Hondo. Water and wastewater revenue are trending slightly under budget for the year due to seasonal fluctuations and grant funds not yet received or 20% of their budgeted amounts. Expenditures are under budgeted amounts at 19% due to projects and grants. The fund is currently showing a small surplus of \$77,423 compared to budget.

Airport Fund

The City of Hondo Airport fund accounts for the activities of the South Texas Regional Airport and the related property given to the City by the War Assets Department in 1948. Revenue for annual farm land lease was received in first quarter and additional lease of water rights increased revenue. The Demolition expenses and offsetting insurance proceeds were completed in this quarter. The fund is currently showing a surplus of \$144,574 over budget due to water lease to Water Fund and farm land lease.

Sanitation Fund

This fund accounts for the user charges to residential and commercial customers that finances the cost of this service. The collection and disposal services are performed under contract.

This fund at the end of three months is showing revenues and expenses right on budget at 25%.

Economic Development Corporation

The Hondo EDC is a 4B Type Corporation established for the creation and retention of new or expanded business enterprises that create or retain primary jobs. The Corporation is also authorized to fund the maintenance and operating expenses of eligible projects.

The EDC collected 28% of budgeted sales tax for fiscal year 2023/2024. Interest/Investment revenue is currently above budget 28% and staff expects this to continue for the remainder of the year. EDC has a surplus of \$30,660 due to \$27,773 of investment income.

As always, we welcome your comments and questions.



1st QUARTER BUDGET REPORT
CITY OF HONDO

December 31, 2023

City of Hondo
Fiscal Year Overview: FY24
Period Ending: December 31, 2023



General Fund

Revenue Summary

Past 12 Months	Budget	YTD	% of Budget
Property Tax	1,321,032	223,836	16.94%
Sales Tax	1,350,000	348,524	25.82%
User Fees	1,069,122	209,351	19.58%
Transfers	6,360,066	1,429,535	22.48%
Loan Proceeds	880,952	327,041	37.12%
Sale of Assets	20,000	160	0.80%
Grants	548,322	568,214	103.63%
Other Revenue	68,800	107,021	155.55%
Total Revenue	11,618,293	3,213,682	27.66%

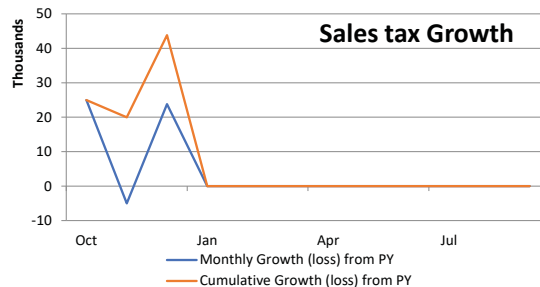
Key Revenue Sources

Past 12 Months	Budget	YTD	% of Budget
Sales Tax	1,350,000	348,524	25.82%
Property Tax	1,321,032	223,836	16.94%
Court Fines & Fees	60,000	10,832	18.05%
Building & Permits	202,500	22,561	11.14%
Recreation Fees	75,000	10,517	14.02%
Golf Course	75,000	13,615	18.15%
Interest Income	300,000	84,611	28.20%

Expenditure Summary

Past 12 Months	Budget	YTD	% of Budget
Council	46,600	10,368	22.25%
Administration	1,100,841	132,768	12.06%
Tax	39,583	8,521	21.53%
Finance	390,843	77,042	19.71%
Police	3,050,258	642,799	21.07%
Legal & Courts	221,117	42,491	19.22%
Emergency Services	15,846	9,740	61.47%
Animal Control	216,863	32,747	15.10%
Streets	1,309,636	508,380	38.82%
Library	446,344	112,321	25.16%
Parks	891,030	169,629	19.04%
Facilities Division	552,136	103,873	18.81%
Recreation	816,671	125,045	15.31%
Golf Course	347,860	62,703	18.03%
Development Services	474,141	143,256	30.21%
City Secretary	129,587	7,632	5.89%
Non-profits	21,880	10,345	47.28%
Public Works	317,107	51,994	16.40%
Human Resources	116,120	21,457	18.48%
Information Technology	672,382	211,545	31.46%
Grants	441,450	335,117	75.91%
Total Expenditures	11,618,294	2,819,774	24.27%

Budget Surplus/Deficit (0) 393,908



Property Tax Breakdown (M&O & I&S)

Original Roll	2,031,221
YTD Collections	340,616
% of Roll Collected	16.77%
Uncollected Balance	1,690,606

City of Hondo, Texas
Electric Fund
Statement of Revenues and Expenses
Budget to Actual

December 31, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Residential	4,250,000	1,062,500	1,038,185	(24,315)	24.43%
Commercial	4,368,000	1,092,000	1,206,511	114,511	27.62%
Industrial	700,000	175,000	169,941	(5,059)	24.28%
Penalties	100,000	25,000	34,890	9,890	34.89%
New Installs	25,000	6,250	15,082	8,832	60.33%
Loan Proceeds	350,000	87,500	-	(87,500)	0.00%
Other	92,861	23,215	34,423	11,207	37.07%
Total Revenues	9,885,861	2,471,465	2,499,032	27,567	25.28%
Expenses					
Personnel	772,109	193,027	121,526	(71,501)	15.74%
Supplies	502,150	125,538	26,353	(99,184)	5.25%
Other Services	5,152,291	1,288,073	1,294,301	6,228	25.12%
Capital Outlay	387,000	96,750	-	(96,750)	0.00%
Debt Service	84,073	21,018	21,018	0	25.00%
Transfers	2,988,238	747,060	747,060	-	25.00%
Total Expenses	9,885,861	2,471,465	2,210,258	(261,208)	22.36%
Revenue over (under) expense	-	-	288,774	288,774	

City of Hondo, Texas
Water & Wasterwater Fund
Statement of Revenues and Expenses
Budget to Actual

December 31, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Operating Revenues					
Water					
Revenue	3,450,000	862,500	816,884	(45,616)	23.68%
EAA Aquifer Management	275,000	68,750	66,796	(1,954)	24.29%
Other Fees	118,927	29,732	43,088	13,356	36.23%
Wastewater					
Revenue	1,530,000	382,500	367,884	(14,616)	24.04%
Other Fees	27,500	6,875	6,450	(425)	23.45%
Interest	165,000	41,250	41,801	551	25.33%
Transfer in - Fund Balance	1,073,662	268,415	268,415	(0)	25.00%
Grants	1,297,688	324,422	-	(324,422)	0.00%
Total Revenues	7,937,777	1,984,444	1,611,318	(373,127)	20.30%
Expenses					
Water					
Personnel	584,723	146,181	117,708	(28,472)	20.13%
Supplies	297,650	74,413	50,291	(24,121)	16.90%
Other Services	467,275	116,819	87,429	(29,390)	18.71%
Capital Outlay	399,498	99,875	209,802	109,927	52.52%
Debt Service	570,384	142,596	142,596	0	25.00%
Transfers	1,556,365	389,091	389,091	0	25.00%
Total Water	3,875,895	968,974	996,917	27,943	25.72%
Wastewater					
Personnel	404,014	101,003	79,629	(21,374)	19.71%
Supplies	257,950	64,488	55,243	(9,244)	21.42%
Other Services	198,300	49,575	38,099	(11,476)	19.21%
Capital Outlay	375,000	93,750	58,337	(35,413)	15.56%
Transfers	879,995	219,999	219,999	(0)	25.00%
Total Wastewater	2,115,258	528,815	451,307	(77,508)	21.34%
Utility Billing					
Personnel	249,802	62,450	49,566	(12,885)	19.84%
Supplies	22,800	5,700	1,967	(3,733)	8.63%
Other Services	90,823	22,706	23,599	893	25.98%
Total Utility Billing	363,425	90,856	75,131	(15,725)	20.67%
Grants					
CDBG Grants	312,500	78,125	-	(78,125)	0.00%
Capital Outlay	68,000	17,000	8,250	(8,750)	12.13%
TWDB Projects	1,202,700	300,675	2,289	(298,386)	0.19%
Total Expenses	7,937,777	1,984,444	1,533,894	(347,950)	19.32%
Revenue over (under) expense	-	-	77,423	(25,177)	

City of Hondo, Texas
 Airport Fund
 Statement of Revenues and Expenses
 Budget to Actual

December 31, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Aviation					
Fuel	420,000	105,000	115,821	10,821	27.58%
Hangars	369,321	92,330	93,785	1,455	25.39%
Other	42,682	10,671	6,948	(3,722)	16.28%
Non-Aviation					
Other	175,168	43,792	152,291	108,499	86.94%
Transfer in - Fund Balance	-	-	166,841		
Grants	100,000	25,000	-	(25,000)	0.00%
Total Revenues	1,107,171	276,793	535,686	92,052	48.38%
Expenses					
Personnel	390,516	97,629	79,497	(18,132)	20.36%
Supplies	336,800	84,200	98,396	14,196	29.21%
Other Services	136,100	34,025	182,464	148,439	134.07%
Debt Service	56,315	14,079	4,093	(9,986)	7.27%
Transfers	44,791	11,198	11,198	-	25.00%
Grants	111,111	27,778	15,463	(12,314)	13.92%
Total Expenses	1,075,633	268,908	391,111	122,203	36.36%
Revenue over (under) expense	31,538	7,884	144,574	(30,151)	

City of Hondo, Texas
Sanitation Fund
Statement of Revenues and Expenses
Budget to Actual

December 31, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Charges for Services					
Residential	700,000	175,000	178,559	3,559	25.51%
Commercial	850,000	212,500	223,160	10,660	26.25%
Penalties	14,000	3,500	4,005	505	28.61%
Miscellaneous	500	125	126	1	25.16%
Interest	25,000	6,250	3,764	(2,486)	15.06%
Total Revenues	1,589,500	397,375	409,614	12,239	25.77%
Expenses					
Services					
Residential	600,000	150,000	152,867	2,867	25.48%
Commercial	830,000	207,500	207,212	(288)	24.97%
Tires and TV Pickups	5,000	1,250	1,800	550	36.00%
Transfers	154,500	38,625	38,625	-	25.00%
Total Expenses	1,589,500	397,375	400,504	3,129	25.20%
Revenue over (under) expense	-	-	9,109	9,109	

City of Hondo, Texas
Bond Interest and Sinking Fund
Statement of Revenues and Expenditures
Budget to Actual

December 31, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Property Tax	710,190	177,547	116,780	(60,768)	16.44%
Transfers In					
EDC	133,823	33,456	33,456	-	25.00%
Electric Fund	84,073	21,018	21,018	0	25.00%
Water Fund	570,385	142,596	142,596	(0)	25.00%
Airport Fund	16,373	4,093	4,093	0	25.00%
Total Revenues	1,514,844	378,711	317,943	(60,768)	20.99%
Expenditures					
Principal Retirements					
2014 Refunding	181,000	45,250	-	(45,250)	0.00%
2016 CO	140,000	35,000	-	(35,000)	0.00%
2015 CO	235,000	58,750	-	(58,750)	0.00%
2017 CO	255,000	63,750	-	(63,750)	0.00%
2021 CO	75,000	18,750	-	(18,750)	(18,750)
2021 EDC Sales Tax	65,000	16,250	-	(16,250)	(16,250)
2022 Tax Notes	95,000	23,750	-	(23,750)	(23,750)
2022A Tax Notes	110,000	27,500	-	(27,500)	(27,500)
Interest					
Miscellaneous (payment to escrow)	2,800	700	-	(700)	0.00%
2014 Refunding	8,682	2,171	-	(2,171)	0.00%
2016 CO	60,252	15,063	-	(15,063)	0.00%
2015 CO	20,962	5,240	-	(5,240)	0.00%
2017 CO	97,621	24,405	-	(24,405)	0.00%
2021 CO	107,025	26,756	-	(26,756)	0.00%
2021 EDC Sales Tax	9,050	2,263	-	(2,263)	0.00%
2022 Tax Notes	9,266	2,316	-	(2,316)	0.00%
2022A Tax Notes	43,187	10,797	-	(10,797)	0.00%
Total Expenditures	1,514,844	378,711	-	(378,711)	0.00%
Revenue over (under) expenditures	-	-	317,943	317,943	

City of Hondo, Texas
Court Technology/Security Fund
Statement of Revenues and Expenses
Budget to Actual

December 31, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Court Security Fee	1,200	300	18	(282)	1.50%
Court Technology Fees	1,700	425	24	(401)	1.41%
Interest Revenue	500	125	-	(125)	0.00%
Total Revenues	3,400	850	42	(808)	1.24%
Expenses					
Other Services	3,400	850	-	(850)	0.00%
Total Expenses	3,400	850	-	(850)	0.00%
Revenue over (under) expenses	-	-	42	42	

City of Hondo, Texas
 Perpetual Care Fund
 Statement of Revenues and Expenses
 Budget to Actual

December 31, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Revenues	20,000	5,000	5,100	100	25.50%
Interest Revenue	1,000	250	5,322		
Transfer in - Fund Balance	40,000	10,000	-	(10,000)	0.00%
Total Revenues	61,000	15,250	10,422	(9,900)	17.09%
Expenses					
Mowing Fees to General Fund	40,000	10,000	10,000	-	25.00%
Bank Fees	-	-	-	-	0.00%
Cemetery Cleanup	1,000	250	-		
Lawn Mower	20,000	5,000	-	(5,000)	0.00%
Total Expenses	61,000	15,250	10,000	(5,000)	16.39%
Revenue over (under) expenses	-	-	422	(4,900)	

City of Hondo, Texas
General Capital Projects
Statement of Revenues and Expenses
Budget to Actual

