



CITY COUNCIL AGENDA

NOTICE OF WORKSHOP

Tuesday, December 6, 2016

6:00 p.m.

Council Chamber - City Hall

Daniel P. Moore Community Center Complex

1900 Billy G. Webb

Portland, Texas 78374

This workshop may be recessed before the Regular City Council meeting begins at 7:00 p.m. and reconvened after the Regular City Council meeting ends.

1. **CALL TO ORDER:** MAYOR KREBS
2. **EXECUTIVE SESSION:** THE CITY COUNCIL WILL CONDUCT AN EXECUTIVE SESSION ACCORDING TO SECTION 551.071, GOVERNMENT CODE, AND RULE 1.05, TEXAS DISCIPLINARY RULES OF PROFESSIONAL CONDUCT OF THE STATE BAR OF TEXAS FOR CONSULTATION WITH CITY ATTORNEY REGARDING TWO PENDING OR CONTEMPLATED LITIGATIONS (CITY HALL CONSTRUCTION AND DELINQUENT PROPERTY TAX FORECLOSURE) AND/OR ON A MATTER IN WHICH THE DUTY OF THE CITY ATTORNEY UNDER THE CITED RULE CONFLICTS WITH CHAPTER 551, GOVERNMENT CODE – MAYOR AND CITY MANAGER
3. **ADJOURNMENT:** MAYOR KREBS

NOTICE OF ASSISTANCE

If you plan to attend this public meeting and you have a disability that requires special arrangements to be made, please contact City Secretary Annette Hall 361-777-4513 or annette.hall@portlandtx.com in advance of the meeting. Reasonable accommodations will be made to facilitate your participation. City Hall is wheelchair accessible and specially marked parking spaces are in front of the entrance. Special seating will be provided in the Council Chamber during the meeting.

BRAILLE IS NOT AVAILABLE

Posted: December 2, 2016 by 5:00 p.m.
Portland City Hall

By: _____
Randy L. Wright
City Manager



CITY COUNCIL AGENDA

NOTICE OF REGULAR MEETING

Tuesday, December 6, 2016

7:00 p.m.

City Hall - Council Chamber

Daniel P. Moore Community Center Complex

1900 Billy G. Webb Drive

Portland, Texas

A. PROCEDURAL MATTERS, HONORS AND RELATED NON-ACTION ITEMS:

1. CALL TO ORDER: MAYOR KREBS
2. INVOCATION AND PLEDGE: MAYOR KREBS OR DESIGNEE
3. FORMAL ANNOUNCEMENTS, RECOGNITION, PRESENTATIONS AND REPORTS THAT MAY BE DISCUSSED:
 - PRESENTATION ON THE POSSIBLE CONSTRUCTION OF AN ETHANE CRACKER FACILITY NEAR PORTLAND – REPRESENTATIVES OF EXXON-MOBIL
 - PRESENTATION ON THE PROGRESS OF THE NEW HARBOR BRIDGE PROJECT – REPRESENTATIVES FROM FLATIRON/Dragados, LLC
4. CITY COUNCIL COMMENTS CONCERNING ITEMS OF COMMUNITY INTEREST THAT MAY NOT BE DISCUSSED:

Members of the City Council may present reports regarding items of community interest, provided no action is taken or discussed. Items of community interest include the following:

- Expressions of thanks, congratulations, or condolence
- Information regarding holiday schedules
- Honorary recognition of city officials, employees, or other citizens
- Reminders about upcoming events sponsored by the city or another entity that is scheduled to be attended by a city official or city employee
- Announcements of imminent threats to the public health and safety of the city

5. CITY MANAGER'S REPORT:

The City Manager may present announcements, comments and updates on City operations and projects.

B. ACTION ITEMS, RESOLUTIONS AND ORDINANCES:

Members of the audience who wish to (1) comment on issues concerning an agenda item, (2) present questions concerning an agenda item, (3) request assistance concerning an agenda item or (4) propose regulatory changes concerning an agenda item, must comply with the following rules of procedure:

- Persons who wish to speak must fill out and turn in a speaker card before the meeting is convened (The Mayor will notify you when it's your turn to speak and direct you to the podium)
- Persons who wish to speak must identify themselves and their places of residence
- All comments, requests and proposals must be presented to or through the Mayor
- Persons who wish to speak will be given 4 minutes to do so

6. MINUTES OF PREVIOUS MEETINGS: THE CITY COUNCIL WILL CONSIDER THE MINUTES OF ITS NOVEMBER 15, 2016 REGULAR MEETING – MAYOR KREBS AND CITY SECRETARY

7. ISSUANCE OF A TAX NOTE IN THE AMOUNT OF \$650,000: THE CITY COUNCIL WILL CONSIDER ORDINANCE AUTHORIZING THE ISSUANCE OF \$650,000 IN PRINCIPAL AMOUNT OF CITY OF PORTLAND, TEXAS TAX NOTE, SERIES 2016; SECURING THE PAYMENT THEREOF BY AUTHORIZING THE LEVY OF AN ANNUAL AD VALOREM TAX; AND APPROVING AND AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, A PURCHASE LETTER, AND ALL OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO – DIRECTOR OF FINANCE

8. AUTHORIZATION TO FILE LITIGATION: THE CITY COUNCIL WILL CONSIDER THE FILING OF LITIGATION REGARDING THE CONSTRUCTION OF CITY HALL AND RETAINING THE LAW FIRM OF HARTLINE DACUS BARGER DREYER, LLP, TO REPRESENT THE CITY – CITY MANAGER

C. CITIZEN COMMENTS, QUESTIONS, REQUESTS AND PROPOSALS NOT APPEARING ON THE AGENDA:

Members of the audience who wish to (1) comment on issues for which there is no item on this agenda, (2) present questions for which there is no item on this agenda, (3) request assistance for which there is no item on this agenda or (4) propose regulatory changes for which there is no item on this agenda, must comply with the following rules of procedure:

- Persons who wish to speak must fill out and turn in a speaker card before the meeting is convened (The Mayor will notify you when it's your turn to speak and direct you to the podium)
- Persons who wish to speak must identify themselves and their places of residence
- All comments, requests and proposals must be presented to or through the Mayor
Persons who wish to speak will only be given 4 minutes to do so

Neither the City Council nor the Staff is legally permitted to respond to citizen comments, questions, requests or proposals at the time of the meeting. A member of the City Council or the City Manager may place an item on the agenda of a future City Council workshop or meeting to legally do so. If that is done, the audience member seeking a response will be given advance notice.

D. ADJOURNMENT: MAYOR KREBS

NOTICE OF ASSISTANCE

If you plan to attend this public meeting and you have a disability that requires special arrangements to be made, please contact City Secretary Annette Hall (361) 777-4513 or annette.hall@portlandtx.com) in advance of the meeting. Reasonable accommodations will be made to facilitate your participation. The City Hall is wheelchair accessible and specially marked parking spaces are in front of the entrance. Special seating will be provided in the Council Chamber during the meeting.

BRAILLE IS NOT AVAILABLE

Posted: December 2, 2016 by 5:00 p.m.
Portland City Hall

By: _____
Randy L. Wright
City Manager

**CITY OF PORTLAND
CITY COUNCIL
REGULAR MEETING
MINUTES
NOVEMBER 15, 2016 – 7:00 P.M.**

On this the 15th day of November 2016, the Council of the City of Portland convened in a regular meeting session at 7:00 p.m. in the Council Chambers of City Hall, Daniel P. Moore Community Center Complex and notice of regular meeting giving the time, place and date and subject having been posted as described by Section 551 of the Government Code.

MEMBERS PRESENT:

David Krebs	Mayor
John Green	Mayor Pro Tem
Ron Jorgensen	Council Member
Cathy Skurow	Council Member
Gary Moore, Sr.	Council Member
Bill T. Wilson II	Council Member

MEMBERS ABSENT:

Nathan Taggart	Council Member
----------------	----------------

STAFF PRESENT:

Randy Wright	City Manager
Brian DeLatta	Assistant City Manager
Annette Hall	City Secretary
Mark Cory	Chief of Police
Katie Griffin	Director of Finance
Lyle Lombard	Fire Chief
Ginny Moses	Library Director
Mona Gandy	Director of Marketing and Communications
Troy Frazee	Director of Public Works and Development
Kristin Connor	Director of Parks and Recreation
Terrell Elliott	IT Manager
Drew Schell	IT Technician
Brandon Lemon	Assistant Accountant

And with a quorum being present, the following business was transacted:

A. PROCEDURAL MATTERS, HONORS, AND RELATED NON-ACTION ITEMS:

1. CALL TO ORDER: MAYOR KREBS

Mayor Krebs called the meeting to order at 7:00 pm.

2. INVOCATION AND PLEDGE: MAYOR KREBS OR DESIGNEE

Council Member Wilson gave the invocation and Council Member Moore led the Pledge of Allegiance.

3. FORMAL ANNOUNCEMENTS, RECOGNITION, PRESENTATIONS, AND REPORTS THAT MAY BE DISCUSSED:

- PRESENTATION ON NOISE ABATEMENT PLANS BY REPRESENTATIVES OF VOESTALPINE TEXAS, LLC – REPRESENTATIVE OF VOESTALPINE TEXAS, LLC

Jonas Chupe, Head of Communications for Voestalpine Texas, LLC gave a presentation on sound solutions.

The City Council and Mr. Chupe discussed the sound solutions and timeline.

Mayor Krebs announced that item No. B. before the remaining formal announcements, recognition, presentations, and reports may be discussed.

B. ACTION ITEMS, RESOLUTIONS AND ORDINANCES:

Members of the audience who wish to (1) comment on issues concerning an agenda item, (2) present questions concerning an agenda item, (3) request assistance concerning an agenda item or (4) propose regulatory changes concerning an agenda item, must comply with the following rules of procedure:

- Persons who wish to speak must fill out and turn in a speaker card before the meeting is convened (The Mayor will notify you when it's your turn to speak and direct you to the podium)
- Persons who wish to speak must identify themselves and their places of residence
- All comments, requests and proposals must be presented to or through the Mayor
- Persons who wish to speak will be given 4 minutes to do so

Bonnie Headley, a resident at 1023 Forest Oak, voiced her concerns about the noise produced by Voestalpine.

David Headley, a resident at 1023 Forest Oak, voiced his concerns about the noise produced by Voestalpine.

Jeff Howard, a resident at 512 Pinehurst, voiced his concerns about the noise produced by Voestalpine.

Kevin H. Burkett, a resident at 311 Heathercrest, voiced his concerns about the noise and light lamination produced by Voestalpine.

Clay Hammond, a resident at 103 Palisades, voiced his concerns about the noise produced by Voestalpine.

Daryl Genzer, a resident at 221 Commerce and General Manager of Northshore Country Club and Development, voiced his concerns about the noise produced by Voestalpine.

Matthew Blazewirz, a resident at 2213 Escondido, voiced his concerns about the noise produced by Voestalpine.

Dale Nelson, a Portland resident, voiced his concerns about the noise being produced by Voestalpine.

The remainder of the items under No. 3. were presented as follows:

- INTRODUCTION OF NEW EMPLOYEES – IT MANAGER, DIRECTOR OF PUBLIC WORKS AND DEVELOPMENT, AND LIBRARY DIRECTOR

IT Manager, Terrell Elliott, introduced IT Technician Jessica Duncan.

Chief of Police, Mark Cory, introduced Patrol Officer Gabriel Lopez and Communications Officer Kay Lynch.

Director of Public Works and Development, Troy Frazee, introduced Chuck Weigand with the Street Maintenance Department.

Library Director, Ginny Moses, introduced Part-time Library Clerks Sharron Gillenwater and John Draatz.

- ANNOUNCEMENT OF UPCOMING CHRISTMAS EVENTS – DIRECTOR OF PARKS AND RECREATION

Director of Parks and Recreation, Kristin Connor, announced the following upcoming Christmas Events:

- Christmas in Portland – December 1, 2016
- Parade of Lights – December 5, 2016
- Pooch-A-Palooza – December 10, 2016
- Christmas for Kids Year Round Toy Drive – December 1 – 14, 2016
- Seniors Noon Year's Eve – December 30, 2016

- REPORT ON BOOKAPALOOZA – LIBRARY DIRECTOR

Library Director, Ginny Moses, presented the following stats for the October 22, 2016 Bookapalooza:

- Attendance 1,457
 - 354 – Infants/preschooler
 - 333 – K-2nd Grade

- 193 – 3rd -12 Grade
- 577 – Adults
- Participating Cities
 - 1032 – Portland
 - 132 – Corpus Christi
 - 189 – Gregory
 - 37 – Ingleside
 - 33 – Taft
 - 131 – Other
- 101 - Volunteers
 - Bell/Whittington Public Library
 - G-P ISD Faculty
 - Community Members
 - Students
 - Student Council
 - National Honor Society
 - National Junior Honor Society
 - Parents
- Estimated number of books given away – 8 ,580

4. CITY COUNCIL AND STAFF COMMENTS CONCERNING ITEMS OF COMMUNITY INTEREST THAT MAY NOT BE DISCUSSED:

Members of the City Council may present reports regarding “items of community interest” and/or be presented reports from the Staff regarding “items of community interest,” provided no action is taken or discussed. “Items of community interest” include the following:

- Expressions of thanks, congratulations, or condolence
- Information regarding holiday schedules
- Honorary recognition of city officials, employees, or other citizens
- Reminders about upcoming events sponsored by the city or other entity that is scheduled to be attended by a city official or city employee
- Announcements involving imminent threats to the public health and safety of the city

Council Member Skurow announced that today is Coastal Bend Day of Giving. She stated that the minimum donation is \$10 and encouraged everyone to donate to their favorite local non-profit organization. She then recognized Laura Miller and John Whatley for their service to this event.

Mayor Pro Tem Green commented that with the upcoming holiday everyone needs to be careful driving in traffic.

Council Member Moore thanked everyone who came out to vote during the November Election.

Council Member Wilson thanked the Portland Fire Department for their quick response to a fire next door to his residence.

Council Member Jorgensen reminded everyone to stay safe during the Thanksgiving Holiday.

Mayor Krebs congratulated the winners of the November County Election and also congratulated the G-P Wildcats on their football season. He then reminded staff of the Portland Leadership Class being held in the Council Chambers at 2 p.m. tomorrow.

5. CITY MANAGER'S REPORT:

The City Manager may present announcements, comments and updates on City operations and projects.

There were none.

6. MINUTES OF PREVIOUS MEETINGS: THE CITY COUNCIL WILL CONSIDER THE MINUTES OF ITS NOVEMBER 1, 2016 REGULAR MEETING – MAYOR KREBS AND CITY SECRETARY

Mayor Pro Tem Green made the motion to approve the minutes of the November 1, 2016 regular meeting, seconded by Council Member Moore.

The motion passed with the following vote:

Aye: 6 - Mayor Krebs, Mayor Pro Tem Green, Council Member Jorgensen, Council Member Skurow, Council Member Moore and Council Member Wilson

Nay: 0 -

Absent: 1 - Council Member Taggart

Abstained: 0 -

7. JUNIOR HIGH LIFT STATION PROJECT FINAL ACCEPTANCE: THE CITY COUNCIL WILL CONSIDER DEDUCTIVE CHANGE ORDER NO. 2, FINAL PAY APPLICATION, AND PROJECT ACCEPTANCE FOR THE JUNIOR HIGH LIFT STATION PROJECT – ASSISTANT CITY MANAGER

Assistant City Manager, Brian DeLatte presented the following:

Reconstruction of the Junior High Lift Station (located at G-P Intermediate) is complete and the lift station is operational. LJA Engineering, Inc. (formerly Coym, Rehm &

Gutierrez Engineering, LP) has inspected the work and recommends acceptance. The existing Junior High Lift Station (located at G-P Intermediate) is a very heavily used lift station that was in need of reconstruction. The lift station serves 215 residences, the Intermediate School, and nine business centers along Wildcat Drive and Lang Road, including HEB. Improvements to the lift station included a new wet well, valve vault, and pump system. Additionally, excessive on site settlement has been corrected.

Donnie Rehmet with LJA inspected the work on October 12, 2016, and recommends project acceptance. A deductive change order is recommended to balance the final pay application as a result of an unused allowance. The project's one year warranty period begins October 13, 2016.

Staff is recommending the following:

1. Approve deductive Change Order No. 2
2. Approve Payment Application No 2 (Final)
3. Approve project acceptance

Council Member Wilson made the motion to approve deductive Change Order No. 2, Payment Application No. 2 (final), and project acceptance for the Junior High Lift Station project, seconded by Council Member Jorgensen.

The motion passed with the following vote:

Aye: 6 - Mayor Krebs, Mayor Pro Tem Green, Council Member Jorgensen, Council Member Skurow, Council Member Moore and Council Member Wilson

Nay: 0 -

Absent: 1 - Council Member Taggart

Abstained: 0 -

8. **REPAYMENT OF OVER ALLOCATION OF SALES AND USE TAX BY THE TEXAS STATE COMPTROLLER:** THE CITY COUNCIL WILL CONSIDER AUTHORIZING THE REPAYMENT OF AN OVER ALLOCATION OF SALES AND USE TAXES TO THE TEXAS STATE COMPTROLLER – CITY MANAGER AND DIRECTOR OF FINANCE

City Manager, Randy Wright, presented the following information:

The City receives monthly Local Sales and Use Tax allocations from the Texas Comptroller of Public Accounts. The monthly allocations are revenues streams that flow to the General Fund (50%), the Venue Tax Fund (25%), and the Type B Fund (25%). Periodically, the

Comptroller conducts audits on taxpayers to confirm that the taxpayers are submitting the correct sales and use tax and to the correct jurisdiction. On August 30, 2016, the City received a letter from the Comptroller stating that the City had been overpaid a total of \$905,629.48 in local sales and use tax allocations including General Fund allocations of \$452,814.74 as well as Venue Tax Fund \$226,407.37 and Type B Fund collections of \$226,407.37. The Comptroller has requested repayment of the over allocation.