December 31, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Interest Revenue	-	-	41,490	41,490	0.00%
Transfer In	2,500,000	625,000	1,753,065	1,128,065	70.12%
Total Revenues	2,500,000	625,000	1,794,555	1,169,555	71.78%
Expenses					
Street Improvements	2,500,000	625,000	1,753,065	1,128,065	70.12%
Total Expenses	2,500,000	625,000	1,753,065	1,128,065	70.12%
Revenue over (under) expenses	-	-	41,490	41,490	

City of Hondo, Texas
Economic Development Corporation
Statement of Revenues and Expenses
Budget to Actual

December 31, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Sales Tax	625,000	156,250	174,262	18,012	27.88%
Miscellaneous	315,557	78,889	147,857	68,967	46.86%
Interest Revenue	98,095	24,524	27,773	3,249	28.31%
Total Revenues	1,038,652	259,663	349,892	90,229	33.69%
Expenses					
Personnel	260,105	65,026	38,325	(26,702)	14.73%
Supplies	6,000	1,500	87	(1,413)	1.46%
Other Services	638,724	159,681	247,365	87,684	38.73%
Debt Service	133,823	33,456	33,456	-	25.00%
Total Expenses	1,038,652	259,663	319,232	59,569	30.74%
Revenue over (under) expenses	-	-	30,660	30,660	

City of Hondo, Texas
South Texas Regional Training Center
Statement of Revenues and Expenses
Budget to Actual

December 31, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
SWTJC Rent	49,405	12,351	12,351	(0)	25.00%
Alamo Workforce Office Lease	23,747	5,937	5,937	(0)	25.00%
Monthly Utility	10,068	2,517	2,106	(411)	20.91%
Admin Services & Support	20,280	5,070	5,070	-	25.00%
Miscellaneous	24,650	6,163	5,240	(923)	21.26%
Transfers	85,000	21,250	21,250	-	25.00%
Total Revenues	213,150	53,288	51,954	(1,334)	24.37%
Expenses					
Personnel	133,893	33,473	20,302	(13,171)	15.16%
Supplies	7,700	1,925	679	(1,246)	8.82%
Other Services	65,285	16,321	8,147	(8,175)	12.48%
Capital Outlay	6,272	1,568	-	(1,568)	0.00%
Total Expenses	213,150	53,288	29,129	(24,159)	13.67%
Revenue over (under) expenses	-	-	22,825	22,825	

City of Hondo, Texas
Hotel/Motel Tax Fund
Statement of Revenues and Expenses
Budget to Actual

December 31, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Hotel/Motel Tax Revenues	135,000	33,750	29,846	(3,904)	22.11%
Interest Revenue	-	-	-	-	0.00%
Total Revenues	135,000	33,750	29,846	(3,904)	22.11%
Expenses					
Hondo Chamber of Commerce	65,000	16,250	16,250	-	25.00%
Medina County Museum	7,500	1,875	1,875	-	25.00%
Rodeo Association	10,000	2,500	2,500	-	25.00%
Medina Livestock Assoc	5,000	1,250	1,250	-	25.00%
Transfers	47,500	11,875	-	(11,875)	0.00%
Total Expenses	135,000	33,750	21,875	(11,875)	16.20%
Revenue over (under) expenses	-	-	7,971	7,971	

City of Hondo, Texas
Water Resource Fund
Statement of Revenues and Expenses
Budget to Actual

December 31, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Water Resource Revenues	30,000	7,500	7,818	318	26.06%
Interest Revenue	-	-	-	-	0.00%
Total Revenues	30,000	7,500	7,818	318	26.06%
Expenses					
Transfers	30,000	7,500	64,747	57,247	215.82%
Total Expenses	30,000	7,500	64,747	57,247	215.82%
Revenue over (under) expenses	-	-	(56,929)	(56,929)	

City of Hondo, Texas
Fair Hall & Livestock
Statement of Revenues and Expenses
Budget to Actual

December 31, 2023

	Budget	YTD Budget	YTD Actual	Variance	% of Budget
Revenues					
Fair Building Rental	32,500	8,125	5,750	(2,375)	17.69%
Fair Building Deposits	-	-	567	567	0.00%
Interest Income	-	-	-	-	0.00%
Transfers	47,500	11,875	-	(11,875)	0.00%
Total Revenues	80,000	20,000	6,317	(13,683)	7.90%
Expenses					
Personnel	-	-	-	-	0.00%
Supplies	59,000	14,750	7,917	(6,833)	13.42%
Other Services	21,000	5,250	3,456	(1,794)	16.45%
Total Expenses	80,000	20,000	11,373	(8,627)	14.22%
Revenue over (under) expenses	-	-	(5,055)	(5,055)	



City Council Communication

Title: Discuss and consider possible approval of Ordinance 1283-02-24 authorizing the issuance of the City's Combination Tax and Revenue Certificates of Obligation, Series 2024 in an amount not to exceed \$11,300,000; providing payment thereof by the levy of an Ad Valorem Tax and further secured by a lien of the pledged revenues of the system; and other matters in connection therewith (John Naron and Chris Hill)

Date: February 26, 2024 **From:** Chris Hill, Chief Finance Officer

INFORMATION:

The City Staff and Samco Capital have completed the City's first credit rating.

S&P Global Ratings assigned its 'A+' underlying rating to Hondo, Texas' estimated \$11.3 million series 2024 combination tax revenue certificates of obligation (COs).
with with stable outlook.

FINANCIAL IMPACT:

No impact to the total tax rate. The I&S rate will increase and the M&O rate will decrease.

STAFF RECOMMENDATION:

Staff recommends to approve the issuance of the Obligations at a competitive sale.

MOTION:

I move to approve the City's Certificate of Obligation Ordinance 1283-02-24.

ATTACHMENTS:

1. HONDO CO ORDINANCE 2024
2. SP Confidential Draft Report - Hondo TX

STAFF CONTACTS:

Chris Hill
Chief Finance Officer
chill@hondo-tx.org

John Naron
City Manager
jnaron@hondo-tx.org

ORDINANCE NO. 1283-02-24

AN ORDINANCE AUTHORIZING THE ISSUANCE OF “CITY OF HONDO, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024”; PROVIDING FOR THE PAYMENT OF SAID CERTIFICATES BY THE LEVY OF AN AD VALOREM TAX UPON ALL TAXABLE PROPERTY WITHIN THE CITY AND FURTHER SECURING SAID CERTIFICATES BY A LIEN ON AND PLEDGE OF THE PLEDGED REVENUES OF THE SYSTEM; PROVIDING THE TERMS AND CONDITIONS OF SAID CERTIFICATES AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SAID CERTIFICATES; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT AND AN OFFICIAL BID FORM; COMPLYING WITH THE REQUIREMENTS OF THE LETTER OF REPRESENTATIONS PREVIOUSLY EXECUTED WITH THE DEPOSITORY TRUST COMPANY; AUTHORIZING THE EXECUTION OF ANY NECESSARY ENGAGEMENT AGREEMENT WITH THE CITY’S FINANCIAL ADVISOR; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the City Council of the City of Hondo, Texas (the *City* or the *Issuer*) has caused notice to be given of its intention to issue certificates of obligation in the maximum principal amount of \$ _____ for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage improvements and landscaping incidental thereto, (2) designing, acquiring, constructing, renovating, improving, equipping, repairing, enlarging, and/or extending the City’s facilities, including the City’s existing Fair Hall and airport, as well as necessary capital maintenance and utilities relocation, drainage, and landscaping necessary or incidental thereto, (3) designing, acquiring, constructing, renovating, improving, equipping, repairing, enlarging, and/or extending the City’s utility system, including the acquisition of various water rights, (4) acquiring, purchasing, constructing, renovating, improving, equipping, repairing, enlarging and/or extending City community parks and recreation facilities that are generally accessible to the public and is part of the City’s park system, (5) purchasing real property, materials, supplies, equipment, information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements, and (6) the payment of professional services related to the acquisition, design, construction, project management, and financing of the aforementioned projects (collectively, the *Projects*), and for paying all or a portion of the legal, financial and engineering fees in connection with the Projects and the costs of issuance related to such hereinafter defined Certificates. The notice has been duly published in a newspaper hereby found and determined to be of general circulation in the City, once a week for two (2) consecutive weeks, the date of the first publication of such notice being not less than forty-five (45) days prior to the tentative date stated therein for the passage of the ordinance authorizing the issuance of such certificates of obligation, and the notice was also posted with the City’s website continuously for at least forty-five (45) days before the date set for the passage of this Ordinance; and

WHEREAS, no petition protesting the issuance of the certificates of obligation described in this notice, signed by at least 5% of the qualified voters of the City, has been presented to or filed with the City Secretary prior to the date tentatively set in such notice for the passage of this Ordinance; and

WHEREAS, the City Council hereby finds and determines that the issuance of the certificates of obligation, under the terms herein specified, is in the best interests of the City and its residents; and

WHEREAS, the City Council hereby finds and determines that certificates of obligation in the principal amount of \$_____ described in such notice should be issued and sold at this time; now, therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HONDO, TEXAS THAT:

SECTION 1: Authorization - Designation - Principal Amount - Purpose. The certificates of obligation of the City shall be and are hereby authorized to be issued in the aggregate principal amount of _____ AND NO/100 DOLLARS (\$_____), to be designated and bear the title of "CITY OF HONDO, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024" (the *Certificates*), for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage improvements and landscaping incidental thereto, (2) designing, acquiring, constructing, renovating, improving, equipping, repairing, enlarging, and/or extending the City's facilities, including the City's existing Fair Hall and airport, as well as necessary capital maintenance and utilities relocation, drainage, and landscaping necessary or incidental thereto, (3) designing, acquiring, constructing, renovating, improving, equipping, repairing, enlarging, and/or extending the City's utility system, including the acquisition of various water rights, (4) acquiring, purchasing, constructing, renovating, improving, equipping, repairing, enlarging and/or extending City community parks and recreation facilities that are generally accessible to the public and is part of the City's park system, (5) purchasing real property, materials, supplies, equipment, information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements, and (6) the payment of professional services related to the acquisition, design, construction, project management, and financing of the aforementioned Projects, and for paying all or a portion of the legal, financial and engineering fees in connection with the Projects and the costs of issuance related to such hereinafter defined Certificates, pursuant to the authority conferred by and in conformity with the general laws of the State of Texas, particularly the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code Section 271.041 through Section 271.064, Chapter 1502, as amended, Texas Government Code, and the City's Home Rule Charter.

SECTION 2: Fully Registered Obligations - Authorized Denominations – Stated Maturities - Interest Rates - Certificate Date. The Certificates are issuable in fully registered form only; shall be dated February 15, 2024 (the *Certificate Date*) and shall be issued in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity) thereof, and the Certificates

shall become due and payable on February 1 in each of the years and in principal amounts (the *Stated Maturities*) and bear interest on the unpaid principal amounts, from the Bond Date, or from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, at the per annum rates, while Outstanding, in accordance with the following schedule:

<u>Years of Stated Maturity</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		
2039		
2040		
2041		
2042		
2043		
2044		

The Certificates shall bear interest on the unpaid principal amounts from the Bond Date (anticipated to occur on or about March 27, 2024), or from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, to Stated Maturity or prior redemption, while Outstanding, at the rates per annum shown in the above schedule (calculated on the basis of a 360-day year of twelve 30-day months). Interest on the Certificates shall be payable on February 1 and August 1 in each year (each, an *Interest Payment Date*), commencing February 1, 2025.

SECTION 3: Payment of Certificates - Paying Agent/Registrar. The principal of, premium, if any, and interest on the Certificates, due and payable by reason of Stated Maturity, redemption, or otherwise, shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and such payment of principal of, premium if any, and interest on the Certificates shall be without exchange or collection charges to the Holder (hereinafter defined) of the Certificates.

The selection and appointment of BOKF, NA, Dallas, Texas (the *Paying Agent/Registrar*) to serve as the initial Paying Agent/Registrar, for the Certificates is hereby approved and confirmed, and the City agrees and covenants to cause to be kept and maintained at the corporate

trust office of the Paying Agent/Registrar books and records (the *Security Register*) for the registration, payment and transfer of the Certificates, all as provided herein, in accordance with the terms and provisions of a Paying Agent/Registrar Agreement, attached, in substantially final form, as Exhibit A hereto, and such reasonable rules and regulations as the Paying Agent/Registrar and City may prescribe. The City covenants to maintain and provide a Paying Agent/Registrar at all times while the Certificates are Outstanding, and any successor Paying Agent/Registrar shall be (i) a national or state banking institution or (ii) an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers. The Paying Agent/Registrar shall be subject to supervision or examination by federal or state authority and authorized by law to serve as a Paying Agent/Registrar.

The City reserves the right to appoint a successor Paying Agent/Registrar upon providing the previous Paying Agent/Registrar with a certified copy of a resolution or ordinance terminating such agency. Additionally, the City agrees to promptly cause a written notice of this substitution to be sent to each Holder of the Certificates by United States mail, first-class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of, premium, if any, and interest on the Certificates, due and payable by reason of Stated Maturity, redemption, or otherwise, shall be payable only to the registered owner of the Certificates (the *Holder* or *Holders*) appearing on the Security Register maintained on behalf of the City by the Paying Agent/Registrar as hereinafter provided (i) on the Record Date (hereinafter defined) for purposes of payment of interest thereon, (ii) on the date of surrender of the Certificates for purposes of receiving payment of principal thereof upon redemption of the Certificates or at the Certificates' Stated Maturity, and (iii) on any other date for any other purpose. The City and the Paying Agent/Registrar, and any agent of either, shall treat the Holder as the owner of a Certificate for purposes of receiving payment and all other purposes whatsoever, and neither the City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary.

Principal of and premium, if any, on the Certificates, shall be payable only upon presentation and surrender of the Certificates to the Paying Agent/Registrar at its corporate trust office. Interest on the Certificates shall be paid to the Holder whose name appears in the Security Register at the close of business on the fifteenth day of the month next preceding an Interest Payment Date for the Certificates (the *Record Date*) and shall be paid (i) by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, by the Paying Agent/Registrar, to the address of the Holder appearing in the Security Register, or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by the Holder at the Holder's risk and expense.

If the date for the payment of the principal of, premium, if any, or interest on the Certificates shall be a Saturday, a Sunday, a legal holiday, or a day on which banking institutions in the city where the corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a day. The payment on such date shall have the same force and effect as if made on the original date any such payment on the Certificates was due.

In the event of a non-payment of interest on a scheduled payment date, and for thirty (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 fifteen (15) days after the Special Record Date) shall be sent at least five (5) 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 Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

SECTION 4: Redemption.

A. Optional Redemption. The Certificates having Stated Maturities on and after February 1, 2034 shall be subject to redemption prior to Stated Maturity, at the option of the City, on February 1, 2033, or on any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date of redemption.

B. Exercise of Redemption Option. At least forty-five (45) days prior to a date set for the redemption of Certificates (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the City shall notify the Paying Agent/Registrar of its decision to exercise the right to redeem Certificates, the principal amount of each Stated Maturity to be redeemed, and the date set for the redemption thereof. The decision of the City to exercise the right to redeem Certificates shall be entered in the minutes of the governing body of the City.

C. Selection of Certificates for Redemption. If less than all Outstanding Certificates of the same Stated Maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall select at random and by lot the Certificates to be redeemed, provided that if less than the entire principal amount of a Certificate is to be redeemed, the Paying Agent/Registrar shall treat such Certificate then subject to redemption as representing the number of Certificates Outstanding which is obtained by dividing the principal amount of such Certificate by \$5,000.

D. Notice of Redemption. Not less than thirty (30) days prior to a redemption date for the Certificates, the Paying Agent/Registrar shall cause a notice of redemption to be sent by United States mail, first-class postage prepaid, in the name of the City and at the City's expense, by the Paying Agent/Registrar to each Holder of a Certificate to be redeemed, in whole or in part, at the address of the Holder appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Holder. This notice may also be published once in a financial publication, journal, or reporter of general circulation among securities dealers in the City of New York, New York (including, but not limited to, *The Bond Buyer* and *The Wall Street Journal*), or in the State of Texas (including, but not limited to, *The Texas Bond Reporter*).

All notices of redemption shall (i) specify the date of redemption for the Certificates, (ii) identify the Certificates to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Certificates, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Certificates, or the principal amount thereof to be redeemed, shall be made at the corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Holder.

If a Certificate is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as herein provided, such Certificate (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and if money sufficient for the payment of such Certificates (or of the principal amount thereof to be redeemed) at the then applicable redemption price is held for the purpose of such payment by the Paying Agent/Registrar, then on the redemption date designated in such notice, interest on the Certificates (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue and such Certificates shall not be deemed to be Outstanding in accordance with the provisions of this Ordinance.

E. Transfer/Exchange of Certificates. Neither the City nor the Paying Agent/Registrar shall be required (1) to transfer or exchange any Certificate during a period beginning forty-five days prior to the date fixed for redemption of the Certificates, or (2) to transfer or exchange any Certificate selected for redemption, provided, however, such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance of a Certificate which is subject to redemption in part.

SECTION 5: Execution - Registration. The Certificates shall be executed on behalf of the City by its Mayor or Mayor Pro-Tem under the seal of the City reproduced or impressed thereon and attested by its City Secretary. The signature of any of said officers on the Certificates may be manual, electronic or facsimile. Certificates bearing the manual, electronic, or facsimile signatures of individuals who were, at the time of the Certificate Date, the proper officers of the City shall bind the City, notwithstanding that such individuals or either of them shall cease to hold such offices prior to the delivery of the Certificates to the Purchasers (hereinafter defined), all as authorized and provided in Chapter 1201, as amended, Texas Government Code.

No Certificate shall be entitled to any right or benefit under this Ordinance, or be valid or obligatory for any purpose, unless there appears on such Certificate either a certificate of registration substantially in the form provided in Section 8C, executed by the Comptroller of Public Accounts of the State of Texas or his duly authorized agent by manual signature, or a certificate of registration substantially in the form provided in Section 8D, executed by the Paying Agent/Registrar by manual signature, and either such certificate upon any Certificate shall be conclusive evidence, and the only evidence, that such Certificate has been duly certified or registered and delivered.

SECTION 6: Registration - Transfer - Exchange of Certificates - Predecessor Certificates.
The Paying Agent/Registrar shall obtain, record, and maintain in the Security Register the name and address of every owner of the Certificates, or if appropriate, the nominee thereof. Any Certificate may, in accordance with its terms and the terms hereof, be transferred or exchanged for Certificates of other authorized denominations upon the Security Register by the Holder, in person or by his duly authorized agent, upon surrender of such Certificate to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender for transfer of any Certificate at the corporate trust office of the Paying Agent/Registrar, the City shall execute and the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Certificates executed on behalf of, and furnished by, the City of authorized denominations and having the same Stated Maturity and of a like interest rate and aggregate principal amount as the Certificate or Certificates surrendered for transfer.

At the option of the Holder, Certificates may be exchanged for other Certificates of authorized denominations and having the same Stated Maturity, bearing the same rate of interest, and of like aggregate principal amount as the Certificates surrendered for exchange, upon surrender of the Certificates to be exchanged at the corporate trust office of the Paying Agent/Registrar. Whenever any Certificates are so surrendered for exchange, the City shall execute and the Paying Agent/Registrar shall register and deliver the new Certificates executed on behalf of, and furnished by, the City to the Holder requesting the exchange.

All Certificates issued upon any transfer or exchange of Certificates shall be delivered at the corporate trust office of the Paying Agent/Registrar, or be sent by registered mail to the Holder at his request, risk, and expense, and upon the delivery thereof, the same shall be the valid and binding obligations of the City, evidencing the same obligation to pay, and entitled to the same benefits under this Ordinance, as the Certificates surrendered upon such transfer or exchange.

All transfers or exchanges of Certificates pursuant to this Section shall be made without expense or service charge to the Holder, except as otherwise herein provided, and except that the Paying Agent/Registrar shall require payment by the Holder requesting such transfer or exchange of any tax or other governmental charges required to be paid with respect to such transfer or exchange.

Certificates canceled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be *Predecessor Certificates*, evidencing all or a portion, as the case may be, of the same debt evidenced by the new Certificate or Certificates registered and delivered in the exchange or transfer therefor. Additionally, the term Predecessor Certificates shall include any Certificate registered and delivered pursuant to Section 25 in lieu of a mutilated, lost, destroyed, or stolen Certificate which shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Certificate.

SECTION 7: Initial Certificate. The Certificates herein authorized shall be issued initially either (i) as a single fully registered Certificate in the total principal amount of

\$ _____ with principal installments to become due and payable as provided in Section 2 and numbered T-1 (the *Initial Certificate*), or (ii) as one (1) fully registered Certificate for each year of Stated Maturity in the applicable principal amount and denomination and to be numbered consecutively from T-1 upward, and, in either case, the Initial Certificate shall be registered in the name of the Purchasers or the designee thereof. The Initial Certificate shall be the Certificates submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas, and delivered to the Purchasers. Any time after the delivery of the Initial Certificate to the Purchasers, the Paying Agent/Registrar, pursuant to written instructions from the Purchasers, or their designee, shall cancel the Initial Certificate delivered hereunder and exchange therefor definitive Certificates of authorized denominations, Stated Maturities, principal amounts, and bearing applicable interest rates on the unpaid principal amounts from the Bond Date, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, to Stated Maturity, and shall be lettered "R" and numbered consecutively from one (1) upward, for transfer and delivery to the Holders named at the addresses identified therefor; all pursuant to and in accordance with such written instructions from the Purchasers, or the designee thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

SECTION 8: Forms.

A. Forms Generally. The Certificates, the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Registration Certificate of Paying Agent/Registrar, and the form of Assignment to be printed on each of the Certificates shall be substantially in the forms set forth in this Section with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance and may have such letters, numbers, or other marks of identification (including insurance legends in the event the Certificates, or any Stated Maturities thereof, are insured, and any reproduction of an opinion of Bond Counsel and identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including insurance legends and any reproduction of an opinion of Bond Counsel hereinafter referenced) thereon as may, consistent herewith, be established by the City or determined by the officers executing the Certificates as evidenced by their execution thereof. Any portion of the text of any Certificate may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Certificate.

The definitive Certificates shall be printed, lithographed, or engraved, produced by any combination of these methods, or produced in any other similar manner, all as determined by the officers executing the Certificates as evidenced by their execution thereof, but the Initial Certificate submitted to the Attorney General of the State of Texas may be typewritten or photocopied or otherwise reproduced.

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B. Form of Definitive Certificate.

REGISTERED
NO. _____

REGISTERED
PRINCIPAL AMOUNT
\$ _____

United States of America
State of Texas
County of Medina
CITY OF HONDO, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2024

Certificate Date:
February 15, 2024

Interest Rate:

Stated Maturity:

CUSIP No.:

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____ DOLLARS

The City of Hondo, Texas (the *City*), a body corporate and municipal corporation in the County of Medina, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the order of the Registered Owner specified above, or the registered assigns thereof, on the Stated Maturity date specified above, the Principal Amount specified above (or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid Principal Amount hereof from the Bond Date, or from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for until such Principal Amount has become due and payment thereof has been made or duly provided for, to the earlier of redemption or Stated Maturity, while Outstanding, at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 1 and August 1 of each year (each, an *Interest Payment Date*), commencing February 1, 2025.

Principal, and premium, if any, of this Certificate shall be payable to the Registered Owner hereof (the *Holder*), upon presentation and surrender, at the corporate trust office of the Paying Agent/Registrar executing the registration certificate appearing hereon or a successor thereof. Interest shall be payable to the Holder of this Certificate (or one or more Predecessor Certificates, as defined in the Ordinance hereinafter referenced) whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the fifteenth day of the month next preceding each Interest Payment Date. All payments of principal of and interest on this Certificate shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, to the Holder hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by the Holder hereof at the Holder's risk and expense.

This Certificate is one of the series specified in its title issued in the aggregate principal amount of \$_____ (the *Certificates*) pursuant to an Ordinance adopted by the governing body of the City (the *Ordinance*), for the purpose or purposes of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage improvements and landscaping incidental thereto, (2) designing, acquiring, constructing, renovating, improving, equipping, repairing, enlarging, and/or extending the City's facilities, including the City's existing Fair Hall and airport, as well as necessary capital maintenance and utilities relocation, drainage, and landscaping necessary or incidental thereto, (3) designing, acquiring, constructing, renovating, improving, equipping, repairing, enlarging, and/or extending the City's utility system, including the acquisition of various water rights, (4) acquiring, purchasing, constructing, renovating, improving, equipping, repairing, enlarging and/or extending City community parks and recreation facilities that are generally accessible to the public and is part of the City's park system, (5) purchasing real property, materials, supplies, equipment, information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements, and (6) the payment of professional services related to the acquisition, design, construction, project management, and financing of the aforementioned projects (collectively, the *Projects*), and for paying all or a portion of the legal, financial and engineering fees in connection with the Projects and the costs of issuance related to such hereinafter defined Certificates, under and in strict conformity with the general laws of the State of Texas, particularly Chapter 1502, as amended, Texas Government Code, and the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through 271.064, and the City's Home Rule Charter.

As provided in the Ordinance, the Certificates having Stated Maturities on and after February 1, 2034 shall be subject to redemption prior to Stated Maturity, at the option of the City, on February 1, 2033, or on any date thereafter, as a whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date of redemption; provided, however, that at least thirty (30) days prior written shall be sent to the Holders of the Certificates to be redeemed, given by United States mail, first-class postage prepaid, and subject to the terms and provisions relating thereto contained in the Ordinance. If this Certificate is subject to redemption prior to Stated Maturity and is in a denomination in excess of \$5,000, portions of the principal sum hereof in installments of \$5,000 or any integral multiple thereof may be redeemed, and, if less than all of the principal sum hereof is to be redeemed, there shall be issued, without charge therefor, to the Holder hereof, upon the surrender of this Certificate to the Paying Agent/Registrar at its corporate trust office, a new Certificate or Certificates of like Stated Maturity and interest rate in any authorized denominations provided in the Ordinance for the then unredeemed balance of the principal sum hereof.

If this Certificate (or any portion of the principal sum hereof) shall have been duly called for redemption and notice of such redemption has been duly given, then upon such redemption date this Certificate (or the portion of the principal sum hereof to be redeemed) shall become due and payable, and, if the money for the payment of the redemption price, and the interest accrued on the principal amount to be redeemed to the date of redemption is held for the purpose of such payment by the Paying Agent/Registrar, interest shall cease to accrue and be payable hereon from

and after the redemption date on the principal amount hereof to be redeemed. If this Certificate is called for redemption, in whole or in part, the City or the Paying Agent/Registrar shall not be required to issue, transfer, or exchange this Certificate within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance hereof in the event of its redemption in part.

The Certificates are payable from the proceeds of an ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited pledge of and lien on Net Revenues derived by the City from its ownership and operation of the water and sewer utility system (the *System*), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of the currently outstanding Subordinate Lien Obligations and any Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations hereafter issued by the City. The City has previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) that are payable, in part, from and secured by a lien on and pledge of a limited amount of Net Revenues of the System as described in the ordinance authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Additional Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise.