Businesses in Texas collect sales taxes and transmit those funds to the Texas Comptroller. They report the collections as sales that occurred within a certain city. This can be complicated for businesses that reside in Portland but provided goods and services to customers in other cities. When the Comptroller receives those funds, they are distributed to the appropriate cities. Occasionally, a taxpayer will make a mistake and report that a sale(s) occurred in one city when in fact the sale(s) occurred in another city. It can be months or years later when, during an audit by the Comptroller, the mistake is revealed. In those cases, the only solution is for the Comptroller to request reimbursement from the overpaid city so that the money can be properly redistributed to the correct city(s). Because sales tax collection data is not public information, cities have no advanced knowledge or control over how sales taxes are distributed

In August, the Comptroller notified us that it had overpaid the City \$905,629.48 during the period from January 2012 through June of 2015 and requested reimbursement for those overpayments. We have discussed the errors with the Comptroller and done an independent examination of monthly confidential sales and use tax reports provided by the Comptroller to validate the overpayment. Following a review of state statutes by the City Attorney, we have determined that the City's only option is to reimburse the overpayment.

Finance Director, Katie Griffin, presented the following information:

The Comptroller provided the City with four possible repayment options:

- A one-time payment in full of \$887,541.89 (\$905,629.48 less a 2% service fee)
- Application of all regular monthly allocations to the overpaid amount until the amount has been repaid (approximately 3 months of sales tax receipts)
- A repayment plan of 42 months at \$21,563.00 per month
- A repayment plan of 84 months at \$10,781.50 per month

After analyzing our revenue streams as well as anticipated expenditures, we have identified three options to fund the reimbursement:

1. Drawdown of fund balance from each fund for a one time payment
This method would quickly reimburse the overpayment, but also significantly deplete fund balances from the General Fund, Type B Fund, and the Venue Fund.
2. Drawdown of fund balance from each fund over a 42- or 84-month repayment term
In this scenario, repayment would reduce pressure on our fund balances.

3. Employ Option 2 combined with the issuance of a short-term Tax Note

This option would allow us to draw down a fund balance that exists in our Debt Service Fund for the General Fund portion of the repayment. The Type B and Venue fund repayments would be spread over an 84-month term. By issuing a short-term tax note, the City would have the option to use General Fund reserves to repay the General Fund portion of the sales tax over allocation and use note proceeds for a project originally identified to be funded through General Fund reserves. The note would be repaid by September 30, 2017 using Debt Service Fund balance, with no impact on the I&S rate for FY 2017-18.

Regardless of the method of repayment used, the financial impact will be as follows:

General Fund - loss of \$452,814.71

Venue Tax Fund - loss of \$226,407.37

Type B Fund - loss of \$226,407.37

The City Council, City Manager, Finance Director and City Attorney discussed the audit process, exploring prevention measures, placing this issue on the TML Legislative Agenda and the three options to fund the reimbursement.

Council Member Skurow made the motion to approve a repayment plan to the Texas Comptroller of Public Accounts for the over allocation of Local Sales and Use Taxes, and authorize the City Manager to begin steps to implement Option 3, seconded by Council Member Jorgensen.

The motion passed with the following vote:

Aye: 6 - Mayor Krebs, Mayor Pro Tem Green, Council Member Jorgensen, Council Member Skurow, Council Member Moore and Council Member Wilson

Nay: 0 -

Absent: 1 - Council Member Taggart

Abstained: 0 -

9. **APPOINTMENT OF A CHARTER REVIEW COMMITTEE:** THE CITY COUNCIL WILL CONSIDER THE CREATION OF AN AD HOC CHARTER REVIEW COMMITTEE AND APPOINTMENTS THERETO – CITY MANAGER

City Manager, Randy Wright presented the following information:

For about five years the City Council has discussed the need of a Charter Amendment. The original Charter was adopted on August 8, 1967. Amendments have been made in 1970, 1972 and 1987.

Periodic review and update is necessary to keep the city abreast of state and federal requirements and changes in procedures that represent best practices for cities. Portland's Charter provides for these updates.

There are two types of cities in Texas. Most cities (about 75 percent) are general law cities which have a population of less than 5,000. They operate subordinate to the State, meaning their authority to govern rests in state law. They can only do what is specifically allowed by state law. Home rule cities, on the other hand, are larger than 5,000 population and are created by charter. They operate under the principle of self-rule and are permitted to pass local ordinances and operate in any manner not specifically prohibited by state law. Portland became a home rule city in 1967.

In home rule cities, periodic review and amendment of the charter is necessary for efficient operations. Changes in state and federal laws, updates to best practice procedures for cities, and general growth can all drive the need for a review. Portland last updated its charter in 1987.

Section 9.06 of the Portland City Charter outlines the procedures for amending the charter. The procedure is governed by some additional requirements outlined in Section 9.004 of the Texas Local Government Code. Voters must approve any change in a city's charter.

Charter Amendment Process

- City Council appoints an ad hoc Charter Review Committee
- Staff identifies and presents potential conflicts and possible amendments to committee
- Committee conducts workshops as needed to establish a list of recommended amendments
- City Council establishes propositions and calls election at next regular election date
- Amendments approved by voters take effect after City Council enters an order declaring amendments are adopted

Proposed Schedule

- November - Committee appointed November
- January - Committee reports to Council
- February - Council approves propositions and calls election
- May 2017 - Voters consider charter propositions during regular elections

Committee Structure

There is no mandatory structure for review committees. Each city may create the committee in a manner best suited to its own needs. Based on cursory review, it appears most Texas cities appoint at least three but usually not more than nine to a review committee, depending on the size of the city and the complexity of the task. Membership is usually a mix of current and former City Council members and citizens.

For Portland, a reasonable committee structure would include:

- 1 to 2 current city council members

- 1 to 2 former mayors or council members
- 1 or more citizens

Council Member Jorgensen made the motion to create an Ad Hoc Charter Review Committee and making the following appoint to the Ad Hoc Charter Review Committee:

- John Green
- Cathy Skurow
- Dick Moser
- Jerry Browning, Jr.
- David Lewis

The motion was seconded by Council Member Moore.

The motion passed with the following vote:

Aye: 6 - Mayor Krebs, Mayor Pro Tem Green, Council Member Jorgensen, Council Member Skurow, Council Member Moore and Council Member Wilson

Nay: 0 -

Absent: 1 - Council Member Taggart

Abstained: 0 -

C. CITIZEN COMMENTS, QUESTIONS, REQUESTS, AND PROPOSALS NOT APPEARING ON THE AGENDA:

Members of the audience who wish to (1) comment on issues for which there is no item on this agenda, (2) present questions for which there is no item on this agenda, (3) request assistance for which there is no item on this agenda or (4) propose regulatory changes for which there is no item on this agenda, must comply with the following rules of procedure:

- Persons who wish to speak must fill out and turn in a speaker card before the meeting is convened (The Mayor will notify you when it's your turn to speak and direct you to the podium)
- Persons who wish to speak must identify themselves and their places of residence
- All comments, requests and proposals must be presented to or through the Mayor
- Persons who wish to speak will only be given 4 minutes to do so

Neither the City Council nor the Staff is legally permitted to respond to citizen comments, questions, requests, or proposals at the time of the meeting. A member of the City Council

or the City Manager may place an item on the agenda of a future City Council workshop or meeting to legally do so. If that is done, the audience member seeking a response will be given advance notice.

Bob Manville, of 113 Lone Oak voiced his opinion concerning the potential of additional industry in our area.

D. ADJOURNMENT: MAYOR KREBS

Mayor Krebs adjourned the meeting at 9:02 p.m.

NOTICE OF ASSISTANCE

If you plan to attend this public meeting and you have a disability that requires special arrangements to be made, please contact City Secretary Annette Hall (361) 777-4513 or annette.hall@portlandtx.com) in advance of the meeting. Reasonable accommodations will be made to facilitate your participation. The City Hall is wheelchair accessible and specially marked parking spaces are located in front of its entrance. Special seating will be provided in the Council Chamber during the meeting.