Reference is hereby made to the Ordinance, a copy of which is on file in the corporate trust office of the Paying Agent/Registrar, and to all of the provisions of which the Holder by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the tax levied and the revenues pledged for the payment of the Certificates; the terms and conditions under which the City may issue Prior Lien Obligations, Junior Lien Obligations, Additional Subordinate Lien Obligations, and Additional Limited Pledge Obligations; the terms and conditions relating to the transfer or exchange of the Certificates; the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Holder; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which this Certificate may be redeemed or discharged at or prior to the Stated Maturity thereof, and deemed to be no longer Outstanding thereunder; and for the other terms and provisions specified in the Ordinance. Capitalized terms used herein have the same meanings assigned in the Ordinance.

This Certificate, subject to certain limitations contained therein, in the Ordinance, may be transferred on the Security Register, upon presentation and surrender at the corporate trust office of the Paying Agent/Registrar, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by the Holder hereof, or his duly authorized agent, and thereupon one or more new fully registered Certificates of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued to the designated transferee or transferees.

The City and the Paying Agent/Registrar, and any agent of either, shall treat the Holder hereof whose name appears on the Security Register (i) on the Record Date as the owner hereof for purposes of receiving payment of interest hereon, (ii) on the date of surrender of this Certificate as the owner hereof for purposes of receiving payment of principal hereof at its Stated Maturity or its redemption, in whole or in part, and (iii) on any other date as the owner hereof for all other purposes, and neither the City nor the Paying Agent/Registrar, or any such agent of either, shall be affected by notice to the contrary. In the event of a non-payment of interest on a scheduled payment date, and for thirty (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 fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

It is hereby certified, covenanted, and represented that all acts, conditions, and things required to be performed, exist, and be done precedent to the issuance of this Certificate in order to render the same a legal, valid, and binding obligation of the City have been performed, exist, and have been done, in regular and due time, form, and manner, as required by the laws of the State of Texas and the Ordinance, and that issuance of the Certificates does not exceed any constitutional or statutory limitation; and that due provision has been made for the payment of the principal of, premium if any, and interest on the Certificates by the levy of a tax and collection of Pledged Revenues as aforestated. In case any provision in this Certificate or any application thereof shall be deemed invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. The terms and provisions of this Certificate and the Ordinance shall be construed in accordance with and shall be governed by the laws of the State of Texas.

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IN WITNESS WHEREOF, the City has caused this Certificate to be duly executed under its official seal.

CITY OF HONDO, TEXAS

Mayor

ATTEST:

Acting City Secretary

(CITY SEAL)

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C. *Form of Registration Certificate of Comptroller of Public Accounts to Appear on Initial Certificate Only.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER OF	§	
PUBLIC ACCOUNTS	§	
	§	REGISTER NO. _____
THE STATE OF TEXAS	§	

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

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

*NOTE TO PRINTER: Not to Appear on Printed Certificates.

D. *Form of Certificate of Paying Agent/Registrar to Appear on Definitive Certificates Only.

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Certificate has been duly issued under the provisions of the within-mentioned Ordinance; the Certificate or Certificates of the above-entitled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent/Registrar.

Registered this date: _____ BOKF, NA, Dallas, Texas, as Paying Agent/Registrar

_____ By: _____
Authorized Signature

*NOTE TO PRINTER: Print on Definitive Certificates.

E. Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto (Print or typewrite name, address, and zip code of transferee): _____

(Social Security or other identifying number): _____
the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Certificate on the books kept for registration thereof, with full power of substitution in the premises.

DATED: _____

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within Certificate in every particular.

Signature guaranteed:

F. Initial Certificate. The Initial Certificate shall be in the form set forth in paragraph B of this Section, except that the form of a single fully registered Initial Certificate shall be modified as follows:

(1) immediately under the name of the Certificate the headings “Interest Rate _____” and “Stated Maturity _____” shall both be completed “as shown below”;

(2) the first two paragraphs shall read as follows:

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____

The City of Hondo, Texas (the *City*), a body corporate and municipal corporation located in the County of Medina, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the order of the Registered Owner named above (the *Holder*), or the registered assigns thereof, the Principal Amount specified above stated to mature on the first day of February in each of the years and in principal amounts and bearing interest at per annum rates in accordance with the following schedule:

<u>Years of</u> <u>Stated Maturity</u>	<u>Principal</u> <u>Amounts (\$)</u>	<u>Interest</u> <u>Rates (%)</u>
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(Information to be inserted from schedule in Section 2 hereof).

(or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid Principal Amounts hereof from the Bond Date, or from the most recent Interest Payment Date (defined below) to which interest has been paid or duly provided for until the Principal Amount has become due and payment thereof has been made or duly provided for, to Stated Maturity, at the per annum rates of interest specified above, computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 1 and August 1 of each year (each, an *Interest Payment Date*), commencing February 1, 2025.

Principal, and premium, if any, of this Certificate shall be payable to the Holder upon its presentation and surrender, to Stated Maturity or prior redemption, while Outstanding, at the corporate trust office of BOKF, NA, Dallas, Texas (the *Paying Agent/Registrar*). Interest shall be payable to the Holder of this Certificate whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the fifteenth day of the month next preceding each Interest Payment Date. All payments of principal of and interest on this Certificate shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, to the Holder hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder hereof.

G. Insurance Legend. If bond insurance is obtained by the City or the Purchasers for the Certificates, the Definitive Certificates and the Initial Certificate shall bear an appropriate legend as provided by the insurer.

SECTION 9: Definitions. For all purposes of this Ordinance (as defined below), except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Sections 27 and 44 of this Ordinance have the meanings assigned to them in such Section, and all such terms, include the plural as well as the singular; (ii) all references in this Ordinance to designated “Sections” and other subdivisions are to the designated Sections and other subdivisions of this Ordinance as originally adopted; and (iii) the words “herein”, “hereof”, and “hereunder” and other words of similar import refer to this Ordinance as a whole and not to any particular Section or other subdivision.

A. The term *Additional Limited Pledge Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation or other evidences of indebtedness hereafter issued by the City payable wholly or in part from a limited pledge of and lien on Net Revenues of the System being a lien on and pledge of Net Revenues that is subordinate and inferior to the lien thereon and pledge thereof securing the payment of the currently outstanding Subordinate Lien Obligations and any Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations hereafter issued by the City, which pledge of revenues is limited pursuant to Section 1502.052, as amended, Texas Government Code, all as further provided in Section 20 of this Ordinance, and (ii) any obligations issued to refund the foregoing as determined by the City Council in accordance with any applicable law.

B. The term *Additional Subordinate Lien Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation, or any similar obligations hereafter issued by the City that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Net Revenues of the System, such pledge being subordinate and inferior to the lien on and pledge of the Net Revenues of the System that are or may be pledged to the payment of any Prior Lien Obligations or Junior Lien Obligations hereafter issued by the City, but prior and superior to the lien on and pledge of the limited amount of the Net Revenues securing the payment of the currently outstanding Limited Pledge Obligations, the Certificates, or any Additional Limited Pledge Obligations hereafter issued by the City, which pledge of revenues is limited pursuant to Section 1502.052, as amended, Texas Government Code, all as further provided in Section 20 of this Ordinance, and (ii) any obligations issued to refund the foregoing as determined by the City Council in accordance with any applicable law.

C. The term *Authorized Officials* shall mean the Mayor, Mayor Pro Tem, City Manager, City Secretary, Chief Finance Officer, or the Assistant Finance Director (or any successor to any of the aforementioned persons serving, or any person serving in an interim basis or in an acting position, in the indicated capacity).

D. The term *Certificates* shall mean the \$_____ “CITY OF HONDO, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024” authorized by this Ordinance.

E. The term *Certificate Fund* shall mean the special Fund created and established by the provisions of Section 10 of this Ordinance.

F. The term *City* shall mean the City of Hondo, Texas, located in the County of Medina, Texas and, where appropriate, the City Council of the City.

G. The term *Closing Date* shall mean the date of physical delivery of the Certificates in exchange for the payment of the agreed purchase price for the Certificates.

H. The term *Collection Date* shall mean, when reference is being made to the levy and collection of annual ad valorem taxes, the date the annual ad valorem taxes levied each year by the City become delinquent.

I. The term *Debt Service Requirements* shall mean, as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest at the maximum rate permitted by the terms thereof and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto.

J. The term *Depository* shall mean an official depository bank of the City.

K. The term *Fiscal Year* shall mean the annual financial accounting period for the System ending on September 30th of each year; provided, however, the City Council may change such annual financial accounting period to end on another date if such change is found and determined to be necessary for accounting purposes or is required by applicable law.

L. The term *Government Securities*, as used herein, shall mean: (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, or (iv) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Certificates.

M. The term *Gross Revenues* for any period shall mean all revenue during such period in respect or on account of the operation or ownership of the System, excluding refundable meter deposits, restricted gifts, and grants in aid of construction, but including earnings and income

derived from the investment or deposit of money in any special fund or account (except the Certificate Fund) created and established for the payment or security of the Certificates.

N. The term *Holder* or *Holder*s shall mean the registered owner, whose name appears in the Security Register, for any Certificate.

O. The term *Interest Payment Date* shall mean the date interest is payable on the Certificates, being February 1 and August 1 of each year, commencing February 1, 2025, while any of the Certificates remain Outstanding.

P. The term *Junior Lien Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation or any similar obligations hereafter issued by the City that are payable wholly or in part from and equally and ratably secured by a lien on and pledge of the Net Revenues of the System, such pledge being junior and inferior to the lien on and pledge of the Net Revenues of the System that are or will be pledged to the payment of any Prior Lien Obligations hereafter issued by the City, but prior and superior to the lien on and pledge of the Net Revenues of the System that are or will be pledged to the payment of the currently outstanding Subordinate Lien Obligations, the Limited Pledge Obligations, and any Additional Subordinate Lien Obligations or Additional Limited Pledge Obligations hereafter issued by the City all as further provided in Section 20 of this Ordinance and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a junior lien on and pledge of the Net Revenues as determined by the City Council in accordance with any applicable law.

Q. The term *Limited Pledge Obligations* shall mean (i) the outstanding and unpaid obligations of the City that are payable, in part, from and secured by a subordinate and inferior lien on and pledge of a limited amount of the Net Revenues of the System and designated as:

(1) “City of Hondo, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015”, dated December 1, 2015, in the original principal amount of \$3,450,000,

(2) “City of Hondo, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021”, dated September 1, 2021, in the original principal amount of \$3,725,000,

(3) upon issuance, the Certificates, and

R. obligations hereafter issued to refund any of the foregoing as determined by the City Council in accordance with any applicable law.

S. The term *Maintenance and Operating Expenses* shall mean all current expenses of operating and maintaining the System not paid from the proceeds of the Certificates, including (1) the cost of all salaries, labor, materials, repairs, and extensions necessary to render efficient service, but only if, in the case of repairs and extensions, they are, in the judgment of the City Council (reasonably and fairly exercised), necessary to maintain operation of the System and render adequate service to the City and the inhabitants thereof, or are necessary to meet some physical accident or condition which would otherwise impair obligations payable from Net Revenues, (2) payments to pension, retirement, health, hospitalization, and other employee benefit

funds for employees of the City engaged in the operation or maintenance of the System, (3) payments under contracts for the purchase of water supply, treatment of sewage, or other materials, goods, or services for the System to the extent authorized by law and the provisions of such contract, (4) payments to auditors, attorneys, and other consultants incurred in complying with the obligations of the City hereunder, and (5) any legal liability of the City arising out of the operation, maintenance, or condition of the System, but excluding any allowance for depreciation, property retirement, depletion, obsolescence, and other items not requiring an outlay of cash and any interest on the Certificates or other bonds, notes, warrants, or similar obligations of the City payable from Net Revenues.

T. The term *Net Revenues* for any period shall mean the Gross Revenues of the System less the Maintenance and Operating Expenses of the System.

U. The term *Ordinance* shall mean this ordinance as finally passed and adopted by the City Council of the City.

V. The term *Outstanding* when used in this Ordinance with respect to the Certificates shall mean, as of the date of determination, all Certificates issued and delivered under this Ordinance, except:

(1) those Certificates canceled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) those Certificates for which payment has been duly provided by the City in accordance with the provisions of Section 29 of this Ordinance; and

(3) those Certificates that have been mutilated, destroyed, lost, or stolen and replacement Certificates have been registered and delivered in lieu thereof as provided in Section 25 of this Ordinance.

W. The term *Pledged Revenues* shall mean, while the Certificates remain Outstanding, an amount of Net Revenues not in excess of \$1,000. The Pledged Revenues shall be deposited, allocated, and expended in accordance with Section 10 of this Ordinance.

X. The term *Pledged Revenue Amount* shall mean the total amount, not to exceed \$1,000 while the Certificates are Outstanding, of Net Revenues that may be transferred in whole or in part by the City in any given Fiscal Year (however, any amounts transferred prior to the final maturity date of the Certificates may not exceed the total amount of \$1,000) to the Certificate Fund.

Y. The term *Prior Lien Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation or any similar obligations hereafter issued by the City that are payable wholly or in part from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the System, all as further provided in Section 20 of this Ordinance, and (ii) any obligations issued to refund the foregoing that are payable from and secured by a prior and first lien on and pledge of the Net Revenues of the System as determined by the City Council in accordance with any applicable law

Z. The term *Purchasers* shall mean the initial purchaser or purchasers of the Certificates named in Section 26 of this Ordinance.

AA. The term *Stated Maturity* shall mean the annual principal payments of the Certificates payable on February 1 of each year the Certificates are Outstanding, as set forth in Section 2 of this Ordinance.

BB. The term *Subordinate Lien Obligations* shall mean (i) the outstanding and unpaid obligations of the City that are payable, in part, from and secured by a subordinate and inferior lien on the amount of the Net Revenues of the System: “City of Hondo, Texas Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2017”, dated January 1, 2017, in the original principal amount of \$5,470,000, and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues as determined by the City Council in accordance with any applicable law.

CC. The term *System* shall mean the City’s water and sewer utility system and all land, buildings, structures, equipment, and facilities pertaining thereto, together with all future improvements, extensions, enlargements, and additions thereto, and replacements thereof, and all other water and sewer utility facilities of the City acquired or constructed with funds from any source, including the issuance of the Certificates and any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall not include facilities of any kind declared by the City Council not to be part of the System and which are acquired and constructed by or on behalf of the City with the proceeds from the issuance of *Special Facilities Bonds*, which are hereby defined to be special revenue obligations of the City which are not payable from a lien on and pledge of any Net Revenues but which are payable from and secured by other liens on and pledges of any revenues, sources, lease or other payments, not pledged to the payment of the Subordinate Lien Obligations or the Limited Pledge Obligations or any Prior Lien Obligations, Junior Lien Obligations, Additional Subordinate Lien Obligations or Additional Limited Pledge Obligations hereafter issued by the City including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

SECTION 10: Certificate Fund; Investments. For the purpose of paying the interest on and to provide a sinking fund for the payment, redemption, and retirement of the Certificates, there shall be and is hereby created a special fund to be designated “COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024, INTEREST AND SINKING FUND” (the *Certificate Fund*) which fund shall be kept and maintained at the Depository, and money deposited in the Certificate Fund shall be used for no other purpose and shall be maintained as provided in Section 27. Authorized Officials of the City are hereby authorized and directed to make withdrawals from the Certificate Fund sufficient to pay the purchase price or the amount of principal of, premium if any, and interest on the Certificates as the same become due and payable, or the purchase price thereof, and shall cause to be transferred to the Paying Agent/Registrar from money on deposit in the Certificate Fund an amount sufficient to pay the amount of principal and/or interest stated to mature on the Certificates, such transfer of funds to the Paying Agent/Registrar to be made in such manner as will cause immediately available funds to be

deposited with the Paying Agent/Registrar on or before the business day next preceding each interest and principal payment date for the Certificates.

The City, at its sole discretion, may deposit the Pledged Revenue Amount to the Certificate Fund. The Pledged Revenue Amount, if deposited, shall be expended annually to pay principal and interest on the Certificates as the same become due and payable. This Pledged Revenue Amount shall be accounted for and transferred to the Paying Agent/Registrar in accordance with the provisions of the previous paragraph of this Section.

Pending the transfer of funds to the Paying Agent/Registrar, money deposited in any fund created and established by this Ordinance may, at the option of the City, be placed in time deposits, certificates of deposit, guaranteed investment contracts, or similar contractual agreements as permitted by the provisions of the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, or be invested, as authorized by any law, including investments held in book-entry form, in securities including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, Small Business Administration, or Federal Housing Association; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from such fund will be available at the proper time or times. All interest and income derived from deposits and investments in any fund established pursuant to the provisions of this Ordinance shall be credited to, and any losses debited to, such fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Certificates.

SECTION 11: Tax Levy. To provide for the payment of the Debt Service Requirements on the Certificates being (i) the interest on the Certificates, and (ii) a sinking fund for their redemption at Stated Maturity or a sinking fund of 2% (whichever amount shall be the greater), there shall be and there is hereby levied for the current fiscal year and each succeeding year thereafter while the Certificates or any interest thereon shall remain Outstanding, a sufficient tax, within the limitations prescribed by law, on each one hundred dollars valuation of taxable property in the City, adequate to pay such Debt Service Requirements, full allowance being made for delinquencies and costs of collection; said tax shall be assessed and collected each year and applied to the payment of the Debt Service Requirements, and the same shall not be diverted to any other purpose. The taxes so levied and collected shall be paid into the Certificate Fund and are thereafter pledged to the payment of the Certificates. The City Council hereby declares its purpose and intent to provide and levy a tax legally and fully sufficient to pay the such Debt Service Requirements, it having been determined that the existing and available taxing authority of the City for such purpose is adequate to permit a legally sufficient tax in consideration of all other outstanding indebtedness and other obligations of the City.

The amount of taxes to be provided annually for the payment of the principal of and interest on the Certificates shall be determined and accomplished in the following manner:

A. Prior to the date the City Council establishes the annual tax rate and passes an ordinance levying ad valorem taxes each year, the City Council shall determine:

(1) the amount of Debt Service Requirements to become due and payable on the Certificates between the Collection Date for the ad valorem taxes then to be levied and the Collection Date for the ad valorem taxes to be levied during the next succeeding calendar year;

(2) the amount on deposit in the Certificate Fund after (a) deducting therefrom the total amount of Debt Service Requirements to become due on Certificates prior to the Collection Date for the ad valorem taxes to be levied and (b) adding thereto the amount of the Pledged Revenues, or any other lawfully available funds, if any, to be appropriated and allocated during such year to pay such Debt Service Requirements, if any, prior to the Collection Date for the ad valorem taxes to be levied; and

(3) the amount of Pledged Revenues or other lawfully available funds, if any, to be appropriated and to be set aside for the payment of the Debt Service Requirements on the Certificates between the Collection Date for the taxes then to be levied and the Collection Date for the taxes to be levied during the next succeeding Fiscal Year.

B. The amount of taxes to be levied annually each year to pay the Debt Service Requirements on the Certificates shall be the amount established in paragraph (1) above less the sum total of the amounts established in paragraphs (2) and (3), after taking into consideration delinquencies and costs of collecting such annual taxes.

SECTION 12: Pledge of Pledged Revenues. The City hereby covenants and agrees that, subject to (i) any prior lien on and pledge of the Net Revenues of the System to the payment and security of the currently outstanding Subordinate Lien Obligations and any Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations hereafter issued by the City, and (ii) the lien and pledge of a limited amount of the Net Revenues to the payment and security of the currently outstanding Limited Pledge Obligations, the Pledged Revenues are hereby irrevocably pledged to the payment of the principal of and interest on the Certificates and the pledge of Pledged Revenues herein made for the payment of the Certificates shall constitute a lien on the Pledged Revenues in accordance with the terms and provisions hereof and be valid and binding without any physical delivery thereof or further act by the City.

SECTION 13: System Fund. The City hereby covenants and agrees that all Gross Revenues derived from the operation of the System shall be kept separate and apart from all other funds, accounts and money of the City and shall be deposited as collected into the "CITY OF HONDO, TEXAS WATER AND SEWER SYSTEM FUND" (the *System Fund*). All money deposited in the System Fund shall be pledged and appropriated to the extent required for the following purposes and in the order of priority shown:

- First: to the payment of the reasonable and proper Maintenance and Operating Expenses of the System required by statute or ordinances authorizing the issuance of any indebtedness of the City to be a first charge on and claim against the Gross Revenues of the System;
- Second: To the payment of the amounts that must be deposited in the special funds and accounts created and established for the payment, security, and benefit of any Prior Lien Obligations hereafter issued by the City in accordance with the terms and provisions of any ordinance authorizing their issuance;
- Third: To the payment of the amounts that must be deposited in the special funds and accounts created and established for the payment, security, and benefit of any Junior Lien Obligations hereafter issued by the City in accordance with the terms and provisions of any ordinance authorizing their issuance;
- Fourth: To the payment of the amounts that must be deposited in the special funds and accounts created and established for the payment, security, and benefit of the currently outstanding Subordinate Lien Obligations and any Additional Subordinate Lien Obligations hereafter issued by the City in accordance with the terms and provisions of any ordinance authorizing their issuance; and
- Fifth: To the payment of the amounts that may be deposited in the special funds and accounts established for the payment of the currently outstanding Limited Pledge Obligations, including the Certificates, and any Additional Limited Pledge Obligations hereafter issued by the City in accordance with the terms and provisions of any ordinances authorizing their issuance.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment, security and benefit thereof, may be appropriated and used for any other City purpose now or hereafter permitted by law.

SECTION 14: Deposits to Certificate Fund; Excess Certificate Proceeds. The City hereby covenants and agrees to cause to be deposited in the Certificate Fund prior to a principal and interest payment date for the Certificates, from the Pledged Revenues in the System Fund, after the deduction of all payments required to be made to the special funds or accounts created for the payment, security, and benefit of (i) any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City and (ii) the currently outstanding Limited Pledge Obligations, any amounts budgeted to be paid therefrom in such Fiscal Year.

Accrued interest, if any, received from the Purchasers of the Certificates shall be deposited to the Certificate Fund and ad valorem taxes levied and collected for the benefit of the Certificates shall be deposited to the Certificate Fund. In addition, any surplus proceeds, including investment income therefrom, from the sale of the Certificates not expended for authorized purposes shall be deposited in the Certificate Fund, and such amounts so deposited shall reduce the sums otherwise required to be deposited in said fund from ad valorem taxes.

SECTION 15: Security of Funds. All money on deposit in the funds for which this Ordinance makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and money on deposit in such funds shall be used only for the purposes permitted by this Ordinance.

SECTION 16: Maintenance of System — Insurance. The City covenants and agrees that while the Certificates remain Outstanding it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance (including a system of self-insurance) on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, are held for the benefit of the Holders of the Certificates until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Maintenance and Operating Expenses. Nothing in this Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the City from doing so.

SECTION 17: Rates and Charges. The City hereby covenants and agrees with the Holders of the Certificates that rates and charges for utility services afforded by the System will be established and maintained to provide Gross Revenues sufficient at all times:

A. to pay, together with any other lawfully available funds, all operating, maintenance, depreciation, replacement, betterment, and other costs incurred in the maintenance and operation of the System, including, but not limited to, Maintenance and Operating Expenses; provided, however, that the City expressly reserves the right to utilize other lawfully available funds to pay the Maintenance and Operating Expenses;

B. to produce Net Revenues sufficient, together with any other lawfully available funds, to pay (i) the interest on and principal of any Prior Lien Obligations hereafter issued by the City as the same becomes due and payable and the amounts required to be deposited in any special fund created and established for the payment, security, and benefit thereof; (ii) the interest on and principal of any Junior Lien Obligations hereafter issued by the City as the same becomes due and payable and the amounts required to be deposited in any special fund created and established for the payment, security, and benefit thereof; (iii) the interest on and principal of the currently outstanding Subordinate Lien Obligations and any Additional Subordinate Lien Obligations hereafter issued by the City as the same becomes due and payable and the amounts required to be deposited in any special fund created and established for the payment, security, and benefit thereof; and (iv) the amounts that may be deposited in the special funds established for the payment of the currently outstanding Limited Pledge Obligations, the Certificates, or any Additional Limited Pledge Obligations hereafter issued by the City; and

C. to pay other legally incurred indebtedness payable from the Net Revenues of the System and/or secured by a lien on the System or the Net Revenues thereof.

SECTION 18: Records and Accounts — Annual Audit. The City further covenants and agrees that so long as any of the Certificates remain Outstanding it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto, as provided by Chapter 1502, as amended, Texas Government Code, or other applicable law. The Holders of the Certificates or any duly authorized agent or agents of the Holders shall have the right to inspect the System and all properties comprising the same. The City further agrees that, following the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Maintenance and Operating Expenses.

SECTION 19: Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in the payments to be made to the Certificate Fund, or (b) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Ordinance, the Holders of any of the Certificates 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 remedies herein provided shall be cumulative of all other existing remedies and the specification of such remedies shall not be deemed to be exclusive.

SECTION 20: Issuance of Prior Lien Obligations, Junior Lien Obligations, Additional Subordinate Lien Obligations, and Additional Limited Pledge Obligations. The City hereby expressly reserves the right to hereafter issue bonds, notes, warrants, certificates of obligation, or similar obligations, payable, wholly or in part, as appropriate, from and secured by a pledge of and lien on the Net Revenues of the System with the following priorities, without limitation as to principal amount, but subject to any terms, conditions, or restrictions applicable thereto under existing ordinances, laws, or otherwise:

A. Prior Lien Obligations payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the System;

B. Junior Lien Obligations payable from and equally and ratably secured by a lien on and pledge of the Net Revenues that is junior and inferior to the lien on and pledge thereof securing the payment of any Prior Lien Obligations hereafter issued by the City, but prior and superior to the lien on and pledge of the Net Revenues- securing, in part, the payment of the currently outstanding Subordinate Lien Obligations and Limited Pledge Obligations, the Certificates, and any Additional Subordinate Lien Obligations or Additional Limited Pledge Obligations hereafter issued by the City;

C. Additional Subordinate Lien Obligations payable from and equally and ratably secured by a lien on and pledge of the Net Revenues that is subordinate and inferior to the lien on and pledge thereof securing the payment of any Prior Lien Obligations or Junior Lien Obligations hereafter issued by the City on par with the lien thereon and pledge thereof securing the currently outstanding Subordinate Lien Obligations, but prior and superior to the lien on and pledge of the Net Revenues securing, in part, the payment of the currently outstanding Limited Pledge Obligations, and any Additional Limited Pledge Obligations hereafter issued by the City; and

D. Additional Limited Pledge Obligations secured by a lien on and pledge of a limited amount of the Net Revenues in accordance with the provisions of the following paragraph.

E. Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations, if issued, may be payable, in whole or in part, from Net Revenues (without impairment of the obligation of contract with the holders of the currently outstanding Limited Pledge Obligations) upon such terms and conditions as the City Council may determine. Additional Limited Pledge Obligations, if issued and payable, in whole or in part, from "Pledged Revenues" (defined in the same or similar terms as provided in Section 9 of this Ordinance or in the ordinance authorizing the issuance of any other series of Limited Pledge Obligations), shall not in any event be construed to be payable from the Pledged Revenues authorized by this Ordinance to be budgeted and appropriated for the payment of the Certificates or the ordinance authorizing the issuance of any other series of Limited Pledge Obligations. However, the lien on and pledge of the limited amount of Net Revenues securing, in part, the payment of any Additional Limited Pledge Obligations shall be subordinate and inferior to the pledge of and lien on the Net Revenues securing the payment of the Subordinate Lien Obligations any Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations hereafter issued by the City.