BRAILLE IS NOT AVAILABLE

Approved:

David Krebs
Mayor

Attest:

City Secretary

AGENDA TITLE **ORDINANCE NO. 2145 AUTHORIZING TEXAS TAX NOTE, SERIES 2016:**
THE CITY COUNCIL WILL CONSIDER AN ORDINANCE AUTHORIZING THE ISSUANCE OF APPROXIMATELY \$650,000 IN PRINCIPAL AMOUNT OF CITY OF PORTLAND, TEXAS TAX NOTE, SERIES 2016; SECURING THE PAYMENT THEREOF BY AUTHORIZING THE LEVY OF AN ANNUAL AD VALOREM TAX; AND APPROVING AND AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, A PURCHASE CONTRACT AND INVESTMENT LETTER, AND ALL OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO

MEETING DATE 12/6/2016

DEPARTMENT Finance

SUBMITTED BY Katie Griffin, Director of Finance

EXECUTIVE SUMMARY

Budgeted Capital Projects for FY 2016-2017 include the constructing of improvements to the City's Animal Control Department Facilities and its Public Works Department Facilities funded using reserves in the General and Water/Waste Water funds. To lessen the impact on the General Fund balance, an additional method of funding includes the issuance of Texas Tax Note, Series 2016. Ordinance No. 2145 will put in motion the sale of notes of up to \$650,000. Funds from this sale will assist financing the facility improvements.

PRIOR ACTIONS OR REVIEWS

- The City Council adopted the 2016-2017 Fiscal Year Budget on September 6, 2016. The adopted budget Capital Improvement Projects at the Public Works Facility totaling \$2.5M.
- On November 15, 2016, in conjunction with repayment options for overpayment of Sales and Use Tax Revenue from the State Comptroller, the City Council approved the Financing Plan for the Issuance of Tax Note, Series 2016, authorizing staff and consultants to proceed with document preparation.

DETAILS / STAFF ANALYSIS

During the November 15th City Council meeting, discussion took place discussing issuance of a sort term tax not in order to reduce existing Debt Service Fund balance while making available General Fund balance for the repayment of Sales and Use taxes to the State.

In discussion with the City's Financial Advisor, Victor Quiroga of Frost Investment Service, we

determined that issuing a short tax note would be a strategic financing tool leveraging existing fund balances. Since the City has a good credit rating and sound financial policies, the use of Tax Notes provides a low interest rate. The rates are anticipated to be between 1.25% and 2.0%. The Series 2016 Tax Note will be paid in full on or before September 30, 2016 to avoid adversely affecting the 2017 I&S Tax Rate.

The financial plan presented includes \$635,000 for facility improvements and an additional \$15,000 for issuance costs; totaling \$650,000.

The sale of Tax Notes to fund facility improvements is consistent with the Council's operating vision to allocate sufficient resources to improve and maintain existing facilities thereby protecting the public's investments in its assets. The repayment plan for these notes exceeds the City's practice of tying the term of debt to the useful life of an asset.

Victor Quiroga, Jr. with Frost Bank, the City's Financial Advisor, along with our bond counsel, Tom Spurgeon of McCall, Parkhurst and Horton, are managing the issuance process. Both have collaborated and develop the offering statement and other documentation necessary to sell the notes on the market.

Mr. Quiroga will be present during the December 6, 2016 City Council meeting to present the bids and associated documents for the 2016 Tax Note Issuance.

ALTERNATIVES CONSIDERED

The Capital Improvement Projects funded by this note are part of the adopted 2016-2017 Fiscal Year Budget and funded by either a line of credit or some other means of financing. Alternatives considered include use of fund balance or pushing the expenditures out to future years.

FINANCIAL IMPACT

The funding of capital projects was adopted during the budget process and includes the Public Works facility improvements, Sports Complexes improvements, Indian Point Pavilion, Violet Andrews-Sunset Park Elevated Hike and Bike Bridge, and Doyle Addition Wastewater connections.

The issuance of Tax Notes will assist with the budgeted use of reserves for the Public Works Facility improvements. This issuance will result in low interest rates, minimizing the cost of the notes. The City can obtain a competitive rate since we have a good credit rating of AA with Standard & Poor's. Additionally, paying off the note using Debt Service Fund balance by September 30, 2017 will prevent an increase to the 2017 I&S Tax Rate for future note payments.

ATTACHMENTS

1. Ordinance No. 2145
2. FY 2016-17 Capital Expenditure Schedule
3. Primary Financing Documents and Agreements

4. Bond Council Opinion Document
5. Paying Agent Agreement
6. Tax Note Term Sheet

RECOMMENDED ACTION

Motion to approve Ordinance No. 2145 approving the issuance of the City of Portland, Texas Tax Note, Series 2016. (Only one reading is required)

ORDINANCE NO. _____

ORDINANCE AUTHORIZING THE ISSUANCE OF \$650,000 IN PRINCIPAL AMOUNT OF *CITY OF PORTLAND, TEXAS TAX NOTE, SERIES 2016*; SECURING THE PAYMENT THEREOF BY AUTHORIZING THE LEVY OF AN ANNUAL AD VALOREM TAX; AND APPROVING AND AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, A PURCHASE LETTER, AND ALL OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO

DATE OF APPROVAL: DECEMBER 6, 2016

TABLE OF CONTENTS

Recitals	1
Section 1. Amount and Purpose of the Note	2
Section 2. Designation, Date, Denominations, Numbers, and Maturity of Note	2
Section 3. Interest	2
Section 4. Characteristics of the Note	2
Section 5. Form of Note	5
Section 6. Interest and Sinking Fund; Tax Levy; Security Interest	10
Section 7. Construction Fund	11
Section 8. Investments	11
Section 9. Defeasance of Note	11
Section 10. Damaged, Mutilated, Lost, Stolen, or Destroyed Note	13
Section 11. Custody, Approval, and Registration of Note; Bond Counsel's Opinion, Insurance, and CUSIP Numbers	14
Section 12. Covenants Regarding Tax-Exemption of Interest on the Note	14
Section 13. Sale of Note	17
Section 14. No Rule 15c2-12 Undertaking; Annual Financial Statements	17
Section 15. Further Procedures	17
Section 16. Ordinance a Contract; Amendments	18
Section 17. Defaults and Remedies	18
Section 18. Interested Parties	19
Section 19. Appropriation to Pay Interest	19
Section 20. Incorporation of Recitals	19
Section 21. Severability	19
Section 22. Effective Date	19
Signatures	
Exhibit A Form of Paying Agent/Registrar Agreement	
Exhibit B Written Procedures Relating to Continuing Compliance with Federal Tax Covenants	
Exhibit C Form of Purchase Letter	

ORDINANCE NO. _____

ORDINANCE AUTHORIZING THE ISSUANCE OF \$650,000 IN PRINCIPAL AMOUNT OF CITY OF PORTLAND, TEXAS TAX NOTE, SERIES 2016; SECURING THE PAYMENT THEREOF BY AUTHORIZING THE LEVY OF AN ANNUAL AD VALOREM TAX; AND APPROVING AND AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, A PURCHASE LETTER, AND ALL OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO

STATE OF TEXAS §
COUNTIES OF NUECES AND SAN PATRICIO §

WHEREAS, the CITY OF PORTLAND, TEXAS (the "*City*") in Nueces and San Patricio Counties, Texas, is a political subdivision of the State of Texas operating as a home-rule municipality pursuant to the Texas Local Government Code and its City Charter, which was initially approved by the qualified voters of the City on August 8, 1967, with the most recent amendments being approved by the qualified voters of the City on April 4, 1987; and

WHEREAS, the City Council of the City hereby determines that it is necessary and desirable to acquire and construct improvements to the City's Animal Control Department facilities and/or its Public Works Department facilities and acquire certain equipment for use by such Departments (collectively, the "*Projects*"); and

WHEREAS, pursuant to Chapter 1431, Texas Government Code, as amended (the "*Act*"), the City Council of the City is authorized and empowered to issue anticipation notes to pay contractual obligations incurred or to be incurred (i) for the construction of any public work, and (ii) for the purchase of materials, supplies, equipment, machinery, buildings, lands and rights-of-way for the City's authorized needs and purposes; and

WHEREAS, in accordance with the provisions of the Act, the City Council hereby finds and determines that an anticipation note should be issued and sold at this time to finance the Projects; and

WHEREAS, the City Council of the City deems it appropriate to adopt this Ordinance and issue the Note herein authorized as permitted by the Act; and

WHEREAS, it is hereby officially found and determined that the meeting at which this Ordinance was adopted was open to the public and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF PORTLAND, TEXAS:

SECTION 1. AMOUNT AND PURPOSE OF THE NOTE. The Note of the City is hereby authorized to be issued and delivered in the aggregate principal amount of **\$650,000 FOR THE PURPOSE OF ACQUIRING AND CONSTRUCTING IMPROVEMENTS TO THE CITY'S ANIMAL CONTROL DEPARTMENT FACILITIES AND/OR ITS PUBLIC WORKS DEPARTMENT FACILITIES AND ACQUIRING CERTAIN EQUIPMENT FOR USE BY SUCH DEPARTMENTS; AND PAYING COSTS OF ISSUANCE.**

SECTION 2. DESIGNATION, DATE, DENOMINATIONS, NUMBERS, AND MATURITY OF NOTE. (a) Each note issued pursuant to this Ordinance shall be designated **CITY OF PORTLAND, TEXAS TAX NOTE, SERIES 2016**, and initially there shall be issued, sold, and delivered hereunder one fully registered note, without interest coupons, dated December 15, 2016, in the denomination and principal amount of \$650,000, numbered R-1, with any note issued in replacement thereof being in the denomination and principal amount hereinafter stated and numbered consecutively from R-2 upward, payable to the registered owner thereof, or to the registered assignee of said note (in each case, the "**Registered Owner**").