SECTION 21: Special Covenants. The City hereby further covenants that:

A. it has the lawful power to pledge the Pledged Revenues supporting the Certificates and has lawfully exercised said powers under the laws of the State of Texas, including power existing under Chapter 1502, as amended, Texas Government Code, the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through Section 271.064, and the City's Home Rule Charter;

B. other than for the payment of the currently outstanding Limited Pledge Obligations, the Subordinate Lien Obligations, and the Certificates, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the City or of the System;

C. as long as there remains a lien on Pledged Revenues, the City will not sell, lease or encumber (except in the manner provided in Section 20 of this Ordinance) the System or any substantial part thereof, provided that this covenant shall not be construed to prohibit the sale of such machinery, or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the System;

D. to the extent that it legally may, the City further covenants and agrees that, so long as there remains a lien on Pledged Revenues, no franchise shall be granted for the installation or

operation of any competing utility systems other than those owned by the City, and the operation of any such systems by anyone other than the City is hereby prohibited; and

E. no free service of the System shall be allowed, and should the City or any of its agents or instrumentalities make use of the services and facilities of the System, payment of the reasonable value thereof shall be made by the City out of funds from sources other than the revenues and income of the System.

SECTION 22: Application of the Covenants and Agreements of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations. It is the intention of the City Council and accordingly hereby recognized and stipulated that the provisions, agreements, and covenants contained herein bearing upon the management and operations of the System, and the administration and application of Gross Revenues derived from the operation thereof, shall to the extent possible be harmonized with like provisions, agreements, and covenants contained in the ordinances authorizing the issuance of the Subordinate Lien Obligations and any Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations hereafter issued by the City, and to the extent of any irreconcilable conflict between the provisions contained herein and in the ordinances authorizing the issuance of any Prior Lien Obligations, Junior Lien Obligations, and Additional Subordinate Lien Obligations, the provisions, agreements and covenants contained therein shall prevail to the extent of such conflict and be applicable to this Ordinance, especially the priority of rights and benefits conferred thereby to the holders of the Subordinate Lien Obligations and any Prior Lien Obligations, Junior Lien Obligations, and Additional Subordinate Lien Obligations hereafter issued by the City. It is expressly recognized that prior to the issuance of any Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations, the City must comply with each of the conditions precedent contained in the ordinances authorizing the issuance of the Subordinate Lien Obligations and any Prior Lien Obligations, Junior Lien Obligations, and Additional Subordinate Lien Obligations, as appropriate.

SECTION 23: Notices to Holders — Waiver. Wherever this Ordinance provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States mail, first-class postage prepaid, to the address of each Holder as it appears in the Security Register at the close of business on the business day next preceding the mailing of such notice.

In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Holders. Where this Ordinance provides for notice in any manner, such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 24: Cancellation. All Certificates surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly canceled by it and, if surrendered to the City, shall be delivered to the Paying Agent/Registrar and,

if not already canceled, shall be promptly canceled by the Paying Agent/Registrar. The City may at any time deliver to the Paying Agent/Registrar for cancellation any Certificates previously certified or registered and delivered which the City may have acquired in any manner whatsoever, and all Certificates so delivered shall be promptly canceled by the Paying Agent/Registrar. All canceled Certificates held by the Paying Agent/Registrar shall be destroyed as directed by the City.

SECTION 25: Mutilated, Destroyed, Lost, and Stolen Certificates. If (1) any mutilated Certificate is surrendered to the Paying Agent/Registrar, or the City and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Certificate, and (2) there is delivered to the City and the Paying Agent/Registrar such security or indemnity as may be required to save each of them harmless, then, in the absence of notice to the City or the Paying Agent/Registrar that such Certificate has been acquired by a bona fide purchaser, the City shall execute and, upon its request, the Paying Agent/Registrar shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Certificate, a new Certificate of the same Stated Maturity and interest rate and of like tenor and principal amount, bearing a number not contemporaneously Outstanding.

In case any such mutilated, destroyed, lost, or stolen Certificate has become or is about to become due and payable, the City in its discretion may, instead of issuing a new Certificate, pay such Certificate.

Upon the issuance of any new Certificate or payment in lieu thereof, under this Section, the City may require payment by the Holder of a sum sufficient to cover any tax or other governmental charge imposed in relation thereto and any other expenses and charges (including attorney's fees and the fees and expenses of the Paying Agent/Registrar) connected therewith.

Every new Certificate issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Certificate shall constitute a replacement of the prior obligation of the City, whether or not the mutilated; destroyed, lost, or stolen Certificate shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and ratably with all other Outstanding Certificates.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost, or stolen Certificates.

SECTION 26: Certificates - Approval Authorization of an Official Bid Form - Official Statement Approval - Use of Certificate Proceeds. The Certificates authorized by this Ordinance are hereby sold by the City to _____, _____, Texas, as the as the authorized representative of the initial purchasers of the Certificates at a competitive sale (the *Purchasers*, having all of the rights, benefits, duties, and obligations of a Holder) in accordance with the provisions of an Official Bid Form (the *Official Bid Form*), dated February 26, 2024, attached hereto as Exhibit B and incorporated herein by reference as a part of this Ordinance for all purposes, at a price of par, plus a reoffering premium of \$_____, less the Purchasers' compensation of \$_____), and no accrued interest. The Initial Certificate shall be registered in the name of _____. It is hereby officially found, determined, and declared that the Purchasers are the lowest bidder for the Certificates and as a result of invitations for

competitive bids in compliance with applicable law. The pricing and terms of the sale of the Certificates are hereby found and determined to be the most advantageous reasonably obtainable by the City.

Furthermore, the City hereby ratifies, confirms, and approves in all respects (i) the City's prior determination that the Preliminary Official Statement was, as of its date, "deemed final" in accordance with the Rule (hereinafter defined) and (ii) the use and distribution of the Preliminary Official Statement by the Purchasers in connection with the public offering and sale of the Certificates. The final Official Statement, being a modification and amendment of the Preliminary Official Statement to reflect the terms of sale (together with such changes approved by any Authorized Official), shall be and is hereby in all respects approved and the Purchasers are hereby authorized to use and distribute the final Official Statement, dated February 26, 2024, in the reoffering, sale and delivery of the Certificates to the public. The Mayor and of City Secretary of the Governing Body are further authorized and directed to manually, facsimile, or electronically execute and deliver for and on behalf of the Issuer copies of the Official Statement in final form as may be required by the Purchasers, and such final Official Statement in the form and content manually, facsimile, or electronically executed by said officials shall be deemed to be approved by the Governing Body and constitute the Official Statement authorized for distribution and use by the Purchasers. The proper officials of the City are hereby authorized to execute and deliver a certificate pertaining to such Official Statement as prescribed therein, dated as of the date of payment for and delivery of the Certificates.

Proceeds derived from the sale of the Certificates (after paying remaining costs of issuance) shall be deposited into the special construction account or accounts created for the projects to be constructed with the proceeds of the Certificates and used to pay costs of such projects. This special construction account shall be established and maintained at the Depository and shall be invested in accordance with the provisions of Section 10 of this Ordinance. Interest earned on the proceeds of the Certificates pending completion of construction of the projects financed with such proceeds shall be accounted for, maintained, deposited, and expended as permitted by the provisions of Chapter 1201, as amended, Texas Government Code, or as required by any other applicable law. Thereafter, such amounts shall be expended in accordance with Section 14 of this Ordinance.

SECTION 27: Covenants Regarding Tax Exemption of Interest on the Certificates.

(a) Covenants. The Issuer covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Certificates 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 Issuer covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Certificates 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 or the projects financed therewith are so used, such amounts, whether or not received by the Issuer, 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, 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 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 (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 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 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, 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, other than investment property acquired with --

(A) proceeds of the Certificates invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 90 days or less until such proceeds are needed for the purpose for which the Certificates 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;

(7) to otherwise restrict the use of the proceeds of the Certificates or amounts treated as proceeds of the Certificates, as may be necessary, so that the Certificates do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage);

(8) to refrain from using the proceeds of the Certificates or proceeds of any prior certificates to pay debt service on another issue more than 90 days after the date of issue

of the Certificates in contravention of the requirements of section 149(d) of the Code (relating to advance refundings); and

(9) 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) 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 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.

(b) Rebate Fund. In order to facilitate compliance with the above covenant (8), a “Rebate Fund” is hereby established by the Issuer 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 certificate holders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) Proceeds. The Issuer 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 and any replacement funds. It is the understanding of the Issuer 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, the Issuer 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 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, the Issuer 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 under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs any member of the Commissioners Court and any Authorized Official to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Certificates.

(d) Allocation Of, and Limitation On, Expenditures for the Project. The Issuer 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 (the *Project*) on its books and records in accordance with the requirements of the Code. The Issuer 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 Issuer recognizes that in order for proceeds to be expended under the 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, or (2) the date the Certificates are retired. The Issuer 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. For purposes hereof, the issuer 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) Disposition of Project. The Issuer covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless any action taken in connection with such disposition will not adversely affect the tax-exempt status of the Certificates. For purpose of the foregoing, the Issuer may rely on an opinion of nationally-recognized bond counsel that the action taken in connection with such sale or other disposition will not adversely affect the tax-exempt status of the Certificates. 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 Issuer 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.

(g) Written Procedures. Unless superseded by another action of the Issuer, to ensure compliance with the covenants contained herein regarding private business use, remedial actions, arbitrage and rebate, the City Council hereby adopts and establishes the instructions attached hereto as Exhibit C as the Issuer's written procedures.

SECTION 28: Control and Custody of Certificates. The Mayor of the City shall be and is hereby authorized to take and have charge of all necessary orders and records pending investigation by the Attorney General of the State of Texas, and shall take and have charge and control of the Certificates pending their approval by the Attorney General of the State of Texas, the registration thereof by the Comptroller of Public Accounts of the State of Texas and the delivery of the Certificates to the Purchasers.

Furthermore, any Authorized Official, either individually or any combination of them, is hereby authorized and directed to furnish and execute such documents relating to the City and its financial affairs as may be necessary for the issuance of the Certificates, the approval of the Attorney General of the State of Texas and their registration by the Comptroller of Public Accounts of the State of Texas and, together with the City's financial advisor, Bond Counsel, and the Paying Agent/Registrar, make the necessary arrangements for the delivery of the Initial Certificate to the Purchasers and, when requested in writing by the Purchasers, the initial exchange thereof for definitive Certificates.

SECTION 29: Satisfaction of Obligation of City. If the City shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Certificates, at the times and in the manner stipulated in this Ordinance, then the pledge of taxes levied and the lien on and pledge of the Pledged Revenues under this Ordinance and all covenants, agreements, and other obligations of the City to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Certificates, or any principal amount(s) thereof, shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Certificates or the principal amount(s) thereof at Stated Maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, and/or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities will mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due the principal of and interest on such Certificates, or the principal amounts thereof, on and prior to the Stated Maturity therefor (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof for the Certificates. In the event of a defeasance of the Certificates, the City shall deliver a certificate from its financial advisor, the Paying Agent/Registrar, an independent accounting firm, or another qualified third party concerning the deposit of cash and/or Government Securities to pay, when due, the principal of, redemption premium (if any), and interest due on any defeased Certificate. As and to the extent applicable, if at all, the City covenants that no deposit of money or Government Securities will be made under this Section and no use made of any such deposit which would cause the Certificates to be treated as arbitrage bonds within the meaning of section 148 of the Code (as defined in Section 27 hereof).

Any money so deposited with the Paying Agent/Registrar, and all income from Government Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Certificates, or any principal amount(s) thereof, or interest thereon with respect to which such money has been so deposited shall be remitted to the City or deposited as directed by the City. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Certificates and remaining unclaimed for a period of three (3) years after the Stated Maturity of the Certificates, or applicable redemption date of the Certificates, such money was deposited and is held in trust to pay shall upon the request of the City be remitted to the City against a written receipt therefor, subject to the, unclaimed property laws of the State of Texas.

Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem defeased Certificates that is made in conjunction with the payment arrangements specified in subsection (i) or (ii) above shall not be irrevocable, provided that: (1) in the proceedings providing for such defeasance, the City expressly reserves the right to call the defeased Certificates for redemption; (2) gives notice of the reservation of that right to the owners of the defeased Certificates immediately following the defeasance; (3) directs that notice of the reservation be included in any redemption notices that it authorizes; and (4) at the time of the redemption, satisfies the conditions of (i) or (ii) above with respect to such defeased debt as though it was being defeased at the time of the exercise of the option to redeem the defeased Certificates, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the defeased Certificates.

SECTION 30: Printed Opinion. The Purchasers' obligation to accept delivery of the Certificates is subject to their being furnished a final opinion of McCall, Parkhurst & Horton

L.L.P., San Antonio, Texas, as Bond Counsel, approving certain legal matters as to the Certificates, this opinion to be dated and delivered as of the date of initial delivery and payment for such Certificates. Printing of a true and correct copy of this opinion on the reverse side of each of the Certificates, with appropriate certificate pertaining thereto executed by facsimile signature of the City Secretary of the City is hereby approved and authorized.

SECTION 31: CUSIP Numbers. CUSIP numbers may be printed or typed on the definitive Certificates. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Certificates shall be of no significance or effect as regards the legality thereof, and neither the City nor Bond Counsel are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Certificates.

SECTION 32: Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 33: Ordinance a Contract Amendments - Outstanding Certificates. The City acknowledges that the covenants and obligations of the City herein contained are a material inducement to the purchase of the Certificates. This Ordinance shall constitute a contract with the Holders from time to time, binding on the City and its successors and assigns, and it shall not be amended or repealed by the City so long as any Certificate remains Outstanding except as permitted in this Section. The City may, without the consent of or notice to any Holders, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of Holders holding a majority in aggregate principal amount of the Certificates then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Ordinance; provided, however, that, without the consent of all Holders of Outstanding Certificates, no such amendment; addition, or rescission shall (1) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof, the redemption price thereof, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium if any, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required for consent to any such amendment, addition, or rescission.

SECTION 34: Benefits of Ordinance. Nothing in this Ordinance, expressed or implied, is intended or shall be construed to confer upon any person other than the City, Bond Counsel, Paying Agent/Registrar, and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Ordinance or any provision hereof, this Ordinance and all its provisions being intended to be and being for the sole and exclusive benefit of the City, Bond Counsel, Paying Agent/Registrar, and the Holders.

SECTION 35: Inconsistent Provisions. All ordinances and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed to the extent of such conflict, and the provisions of this Ordinance shall be and remain controlling as to the matters ordained herein.

SECTION 36: Governing Law. This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 37: Severability. If any provision of this Ordinance or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Ordinance and the application of such provision to other persons and circumstances shall nevertheless be valid, and the City Council hereby declares that this Ordinance would have been enacted without such invalid provisions.

SECTION 38: Construction of Terms. If appropriate in the context of this Ordinance, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

SECTION 39: Incorporation of Preamble Recitals. The recitals contained in the preamble hereof are hereby found to be true; and such recitals are hereby made a part of this Ordinance for all purposes and are adopted as a part of the judgment and findings of the City Council of the City.

SECTION 40: Authorization of Paying Agent/Registrar Agreement. The City Council of the City hereby finds and determines that it is in the best interest of the City to authorize the execution of a Paying Agent/Registrar Agreement concerning the payment, exchange, registration, and transferability of the Certificates. A copy of the Paying Agent/Registrar Agreement is attached hereto, in substantially final form, as Exhibit A and is incorporated by reference to the provisions of this Ordinance.

SECTION 41: Public Meeting. It is officially found, determined, and declared that the meeting at which this Ordinance is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Ordinance, was given, all as required by Chapter 551, as amended, Texas Government Code.

SECTION 42: Unavailability of Authorized Publication. If, because of the temporary or permanent suspension of any newspaper, journal, or other publication, or, for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Ordinance shall be given in such other manner and at such time or times as in the judgment of the City or of the Paying Agent/Registrar shall most effectively approximate such required publication and the giving of such notice in such manner shall for all purposes of this Ordinance be deemed to be in compliance with the requirements-for publication thereof.

SECTION 43: No Recourse Against City Officials. No recourse shall be had for the payment of principal of, premium if any, or interest on any Certificate or for any claim based thereon or on this Ordinance against any official of the City or any person executing any Certificate.

SECTION 44: Continuing Disclosure Undertaking.

A. Definitions.

As used in this Section, the following terms have the meanings ascribed to such terms below:

EMMA means the MSRB's Electronic Municipal Market Access system, accessible by the general public, without charge, on the internet through the uniform resource locator (URL) <http://www.emma.msrb.org>.

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 file annually with the MSRB, within twelve months after the end of each fiscal year ending in or after 2024, financial information and operating data with respect to the City of the general type included in the final Official Statement authorized by Section 26 of this Ordinance being the information described in Exhibit D hereto and if not provided as part of such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit D 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 (ii) audited, if the City commissions an audit of such financial 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 unaudited financial statements within such period and audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such statements becomes available. Under current Texas law, including, but not limited to, Chapter 115, as amended, Texas Local Government Code, the City must have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit. The annual financial statement, including the auditor's opinion on the statement, shall be filed in the office of the Chief Finance Officer within 365 days after the last day of the City's fiscal year. Additionally, upon the filing of this financial statement and the annual audit, these documents are subject to the Texas Open Records Act, as amended, Texas Government Code, Chapter 552.

If the City changes its fiscal year, it will file notice of such change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

C. Notice of Certain Events.

The City shall file notice of any of the following events with respect to the Certificates to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificate, or other material events affecting the tax status of the Certificate;
- (7) Modifications to rights of holders of the Certificate, if material;
- (8) Certificate calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing payment of the Certificate, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below;
- (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material;
- (15) Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

The City shall file notice with the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with this Section by the time required by this Section.

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer, and (b) the Issuer intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

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 within the meaning of the Rule, except that the City in any event will give notice of any deposit that causes the Certificates to be no longer Outstanding.

The provisions of this Section are for the sole benefit of the Holders and beneficial owners of the Certificate, 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 at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY CERTIFICATE 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 WITH 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 constitute 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 in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the 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 consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Certificate. The City may also repeal or amend the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the City also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificate, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. 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 subsection B of this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. If the City so amends the provisions of this Section, the City shall include with any amended financial information or operating data next provided in accordance with this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

E. Information Format – Incorporation by Reference.

The City information required under this Section shall be filed with the MSRB through EMMA in such format and accompanied by such identifying information as may be specified from time to time thereby. Under the current rules of the MSRB, continuing disclosure documents submitted to EMMA must be in word-searchable portable document format (PDF) files that permit the document to be saved, viewed, printed, and retransmitted by electronic means and the series of obligations to which such continuing disclosure documents relate must be identified by CUSIP number or numbers.

Financial information and operating data to be provided pursuant to this Section 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) available to the public through EMMA or filed with the SEC.

F. General Policies and Procedures Concerning Compliance with the Rule.

Because the issuance of the Certificates is subject to the provisions of the Rule and because the potential “underwriters” in a competitive sale of the Certificates or the initial purchasers in a competitive sale of the Certificates may be subject to MSRB rules and regulations with respect to

such sale (including certain due diligence and suitability requirements, among others), the Issuer hereby adopts the General Policies and Procedures Concerning Compliance with the Rule (the *Policies and Procedures*), attached hereto as Exhibit E, with which the Issuer shall follow to assure compliance with the Undertaking. The Issuer has developed these Policies and Procedures for the purpose of meeting its requirements of the Undertaking and, in connection therewith, has sought the guidance from its internal staff charged with administering the Issuer's financial affairs, its municipal or financial advisor, its legal counsel (including its Bond Counsel), and its independent accountants (to the extent determined to be necessary or advisable). The Policies and Procedures can be amended at the sole discretion of the Issuer and any such amendment will not be deemed to be an amendment to the Undertaking. Each Authorized Official is hereby authorized to amend the Policies and Procedures as a result of a change in law, a future issuance of indebtedness subject to the Rule, or another purpose determined by the Authorized Official to be necessary or desirable for or with respect to future compliance with the Undertaking.

SECTION 45: Book-Entry-Only System.

The Certificates shall initially be registered so as to participate in a securities depository system (the *DTC System*) with the Depository Trust Company, New York, New York, or any successor entity thereto (*DTC*), as set forth herein. Each Stated Maturity of the Certificates shall be issued (following cancellation of the Initial Certificate described in Section 7) in the form of a single definitive Certificate. Upon issuance, the ownership of each such Certificate shall be registered in the name of Cede & Co., as the nominee of DTC, and all of the Outstanding Certificates shall be registered in the name of Cede & Co., as the nominee of DTC. The City and the Paying Agent/Registrar are authorized to execute, deliver, and take the actions set forth in such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including the Letter of Representations attached hereto as Exhibit F (the *Representation Letter*).

With respect to the Certificates 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 broker-dealer, bank, or other financial institution for which DTC holds the Certificates from time to time as securities depository (a *Depository Participant*) or to any person on behalf of whom such a Depository Participant holds an interest in the Certificates (an *Indirect Participant*). 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 Depository Participant with respect to any ownership interest in the Certificates, (ii) the delivery to any Depository Participant or any other person, other than a registered owner of the Certificates, as shown on the Security Register, of any notice with respect to the Certificates, including any notice of redemption, or (iii) the delivery to any Depository Participant or any Indirect Participant or any other Person, other than a Holder of a Certificate, of any amount with respect to principal of, premium if any, or interest on the Certificates. While in the DTC System, no person other than Cede & Co., or any successor thereto, as nominee for DTC, shall receive a bond certificate evidencing the obligation of the City to make payments of principal, premium if any, 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 or drafts being mailed to the Holder, the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

In the event that (a) the City determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (b) the Representation Letter shall be terminated for any reason, or (c) DTC or the City determines that it is in the best interest of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, the City shall notify the Paying Agent/Registrar, DTC, and the Depository Participants of the availability within a reasonable period of time through DTC of bond certificates, and the Certificates shall no longer be restricted to being registered in the name of Cede & Co., as nominee of DTC. At that time, the City may determine that the Certificates shall be registered in the name of and deposited with a successor depository operating a securities depository system, as may be acceptable to the City, or such depository's agent or designee, and if the City and the Paying Agent/Registrar do not select such alternate securities depository system then the Certificates may be registered in whatever name or names the Holders of Certificates transferring or exchanging the Certificates shall designate, in accordance with the provisions hereof.

Notwithstanding any other provision of this Ordinance to the contrary, so long as any Certificate is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium if any, and interest on such Certificate and all notices with respect to such Certificate shall be made and given, respectively, in the manner provided in the Representation Letter.

SECTION 46: Further Procedures. The officers and employees of the City are hereby 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 initial sale and delivery of the Certificates, the Official Bid Form, the Paying Agent/Registrar Agreement, and the Official Statement. In addition, prior to the initial delivery of the Certificates, any Authorized Official and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Ordinance or to any of the instruments authorized and approved by this Ordinance as described in the Official Statement necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance, (ii) obtain a rating from any of the national bond rating agencies, or (iii) obtain the approval of the Certificates by the Texas Attorney General's office. Bond Counsel is further authorized to institute any bond validation suit under Chapter 1205, as amended, Texas Government Code (or any successor statute thereto) related to the Certificates while the Certificates are outstanding and unpaid. In case any officer of the City whose signature shall appear on any certificate shall cease to be such officer before the delivery of such certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 47: Contracts with Financial Advisor. The City Council authorizes any Authorized Official, or their designees, to take all actions necessary to execute any necessary financial advisory contracts with SAMCO Capital markets, Inc., as the financial advisor to the City (the *Financial Advisor*). The City understands that under applicable federal securities laws and regulations that the City must have a contractual arrangement with its Financial Advisor relating to the sale, issuance, and delivery of the Certificates.

SECTION 48: City's Consent to Provide Information and Documentation to the Texas MAC. The Municipal Advisory Council of Texas (the *Texas MAC*), a non-profit membership corporation organized exclusively for non-profit purposes described in section 501(c)(6) of the Code and which serves as a comprehensive financial information repository regarding municipal debt issuers in Texas, requires provision of written documentation regarding the issuance of municipal debt by the issuers thereof. In support of the purpose of the Texas MAC and in compliance with applicable law, the City hereby consents to and authorizes any Authorized Official, Bond Counsel to the City, and/or Financial Advisor to the City to provide to the Texas MAC information and documentation requested by the Texas MAC relating to the Certificates; provided, however, that no such information and documentation shall be provided prior to the Closing Date. This consent and authorization relates only to information and documentation that is a part of the public record concerning the issuance of the Certificates.

SECTION 49: Effective Date. Pursuant to the provisions of Section 1201.028, as amended, Texas Government Code, this Ordinance shall be effective immediately upon adoption, notwithstanding any provision in the City's Home Rule Charter to the contrary concerning a multiple reading requirement for the adoption of ordinances.

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PASSED AND ADOPTED by the City Council of the City of Hondo, Texas, this the 26th day of February, 2024.

CITY OF HONDO, TEXAS

Mayor

ATTEST:

Acting City Secretary

(CITY SEAL)

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INDEX TO EXHIBITS

Exhibit A	Paying Agent/Registrar Agreement
Exhibit B	Official Bid Form
Exhibit C	Written Procedures – Compliance with Federal Tax Certificate
Exhibit D	Description of Annual Financial Information
Exhibit E	General Policies and Procedures Concerning Compliance with the Rule
Exhibit F	DTC Letter of Representations

[The remainder of this page intentionally left blank.]

EXHIBIT A

Paying Agent/Registrar Agreement

See Tab No. ____

EXHIBIT B

Official Bid Form

See Tab No. ____

EXHIBIT C

Written Procedures Relating to Continuing Compliance with Federal Tax Covenants

A. Arbitrage. With respect to the investment and expenditure of the proceeds of the Certificates, the Issuer's Chief Finance Officer (the *Responsible Person*), will:

- (i) instruct the appropriate person or persons that the construction, renovation or acquisition of the facilities must proceed with due diligence and that binding contracts for the expenditure of at least 5% of the proceeds of the Certificates will be entered into within six (6) months of the date of delivery of the Certificates (the *Issue Date*);
- (ii) monitor that at least 85% of the proceeds of the Certificates to be used for the construction, renovation or acquisition of any facilities are expended within three (3) years of the Issue Date;
- (iii) restrict the yield of the investments to the yield on the Certificates after three (3) years of the Issue Date;
- (iv) monitor all amounts deposited into a sinking fund or funds (e.g., the Interest and Sinking Fund), to assure that the maximum amount invested at a yield higher than the yield on the Certificates does not exceed an amount equal to the debt service on the Certificates in the succeeding 12 month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Certificates for the immediately preceding 12-month period;
- (v) ensure that no more than 50% of the proceeds of the Certificates are invested in an investment with a guaranteed yield for 4 years or more;
- (vi) maintain any official action of the Issuer (such as a reimbursement resolution) stating its intent to reimburse with the proceeds of the Certificates any amount expended prior to the Issue Date for the acquisition, renovation or construction of the facilities;
- (vii) ensure that the applicable information return (e.g., IRS Form 8038-G, 8038-GC, or any successor forms) is timely filed with the IRS; and
- (viii) assure that, unless excepted from rebate and yield restriction under section 148(f) of the Code, excess investment earnings are computed and paid to the U.S. government at such time and in such manner as directed by the IRS (A) at least every 5 years after the Issue Date and (B) within 30 days after the date the Certificates are retired.