(b) Principal of the Note shall mature and be payable on February 15, 2018 in the principal amount and shall bear interest at the per annum rate set forth in the following schedule:

<u>PAYMENT DATE</u>	<u>PRINCIPAL AMOUNT (\$)</u>	<u>INTEREST RATE (%)</u>
02/15/2018	650,000	

The term "**Note**" as used in this Ordinance shall mean and include collectively the note initially issued and delivered pursuant to this Ordinance, as well as all other substitute notes and replacement notes issued pursuant hereto.

SECTION 3. INTEREST. The Note shall bear interest from the dates specified in the FORM OF NOTE set forth in this Ordinance to date of maturity at the interest rate per annum set forth above. Said interest shall be payable in the manner provided and on the dates stated in the FORM OF NOTE set forth in this Ordinance. Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

SECTION 4. CHARACTERISTICS OF THE NOTE.

(a) Registration and Transfer; Authentication. The City shall keep or cause to be kept at the office of _____, _____, _____ (the "**Paying Agent/Registrar**"), books or records for the registration of the transfer of the Note (the "**Registration Books**"), and the City hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers under such reasonable regulations as the City and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar

shall make such registrations and transfers as herein provided within three days of presentation in due and proper form. Attached hereto as Exhibit A is a copy of the Paying Agent/Registrar Agreement between the City and the Paying Agent/Registrar which is hereby approved in substantially final form, and the Mayor and Secretary of the City are hereby authorized to execute the Paying Agent/Registrar Agreement and approve any changes in the final form thereof.

The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the Registered Owner of the Note to which payments with respect to the Note shall be mailed, as herein provided; but it shall be the duty of the Registered Owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The City shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The City shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer and delivery of a substitute Note. Registration of assignment and transfer of the Note shall be made in the manner provided and with the effect stated in the FORM OF NOTE set forth in this Ordinance. Each substitute Note shall bear a letter and/or number to distinguish it from each other Note.

Except as provided in Section 5(c) hereof, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Note, date and manually sign said Note, and no such Note shall be deemed to be issued or outstanding unless such Note is so executed. The Paying Agent/Registrar promptly shall cancel the paid Note or a Note surrendered for transfer. No additional ordinances, orders or resolutions need be passed or adopted by the governing body of the City or any other body or person so as to accomplish the foregoing, and the Paying Agent/Registrar shall provide for the printing, execution and delivery of the substitute Note in the manner prescribed herein. Pursuant to Subchapter D, Chapter 1201, Texas Government Code, the duty of transfer of the Note as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Note, the transferred Note shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Note which initially was issued and delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(b) Payment of Note and Interest. The City hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Note, all as provided in this Ordinance. The Paying Agent/Registrar shall keep proper records of all payments made by the City and the Paying Agent/Registrar with respect to the Note, and of all transfers of the Note, and all replacements of the Note, as provided in this Ordinance. However, in the event of a nonpayment 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 (which shall be 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 the Registered Owner appearing on the Registration Books at the close of business on the fifteenth business day next preceding the date of mailing of such notice.

(c) *In General.* The Note (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Note to be payable only to the Registered Owner thereof, (ii) may be transferred and assigned, (iii) shall have the characteristics, (iv) shall be signed, sealed, executed and authenticated, (v) the principal of and interest on the Note shall be payable, and (vi) shall be administered, and the Paying Agent/Registrar and the City shall have certain duties and responsibilities with respect to the Note, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF NOTE set forth in this Ordinance. The Note initially issued and delivered pursuant to this Ordinance is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Note issued in transfer or replacement for any Note issued under this Ordinance the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF NOTE.

(d) *Substitute Paying Agent/Registrar.* The City covenants with the registered Owner of the Note that at all times while the Note is outstanding the City will provide a competent and legally qualified bank, trust company, financial institution or other agency to act as and perform the services of Paying Agent/Registrar for the Note under this Ordinance, and that the Paying Agent/Registrar will be one entity. The City reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 40 days written notice to the Paying Agent/Registrar, to be effective not later than 30 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the City covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Note, to the new Paying Agent/Registrar designated and appointed by the City. Upon any change in the Paying Agent/Registrar, the City promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to the Registered Owner of the Note, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to the Paying Agent/Registrar.

(e) On the closing date, one Initial Note representing the entire principal amount of the Note, payable to the initial purchaser identified in Section 12 hereof, executed by manual or facsimile signature of the Mayor and City Secretary of the City, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to the initial purchaser or its designee. The Paying Agent/Registrar shall insert the date of delivery and deliver the Note to the initial purchaser.

SECTION 5. FORM OF NOTE. The form of the Note, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Note initially issued and delivered pursuant to this Ordinance, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Ordinance.

(a) Form of Note.

NO. R-__

PRINCIPAL AMOUNT
\$650,000

**UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTIES OF NUECES AND SAN PATRICIO
CITY OF PORTLAND, TEXAS
TAX NOTE, SERIES 2016**

Interest Rate	Delivery Date	Maturity Date
As shown below	December 22, 2016	February 15, 2018

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

CITY OF PORTLAND, TEXAS (the "*City*"), being a political subdivision and a home-rule municipality of the State of Texas, for value received, hereby promises to pay, from the sources described herein, to the Registered Owner specified above, or registered assign (the "*Registered Owner*"), the principal amount from time to time unpaid and to pay interest thereon from the date of delivery of this Note as specified above, at the respective rates per annum set forth in the table below, calculated on the basis of a 360-day year of twelve 30-day months. The principal of this Note shall mature and be paid on the date and in the amount set forth in the table below:

PAYMENT DATE	PRINCIPAL AMOUNT (\$)	INTEREST RATE (%)
02/15/2018	650,000	

THE PRINCIPAL OF AND INTEREST ON THIS NOTE are payable in lawful money of the United States of America, without exchange or collection charges. The City shall pay interest on the unpaid principal amount of this Note on each February 15 and August 15, commencing on August 15, 2017, to the date of maturity thereof. The principal amount of this Note, together with accrued interest thereon to the maturity date thereof, shall be paid to the Registered Owner hereof upon presentation and surrender of this Note at maturity at the designated office of

_____, which is the "**Paying Agent/Registrar**" for this Note. The payment of interest on this Note shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the ordinance authorizing the issuance of this Note (the "**Ordinance**") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day of the month next preceding each such date (the "**Record Date**") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, principal and interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner.

ANY ACCRUED INTEREST due at maturity as provided herein shall be paid to the Registered Owner upon presentation and surrender of this Note for payment at the principal corporate trust office of the Paying Agent/Registrar. The City covenants with the Registered Owner of this Note that on or before each principal payment date and interest payment date for this Note it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Note, when due.

IF THE DATE FOR THE PAYMENT of the principal of or interest on this Note shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the principal 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 Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS NOTE, DATED AS OF DECEMBER 15, 2016, IS AUTHORIZED and issued in accordance with the Constitution and laws of the State of Texas in the principal amount of **\$650,000 FOR THE PURPOSE OF ACQUIRING AND CONSTRUCTING IMPROVEMENTS TO THE CITY'S ANIMAL CONTROL DEPARTMENT FACILITIES AND/OR ITS PUBLIC WORKS DEPARTMENT FACILITIES AND PURCHASING CERTAIN EQUIPMENT FOR USE BY SUCH DEPARTMENTS; AND PAYING COSTS OF ISSUANCE.**

ON ANY DATE, the principal amount of this Note may be redeemed prior to the scheduled maturity date, at the option of the City, with funds derived from any available and lawful source, as a whole only, at a redemption price equal to the principal amount to be redeemed plus accrued interest thereon to the date of redemption.

AT LEAST THIRTY (30) DAYS PRIOR to the date fixed for any optional redemption of the Note prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, to the Registered Owner of the Note at its address as it appeared on the Registration Books on the day such notice of redemption

is mailed; provided, however, that the failure of the Registered Owner to receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of this Note. The notice with respect to the optional redemption of this Note may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar no later than the redemption date, or (2) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of an authorized representative to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is so rescinded. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Note. If such written notice of redemption is sent and if due provision for such payment is made, all as provided above, the Note shall be treated as redeemed prior to its scheduled maturity, and shall not bear interest after the date fixed for redemption, and shall not be regarded as being outstanding except for the right of the Registered Owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

UPON THE PAYMENT OF THE OUTSTANDING principal balance of this Note, the Paying Agent/Registrar shall note in the Bond Registration Books the amount of such payment, the date said payment was made and the remaining unpaid principal balance of this Note.

THIS NOTE IS ISSUED AS A FULLY REGISTERED NOTE, without interest coupons, in the denomination of the principal amount thereof. As provided in the Ordinance, this Note may, at the request of the Registered Owner or the assignee hereof, be assigned or transferred for a like aggregate principal amount of a fully registered Note in the denomination of the principal amount hereof, without interest coupons, payable to the Registered Owner or assignees as the case may be, having the same denomination, upon surrender of this Note to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Ordinance. Among other requirements for such assignment and transfer, this Note must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Note. The form of Assignment printed or endorsed on this Note may be executed by the Registered Owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Note by the Registered Owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for assigning, transferring or exchanging any Note will be paid by the City. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment or transfer, as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date.

IN THE EVENT ANY PAYING AGENT/REGISTRAR FOR THE NOTE IS CHANGED by the City, resigns, or otherwise ceases to act as such, the City has covenanted in the Ordinance that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the Registered Owner of the Note.

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

THE CITY ALSO HAS RESERVED THE RIGHT to amend the Note Ordinance as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the Registered Owner of the Note.

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

IN WITNESS WHEREOF, the City has caused this Note to be signed with the facsimile signature of the Mayor of the City and countersigned with the facsimile signature of the City Secretary of the City, and has caused the official seal of the City Council of the City to be duly impressed, or placed in facsimile, on this Note.

(facsimile signature)
City Secretary
City of Portland, Texas

(facsimile signature)
Mayor
City of Portland, Texas

(CITY SEAL)

(b) Form of Paying Agent/Registrar's Authentication Certificate.

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

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

It is hereby certified that this Note has been issued under the provisions of the Ordinance described in the text of this Note; and that this Note has been issued in replacement of, or transferred for, a Note of a Series which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated:

Paying Agent/Registrar

By: _____
Authorized Representative

(c) Form of Assignment.

ASSIGNMENT

(Please print or type clearly)

For value received, the undersigned hereby sells, assigns and transfers unto:

Transferee's Social Security or Taxpayer Identification Number: _____

Transferee's name and address, including zip code: _____

the within Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to register the transfer of the within Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated:

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a securities transfer association recognized signature guarantee program.

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

(d) Form of Registration Certificate of the Comptroller of Public Accounts:

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

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

Witness my signature and seal this _____.

Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)

SECTION 6. INTEREST AND SINKING FUND; TAX LEVY; SECURITY INTEREST. (a) Interest and Sinking Fund; Tax Levy. A special Interest and Sinking Fund (the "*Interest and Sinking Fund*") is hereby created solely for the benefit of the Note, and the Interest and Sinking Fund shall be established and maintained by the City at an official depository bank of the City for so long as the Note or interest thereon are outstanding and unpaid. The Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of the City, and shall be used only for paying the interest on and principal of the Note. Until expended for the purposes set forth in Section 1 hereof, the proceeds derived from the sale of the Note shall be held as further security for the timely payment of the principal and interest on the Note. All ad valorem taxes levied and collected for and on account of the Note and all accrued interest and premium on the Note received by the City from the initial purchaser of the Note, if any, shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while the Note or interest thereon are outstanding and unpaid, the City shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient, together with other moneys deposited to the credit of the Interest and Sinking Fund, to raise and produce the money required to pay the interest on the Note as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of the Note as such principal matures (but never less than 2% of the original principal amount of the Note as a sinking fund each year); and said tax shall be based on the latest approved tax rolls of the City, with full allowance being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in the City for each year while the Note or interest thereon are outstanding and unpaid; and said tax shall be assessed and collected each such year and deposited to the credit of the aforesaid Interest and Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Note, as such interest comes due and such principal matures, are hereby pledged for such payment, within the limits provided by law.

(b) Security Interest. Chapter 1208, Texas Government Code, applies to the issuance of the Note and the pledge of the ad valorem taxes granted by the City under Section 6(a) of this Ordinance, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Note is outstanding and unpaid such that the pledge of the ad valorem taxes granted by the City under Section 6(a) of this Ordinance is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the Registered Owner of the Note the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest in said pledge to occur.

SECTION 7. CONSTRUCTION FUND. There is hereby created and established in the depository of the City, a fund to be called the *City of Portland, Texas Tax Note (Series 2016) Construction Fund* (herein called the "**Construction Fund**"). Proceeds from the sale and delivery of the Note (other than proceeds representing accrued interest on the Note and any premium on the Note that is not used by the City to pay costs of issuance in accordance with the provisions of Section 1201.042(d), Texas Government Code, as amended, which shall be deposited in the Interest and Sinking Fund) shall be deposited in the Construction Fund. Money in the Construction Fund shall be subject to disbursements by the City for payment of all costs incurred in carrying out the purpose for which the Note is issued, including but not limited to costs for construction, engineering, architecture, financing, financial consultants and legal services related to the project being financed with proceeds of the Note and the issuance of the Note. All funds remaining on deposit in the Construction Fund upon completion of the projects being financed with the proceeds from the Note, if any, shall be transferred to the Interest and Sinking Fund.

SECTION 8. INVESTMENTS. Funds on deposit in the Interest and Sinking Fund and the Construction Fund shall be secured by the depository bank of the City in the manner and to the extent required by law to secure other public funds of the City and may be invested from time to time in any investment authorized by applicable law, including but not limited to the Public Funds Investment Act (Chapter 2256, Texas Government Code), and the City's investment policy adopted in accordance with the provisions of the Public Funds Investment Act; provided, however, that investments purchased for and held in the Interest and Sinking Fund shall have a final maturity no later than the next principal or interest payment date for which such funds are required, and investments purchased for and held in the Construction Fund shall have a final maturity of not later than the date the City reasonably expects the funds from such investments will be required to pay costs of the projects for which the Note was issued. Income and profits from such investments shall be deposited in the respective Fund which holds such investments; however, any such income and profits from investments in the Construction Fund may be withdrawn by the City and deposited in the Interest and Sinking Fund to pay all or a portion of the interest next coming due on the Note.

SECTION 9. DEFEASANCE OF NOTE. (a) The Note and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "**Defeased Note**") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Note, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the

terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "**Future Escrow Agreement**") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Authority with the Paying Agent/Registrar for the payment of its services until the Defeased Note shall have become due and payable. Thereafter, the City will have no further responsibility with respect to amounts available to the Paying Agent/Registrar for the payment of such Defeased Note, including any insufficiency therein caused by the failure of the escrow agent under such Future Escrow Agreement to receive payment when due on the Defeasance Securities. At such time that the Note shall be deemed to be a Defeased Note hereunder, as aforesaid, such Note and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes or revenues herein levied and pledged as provided in this Ordinance, and such principal and interest shall be payable solely from such money or Defeasance Securities.

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

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

(d) Until the Defeased Note shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for the Defeased Note the same as if they had not been defeased, and the Authority shall make proper arrangements to provide and pay for such services as required by this Ordinance.

SECTION 10. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED NOTE.

(a) Replacement Note. In the event the Note is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new Note of the same principal amount, maturity date and interest rate as the damaged, mutilated, lost, stolen, or destroyed Note, in replacement for such Note in the manner hereinafter provided.

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

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

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

(e) Authority for Issuing Replacement Note. In accordance with Chapter 1206, Texas Government Code, this Section of this Ordinance shall constitute authority for the issuance of any such replacement Note without necessity of further action by the governing body of the City or any other body or person, and the duty of the replacement of such Note is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Note in the form and manner and with the effect, as provided in Section 4(a) of this Ordinance for a Note issued in exchange for another Note.

SECTION 11. CUSTODY, APPROVAL, AND REGISTRATION OF NOTE; BOND COUNSEL'S OPINION, INSURANCE, AND CUSIP NUMBERS. The Mayor of the City, on behalf of the City, is hereby authorized to have control of the Note initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Note pending its delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Note said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Note, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the City's Bond Counsel and the assigned CUSIP numbers, if any, may, at the option of the City, be printed on the Note issued and delivered under this Ordinance, but neither shall have any legal effect, and shall be solely for the convenience and information of the Registered Owner of the Note. In addition, if municipal bond insurance is obtained, the Note may bear an appropriate legend as provided by the insurer.

SECTION 12. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE NOTE. (a) Covenants. The City covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Note as an obligation described in section 103 of the Internal Revenue Code of 1986, as amended (the "*Code*"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the City covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Note 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 City, with respect to such private business use, do not, under the terms of this Ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Note, 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 Note 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 Note (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 Note being treated as a "private activity bond" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Note 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 Note, 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 Note, other than investment property acquired with --

(A) proceeds of the Note invested for a reasonable temporary period of three (3) years or less or, in the case of a refunding bond, for a period of 30 days or less, until such proceeds are needed for the purpose for which the Note is 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 Note;

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

(8) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Note) 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 Note has 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 City for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) Proceeds. The City understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Note. It is the understanding of the City that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated

which modify or expand provisions of the Code, as applicable to the Note, the City will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Note 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 Note, the City agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Note under section 103 of the Code. In furtherance of such intention, the City hereby authorizes and directs the Mayor, the City Manager and the Director or Finance of the City to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the City, which may be permitted by the Code as are consistent with the purpose for the issuance of the Note.

(d) Allocation of, and Limitation on, Expenditures for the Projects. The City covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 1 of this Ordinance (the "**Projects**") on its books and records in accordance with the requirements of the Internal Revenue Code. The City recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Projects are completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the City recognizes that in order for proceeds to be expended under the Internal Revenue Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Note, or (2) the date the Note is retired. The City agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Note. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) Disposition of Projects. The City covenants that the property constituting the Projects will not be sold or otherwise disposed in a transaction resulting in the receipt by the City of cash or other compensation, unless any action taken in connection with such disposition will not adversely affect the tax-exempt status of the Note. For purpose of the foregoing, the City 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 Note. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(f) Written Procedures. Unless superseded by another action of the City, 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 B as the City's written procedures.

(g) Designation as Qualified Tax-Exempt Obligation. The City hereby designates the Note as a "qualified tax-exempt obligation" as defined in section 265(b)(3) of the Code. In furtherance of such designation, the City represents, covenants and warrants the following: (a) that during the calendar year in which the Note is issued, the City (including any subordinate entities) has not designated nor will designate obligations, which when aggregated with the Note, will result in more than \$10,000,000 of "qualified tax-exempt obligations" being issued; (b) that the City reasonably anticipates that the amount of tax-exempt obligations issued, during the calendar year in which the Note is issued, by the City (or any subordinate entities) will not exceed \$10,000,000; and, (c) that the City will take such action or refrain from such action as necessary, and as more particularly set forth in this Section, in order that the Note will not be considered a "private activity bond" within the meaning of section 141 of the Code.

SECTION 13. SALE OF NOTE; USE OF PROCEEDS. The Note is hereby initially sold and shall be delivered to _____ (the "**Purchaser**") for cash for the par value thereof and no accrued interest, pursuant to a *Purchase Letter*, in substantially the form attached hereto as Exhibit C, which the Mayor is hereby authorized to accept, approve all changes, and execute on behalf of the City. In satisfaction of Section 1201.022(a)(3), Texas Government Code, and upon consultation with the City's Financial Advisor, the City Council hereby determines that the final terms of the Note as set forth in this Ordinance are in the City's best interests. The Note initially shall be registered in the name of _____.

SECTION 14. NO RULE 15c2-12 UNDERTAKING; ANNUAL FINANCIAL STATEMENTS. The City has not made an undertaking in accordance with Rule 15c2-12 of the Securities and Exchange Commission (the "**Rule**") in connection with the issuance of the Note inasmuch as the Purchaser is not acting as an "underwriter in a primary offering of municipal securities" within the meaning of the Rule. The City is not, therefore, obligated pursuant to the Rule to provide any on-going disclosure relating to the City or the Note; however, so long as the Purchaser or its assignee is the sole Registered Owner of the Note, unless waived by the Purchaser, the City shall provide the following to the Purchaser:

- (a) Audited financial statements, to be provided within six months after the close of each City fiscal year ending on and after September 30, 2016, and
- (b) Such other financial information regarding the City as the Purchaser shall reasonably request.

SECTION 15. FURTHER PROCEDURES. The Mayor, Mayor Pro-Tem, City Manager, Director of Finance, and City Secretary of the City and all other officers, employees, and agents of the City and each of them, are each hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance and the Note. In addition, prior to the initial delivery of the Note, the Mayor, City Manager, Director of Finance, the City Secretary, and the City's Bond Counsel are hereby authorized and directed to approve any technical changes or correction to this Ordinance or

to any of the instruments authorized and approved by this Ordinance necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance, (ii) obtain a rating from any of the national bond rating agencies, if any rating is obtained, or satisfy any requirements of the provider of a municipal bond insurance policy, if any, or (iii) obtain the approval of the Note by the Attorney General of the State of Texas. In case any officer whose signature shall appear on any Note shall cease to be such officer before the delivery of such Note, 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 16. ORDINANCE A CONTRACT; AMENDMENTS. This Ordinance shall constitute a contract with the Registered Owner of the Note, binding on the City and its successors and assigns, and shall not be amended or repealed by the City as long as any Note remains outstanding except as permitted in this Section. The City may, without the consent of or notice to the Registered Owner (other than the Purchaser as long as the Purchaser is a Registered Owner, in which case the City must receive the Purchaser's prior written consent to), amend, change, or modify this Ordinance as may be required (i) by the provisions hereof, (ii) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission herein, or (iii) in connection with any other change which is not to the prejudice of the Registered Owner. The City may, with the written consent of the Registered Owner of the Note, amend, change, modify, or rescind any provisions of this Ordinance not otherwise permitted to be amended in accordance with the preceding sentence. Whenever the City shall desire to make any amendment or addition to or rescission of this Ordinance requiring consent of the Registered Owner, the City shall cause notice of the amendment, addition, or rescission to be sent by first class mail, postage prepaid, to the Registered Owner at the respective addresses shown on the Registration Books. Whenever at any time within one year after the date of the giving of such notice, the City shall receive an instrument or instruments in writing executed by the Registered Owner of the Note requiring the consent of the Registered Owner, which instrument or instruments shall refer to the proposed amendment, addition, or rescission described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the City may adopt such amendment, addition, or rescission in substantially such form, except as herein provided. No Registered Owner may thereafter object to the adoption of such amendment, addition, or rescission, or to any of the provisions thereof, and such amendment, addition, or rescission shall be fully effective for all purposes.

SECTION 17. DEFAULTS AND REMEDIES. In addition to all the rights and remedies provided by the laws of the State of Texas, it is specifically covenanted and agreed particularly that in the event the City (i) defaults in the payment of the principal, premium, if any, or interest on the Note, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund, or (iii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance and the continuation thereof for 30 days after the City has received written notice of such defaults, the Registered Owner of the Note shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition or obligation prescribed in this Ordinance.

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

SECTION 18. INTERESTED PARTIES. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City and the Registered Owner of the Note, any right, remedy or claim under or by reason of this Ordinance or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Ordinance contained by and on behalf of the City shall be for the sole and exclusive benefit of the City and the Registered Owner of the Note.

SECTION 19. APPROPRIATION TO PAY INTEREST. The City Council hereby finds that there are sufficient funds available to pay the interest on the Note coming due on August 15, 2017, and hereby directs the chief financial officer of the City to transfer on or before such date available funds to the Interest and Sinking Fund in an amount sufficient to pay the interest coming due on such date.

SECTION 20. INCORPORATION OF RECITALS. The City hereby finds that the statements set forth in the recitals of this Ordinance are true and correct, and the City hereby incorporates such recitals as a part of this Ordinance.

SECTION 21. SEVERABILITY. The provisions of this Ordinance are severable and if any provision or the applicability thereof to any person or circumstance is ever held by a court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Ordinance and the application of such provisions to other persons or circumstances shall not be affected thereby.

SECTION 22. EFFECTIVE DATE. Pursuant to the provisions of Section 1201.028, Texas Government Code, this Ordinance shall become effective immediately upon adoption by the City Council.

[The remainder of this page intentionally left blank]

***PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF PORTLAND,
TEXAS AT A REGULAR MEETING ON THE 6TH DAY OF DECEMBER, 2016, AT WHICH
MEETING A QUORUM WAS PRESENT.***

Mayor

ATTEST:

City Secretary

(Seal)

** ** * * *

Signature Page to Ordinance Authorizing the Issuance of
City of Portland, Texas Tax Note, Series 2016

EXHIBIT A

FORM OF PAYING AGENT/REGISTRAR AGREEMENT

The Paying Agent/Registrar Agreement is omitted at this point as it appears in executed form elsewhere in this Transcript of Proceedings.

EXHIBIT B

WRITTEN PROCEDURES RELATING TO CONTINUING COMPLIANCE WITH FEDERAL TAX COVENANTS

A. Arbitrage. With respect to the investment and expenditure of the proceeds of the Note, the District's Director of Business Services (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 Note will be entered into within six (6) months of the date of delivery of the Note (the "*Issue Date*");
- (ii) monitor that at least 85% of the proceeds of the Note 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 Note 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 Note does not exceed an amount equal to the debt service on the Note in the succeeding 12 month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Note for the immediately preceding 12-month period;
- (v) ensure that no more than 50% of the proceeds of the Note are invested in an investment with a guaranteed yield for 4 years or more;
- (vi) maintain any official action of the District (such as a reimbursement resolution) stating its intent to reimburse with the proceeds of the Note 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 Note is retired.

B. Private Business Use. With respect to the use of the facilities financed or refinanced with the proceeds of the Note 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 Note is outstanding, any person, other than the District, the employees of the District, the agents of the District 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 Note is outstanding, any person, other than the District, the employees of the District, the agents of the District 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 Note is outstanding, any person, other than the District, the employees of the District, the agents of the District 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 Note is outstanding, any person, other than the District, has a naming right for the facilities or any other contractual right granting an intangible benefit;
- (vi) determine whether, at any time the Note is 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 Note and the use of the facilities financed or refinanced thereby for a period ending three (3) years after the complete extinguishment of the Note. If any portion of the Note 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 District'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 Note. 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 C

FORM OF PURCHASE LETTER

*The Purchase Letter is omitted at this point as it appears
in executed form elsewhere in this Transcript of Proceedings.*

\$650,000
CITY OF PORTLAND, TEXAS
TAX NOTE, SERIES 2016

TABLE OF CONTENTS

PRIMARY FINANCING DOCUMENTS AND AGREEMENTS

* Bid Documents	1
* Note Ordinance	2
* Purchase Contract and Investment Letter	3
* Paying Agent/Registrar Agreement	4
* Specimen Initial Note	5

DOCUMENTS RELATED TO TAX EXEMPTION

Federal Tax Certificate	6
Form 8038-G	7

CERTIFICATES

* General Certificate	8
* Signature Identification and No-Litigation Certificate	9

MISCELLANEOUS DOCUMENTS

* Instruction Letters to Attorney General and Comptroller of Public Accounts	10
Closing Memorandum	11
Receipt for Proceeds	12
Acknowledged Forms 1295	13

OPINIONS

Attorney General's Opinion with Comptroller's Registration Certificate	14
Opinion of Bond Counsel	15

*Indicates documents included in the Transcript of Proceedings submitted to the Attorney General of Texas.

CERTIFICATE FOR ORDINANCE

THE STATE OF TEXAS §
COUNTIES OF NUECES AND SAN PATRICIO §

I, the undersigned City Secretary of **CITY OF PORTLAND, TEXAS** (the "**City**") hereby certify as follows:

1. The City Council of the City (the "**City Council**") convened in Regular Meeting on December 6, 2016, at City Hall (the "**Meeting**"), and the roll was called of the duly constituted officers and members of said City Council, to wit:

David Krebs, Mayor	Cathy Skurow
John Green, Mayor Pro Tem	Nathan Taggart
Ron Jorgensen	Bill T. Wilson II
Gary Moore Sr.	

and all of said officers and members of said City Council were present, except the following absentees: _____, thus constituting a quorum. Whereupon, among other business, the following was transacted at said Meeting: a written

ORDINANCE AUTHORIZING THE ISSUANCE OF \$650,000 IN PRINCIPAL AMOUNT OF CITY OF PORTLAND, TEXAS TAX NOTE, SERIES 2016; SECURING THE PAYMENT THEREOF BY AUTHORIZING THE LEVY OF AN ANNUAL AD VALOREM TAX; AND APPROVING AND AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, A PURCHASE CONTRACT AND INVESTMENT LETTER, AND ALL OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO

(the "**Ordinance**") was duly introduced for the consideration of said City Council. It was then duly moved and seconded that the Ordinance be adopted; and, after due discussion, the motion carrying with it the adoption of the Ordinance, prevailed and carried by the following vote:

AYES: _____ NOES: _____ ABSTENTIONS: _____

2. A true, full and correct copy of the Ordinance adopted at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; the Ordinance has been duly recorded in the City Council's minutes of the Meeting; the above and foregoing paragraph is a true, full and correct excerpt from the City Council's minutes of the Meeting pertaining to the passage of the Ordinance; the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the City Council as indicated therein; each of the officers and members of the City Council was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the Meeting, and that the Ordinance would be introduced and considered for passage at the Meeting, and each of the officers and members consented, in advance, to the holding of the Meeting for such purpose; and that the Meeting was open to the public and public notice of the time, place and purpose of the Meeting was given, all as required by Chapter 551, Texas Government Code.

SIGNED AND SEALED the 6th day of December, 2016.

(SEAL)

City Secretary, City of Portland, Texas

GENERAL CERTIFICATE

THE STATE OF TEXAS
COUNTIES OF NUECES AND SAN PATRICIO

§
§

We, the undersigned, hereby officially certify that we are the Mayor and the City Secretary, respectively, of **CITY OF PORTLAND, TEXAS** (the "**City**"), and we further certify as follows:

1. This Certificate is given for the benefit of the Attorney General of the State of Texas and all parties interested in **CITY OF PORTLAND, TEXAS TAX NOTE, SERIES 2016** (the "**Note**"), dated as of December 15, 2016, and authorized by an ordinance passed by the City Council of the City on December 6, 2016.

2. All meetings of the City Council of the City at which action was taken in preparation for or in connection with the issuance of the Note occurred at the usual designated meeting place, being the City of Portland City Hall.

3. No litigation of any nature has ever been filed pertaining to, affecting, questioning, or contesting: (a) the ordinance which authorized the Note; (b) the issuance, execution, delivery, payment, security or validity of the Note, (c) the authority of the City Council and the officers of the City to issue, execute and deliver the Note, (d) the validity of the corporate existence of the City, or (e) the current tax rolls of the City; and no litigation is pending pertaining, affecting, questioning, or contesting the current boundaries of the City.

4. The currently effective ad valorem tax appraisal roll of the City (the "**Tax Roll**") is the Tax Roll prepared and approved during the calendar year 2016, being the most recently approved Tax Roll of the City; that the taxable property in the City has been appraised, assessed, and valued as required and provided by the Texas Constitution and Property Tax Code (collectively, "**Texas law**"); that the Tax Roll for said year has been submitted to the City Council of the City as required by Texas law, and has been approved and recorded by the City Council; and according to the Tax Roll for said year the net aggregate taxable value of taxable property in the City (after deducting the amount of all applicable exemptions required or authorized under Texas law), upon which the annual ad valorem tax of the City has been or will be imposed and levied, is \$_____.

5. Attached hereto as Exhibit A is a true, full and correct schedule and statement of the aforesaid proposed Note, and all presently outstanding tax indebtedness of the City, and attached hereto as Exhibit B is a combined debt service schedule for all outstanding tax indebtedness of the City (including the aforesaid proposed Note).

6. The following persons are the duly elected members of the City Council of the City as of the date hereof:

David Krebs	Mayor
John Green	Mayor Pro Tem
Ron Jorgensen	Member
Nathan Taggart	Member
Gary Moore Sr.	Member
Cathy Skurow	Member
Bill T. Wilson II	Member

7. The following persons are the duly appointed or elected City Manager, City Secretary and Director of Finance of the City as of the date hereof:

Randy L. Wright	City Manager
Annette Hall	City Secretary
Katie Griffin	Director of Finance

8. The Ordinance is in full force and effect and has not been amended, modified, or supplemented.

9. The City is not in default in the payment of principal of or interest on any of its outstanding bonds or notes and each of the funds or accounts established for the benefit of such bonds and notes contains the amount required to be on deposit therein.

10. The City has received all required disclosure filings under Section 2252.908, Texas Government Code, in connection with the authorization and issuance of the Certificates and has or will notify the Texas Ethics Commission ("**TEC**") of its receipt of such filings by acknowledging such filings in accordance with the provisions of Section 2252.908, Texas Government Code, and 1 Tex. Admin. Code § 46.5(c).

[The remainder of this page intentionally left blank]

SIGNED AND SEALED THIS 6TH DAY OF DECEMBER, 2016.

Mayor
City of Portland, Texas

City Secretary
City of Portland, Texas

(SEAL)

EXHIBIT A

**SCHEDULE OF ALL OUTSTANDING GENERAL OBLIGATION INDEBTEDNESS
OF CITY OF PORTLAND, TEXAS**

THE PROPOSED NOTE

TAX NOTE, SERIES 2016, dated December 15, 2016, to be outstanding in the aggregate principal amount of \$_____, bearing interest and maturing as set forth in the Ordinance authorizing such Note.

ALL PRESENTLY OUTSTANDING TAX INDEBTEDNESS:

<u>TITLE OF OUTSTANDING OBLIGATIONS