B. Private Business Use. With respect to the use of the facilities financed or refinanced with the proceeds of the Certificates the Responsible Person will:

- (i) monitor the date on which the facilities are substantially complete and available to be used for the purpose intended;
- (ii) monitor whether, at any time the Certificates are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has any contractual right (such as a lease, purchase, management or other service agreement) with respect to any portion of the facilities;
- (iii) monitor whether, at any time the Certificates are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has a right to use the output of the facilities (e.g., water, gas, electricity);
- (iv) monitor whether, at any time the Certificates are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has a right to use the facilities to conduct or to direct the conduct of research;
- (v) determine whether, at any time the Certificates are outstanding, any person, other than the Issuer, has a naming right for the facilities or any other contractual right granting an intangible benefit;
- (vi) determine whether, at any time the Certificates are outstanding, the facilities are sold or otherwise disposed of; and
- (vii) take such action as is necessary to remediate any failure to maintain compliance with the covenants contained in the Ordinance related to the public use of the facilities.

C. Record Retention. The Responsible Person will maintain or cause to be maintained all records relating to the investment and expenditure of the proceeds of the Certificates and the use of the facilities financed or refinanced thereby for a period ending three (3) years after the complete extinguishment of the Certificates. If any portion of the Certificates is refunded with the proceeds of another series of tax-exempt obligations, such records shall be maintained until the three (3) years after the refunding obligations are completely extinguished. Such records can be maintained in paper or electronic format.

D. Responsible Person. The Responsible Person shall receive appropriate training regarding the Issuer's accounting system, contract intake system, facilities management and other systems necessary to track the investment and expenditure of the proceeds and the use of the facilities financed or refinanced with the proceeds of the Certificates. The foregoing notwithstanding, the Responsible Person is authorized and instructed to retain such experienced advisors and agents as may be necessary to carry out the purposes of these instructions.

EXHIBIT D

Description of Annual Financial Information

The following information is referred to in Section 44 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 City's audited financial information for the most recently concluded fiscal year or to the extent the audited financial information is not available, the unaudited financial information of the City appended to the Official Statement as Appendix D.

2. The quantitative financial information and operating data with respect to the City of the general type included in Appendix A of the Official Statement, which is customarily prepared by the City and publicly available.

Accounting Principles

The accounting principles referred to in such Section are generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board from time to time.

EXHIBIT E

General Policies and Procedures Concerning Compliance with the Rule

- I. Capitalized terms used in this Exhibit have the meanings ascribed thereto in Section 44 of the Ordinance. “Certificates” refers to the Certificates that are the subject of the Ordinance to which this Exhibit is attached.
- II. As a capital markets participant, the Issuer is aware of its continuing disclosure requirements and obligations existing under the Rule prior to February 27, 2019, the effective date of the most recent amendment to the Rule (the *Effective Date*), and has implemented and maintained internal policies, processes, and procedures to ensure compliance therewith. Adherence to these internal policies, processes, and procedures has enabled underwriters in non-exempt negotiated sales and initial purchasers in non-exempt competitive sales to comply with their obligations arising under various MSRB rules and regulations concerning due diligence and findings of suitability, among other matters, regarding the Issuer’s compliance with the Rule.
- III. The Issuer is aware that the Rule was amended as of the Effective Date (the *Rule Amendment*) and has accommodated this amendment by adding subparagraphs (15) and (16) to Section 44C of the Ordinance, which provisions are a part of the Undertaking.
- IV. The Issuer is aware that “participating underwriters” (as such term is defined in the Rule) of the Certificates must make inquiry and reasonably believe that the Issuer is likely to comply with the Undertaking and that the standards for determining compliance have increased over time as a result of, among others, the United States Securities and Exchange Commission’s Municipalities Continuing Disclosure Cooperation Initiative and regulatory commentary relating to the effectiveness of the Rule Amendment.
- V. The Issuer now establishes the following general policies and procedures (the *Policies and Procedures*) for satisfying its obligations pursuant to the Undertaking, which policies and procedures have been developed based on the Issuer’s informal policies, procedures, and processes utilized prior to the Effective Date for compliance with the Issuer’s obligations under the Rule, the advice from and discussions with the Issuer’s internal senior staff (including staff charged with administering the Issuer’s financial affairs), its municipal or financial advisor, its legal counsel (including Bond Counsel), and its independent accountants, to the extent determined to be necessary or advisable (collectively, the *Compliance Team*):
 - (1) the Chief Finance Officer of the City (the *Compliance Officer*) shall be responsible for satisfying the Issuer’s obligations pursuant to the Undertaking through adherence to these Policies and Procedures;
 - (2) the Compliance Officer shall establish reminder or “tickler” systems to identify and timely report to the MSRB, in the format thereby prescribed from time to time, the Issuer’s information of the type described in Section 44B of the Ordinance;

(3) the Compliance Officer shall promptly determine the occurrence of any of the events described in Section 44C of the Ordinance;

(4) the Compliance Officer shall work with external consultants of the Issuer, as and to the extent necessary, to timely prepare and file with the MSRB the annual information of the Issuer and notice of the occurrence of any of the events referenced in Clauses 2 and 3 above, respectively, the foregoing being required to satisfy the terms of the Undertaking;

(5) the Compliance Officer shall establish a system for identifying and monitoring any Financial Obligations, whether now existing or hereafter entered into by the Issuer, and (upon identification) determining if such Financial Obligation has the potential to materially impact the security or source of repayment of the Certificates;

(6) upon identification of any Financial Obligation meeting the materiality standard identified in Clause 5 above, the Compliance Officer shall establish a process for identifying and monitoring any Issuer agreement to covenants, events of default, remedies, priority rights, or other similar terms under such Financial Obligation;

(7) the Compliance Officer shall establish a process for identifying the occurrence of any default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any Financial Obligation, the occurrence of any of which reflect financial difficulties of the Issuer; and

(8) the Compliance Officer shall annually review these Policies and Procedures with the remainder of the Compliance Team, make any modifications on an internal document retained by the Compliance Officer and available to any “participating underwriter” (as defined in the Rule), if requested, and on the basis of this annual review (to the extent determined to be necessary or desirable), seek additional training for herself or himself, as well as other members of the Issuer’s internal staff identified by the Compliance Officer to assist with the Issuer’s satisfaction of the terms and provisions of the Undertaking.

EXHIBIT F

DTC Letter of Representations

See Tab No. __

Credit Highlights

- S&P Global Ratings assigned its 'A+' underlying rating to Hondo, Texas' estimated \$11.3 million series 2024 combination tax revenue certificates of obligation (COs).
- The outlook is stable.

Security

The certificates constitute direct obligations of the city, payable from the proceeds of a continuing, direct annual ad valorem tax, within the limits prescribed by law, on all taxable property within its borders, and additionally by net surplus revenue of the city's drainage system. We rate the certificates based on the city's ad valorem pledge given we do not have sufficient information to rate the net revenue pledge. The maximum allowable ad valorem tax rate in Texas is \$2.50 per \$100 of assessed value (AV) for all purposes, with the portion dedicated to debt service limited to \$1.50. We do not differentiate between the city's limited-tax GO debt and its general creditworthiness, because the ad valorem tax is not derived from a measurably narrower tax base and there are no limitations on the fungibility of resources.

Proceeds from the certificates will fund water and wastewater improvements, including a new wastewater line, infrastructure at the airport, and park projects.

Credit overview

Hondo, located about 25 miles west of San Antonio, has traditionally been an agriculture-based municipality, though it has diversified into the governmental, retail, and the industrial sectors. While the economy remains limited and weak, there are ongoing developments that could improve economic metrics, though we don't anticipate material changes, especially to income levels, over the outlook horizon. The city's good financial management practices and strong finances are a credit positive, offset by general fund's material reliance on the utility system to maintain balanced operations due to management's goal to keep property taxes low. Over the next few years, officials anticipate the city will likely benefit from various economic developments and revenue growth, which they hope to use to reduce general fund's reliance on the enterprise fund. Future upward rating potential is possible if management capitalizes on the growth and insulates the general fund from an exposure to the utility fund, and if economic metrics improve and general fund reserves remain very strong and in line with Hondo's informal reserve target.

The rating reflects our view of the city's:

- Weak but growing economy with access to the broad and diverse San Antonio-New Braunfels MSA;
- Good financial policies and practices under our Financial Management Assessment (FMA) methodology, and a strong institutional framework score;
- Strong financial performance and reserves that we expect will remain above 30% of expenditures; and

- Very weak debt and contingent liability profile, with no pension pressures.

Environmental, social, and governance

We have analyzed environmental, social, and governance (ESG) factors relative to Hondo's credit fundamentals and consider them neutral in our rating analysis.

Outlook

The stable outlook reflects our view that finances will remain very strong over the next two years, supported by conservative budgetary practices.

Downside scenario

We could lower the rating if the city were to face budgetary pressures, whether from one-time items or inability to respond to disruptions in the utility system, leading to sustained draws on reserves.

Upside scenario

All else remaining equal, we could raise the rating if the city's economic metrics improve to levels commensurate with those of higher rated peers and if management reduces general fund's reliance on the utility system.

Credit Opinion

Weak but growing economy with access to the San Antonio metro

We expect the city's economic metrics to remain stable over the outlook horizon given modest ongoing tax base expansion and significant area available for future growth. Serving as the Medina County seat, Hondo is located about 25 miles west of San Antonio. Local economy has traditionally centered around agriculture, but now also includes retail, government, and industrial sectors. The largest employers include Texas Department of Corrections, the county, Hondo Independent School District, Walmart, HEB and the city.

The city reports ongoing growth, including three companies having committed to establish their presence in the city, with a collective economic impact of about \$300 million, and the city is in talks with other companies that would bring additional capital investment. In addition, there are ongoing residential developments that include an average of 20 new single family homes being added to the tax base every year. Residential additions have contributed, according to officials, about 50% of the annual tax base growth.

Good financial management practices

The city's practices include:

- Budgeting assumptions formulated using five years of historical data;
- Quarterly budget-to-actual results shared with council and amendments performed as necessary;
- A formally adopted investment policy adhering to state guidelines, as well as quarterly holdings and earnings reports shared with council;
- A 5-year rolling capital improvement plan included in the annual budget, with project costs and funding sources identified;
- An informal reserve target to maintain 25% of operating expenditures in reserves that Hondo has historically met.

The city does not have a formalized long-term financial forecast or a debt management policy.

The institutional framework for Texas municipalities is strong.

Very strong financial profile tempered by significant reliance on utility transfers

Hondo has posted consecutive surpluses and maintained very strong reserves over the past several years, which officials attribute to increasing property and sales taxes. The city estimates that fiscal 2023 ended with another general fund surplus and an ending fund balance of about \$6.25 million. Nevertheless, our view of finances is tempered by general fund's reliance on utility support to maintain balanced operations. Utility transfers account for more than 50% of general fund revenue. As such, a deterioration in utility performance could immediately pressure general fund operations.

The adopted fiscal 2024 budget is balanced and management believes that conservative assumptions and revenue growth will result in another surplus. There are no plans to spend available fund balance and no immediate pressures that officials anticipate could affect finances within the outlook horizon.

High debt burden with no immediate tax-backed debt plans

Following this issuance, the city will have approximately \$25 million in total direct debt, most of it GO debt, of which about \$5.5 million is supported by the water and sewer, electric, and airport enterprises.

The series 2024 COs are the city's first public issuance. Its outstanding debt, totaling about \$11 million or 44% of its total direct debt, has been privately placed. The legal documents do not include any nonstandard events of default or remedies. Therefore, we do not consider this debt a contingent liquidity risk.

Officials noted that there are no additional tax-backed issuances planned at this time.

Hondo needs to expand its wastewater treatment plant and will likely issue up to \$10 million through the Texas Water Development Board (TWDB) for this purpose in the next 18-24 months. The loan will be secured by utility revenues and may qualify for subsidized interest rate, partial loan forgiveness, or a combination of both.

Pension and other postemployment benefits

We do not view pension and OPEB liabilities as an immediate credit risk. Contributions are manageable and they exceeded our minimum funding progress metric in fiscal 2022.

The city participates in the Texas Municipal Retirement System (TMRS), a nontraditional, joint contributory, hybrid defined benefit pension plan administered by the state. The city's net pension asset of \$733,000 as of Dec. 31, 2021, and the plan's funded ratio was 104.1%, assuming a 6.75% discount rate.

The city does not offer other postemployment benefits.

CONFIDENTIAL



City Council Communication

Title: Executive Session: The City Council of the City of Hondo may convene in Executive Session in accordance with the Texas Open Meetings Act, Texas Government Code: Section 551.071(1) (A) and (2) (Consultations with Attorney) and Section 551.072 (Deliberations about Real Property), Section 551.074 (Personnel Matters), Section 551.076 (Deliberations about Security Devices), or Section 551.087 (Deliberations Regarding Economic Development Negotiations);Section 551.086 (Meeting concerning municipally owned utility-competitive matters);

Date: February 26, 2024 **From:**

INFORMATION:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:

MOTION:

ATTACHMENTS:

None

STAFF CONTACTS:



City Council Communication

Title: Review and Consideration of payment dispute regarding Withum Consulting.

Date: February 26, 2024 **From:**

INFORMATION:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:

MOTION:

ATTACHMENTS:

1. EXEC SESSION EMAIL
2. EXEC SESSION Withum JAN2024

STAFF CONTACTS:



City Council Communication

Title: Discuss and consider appropriate action on items resulting from Executive Session.

Date: February 26, 2024 **From:**

INFORMATION:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:

MOTION:

ATTACHMENTS:

None

STAFF CONTACTS: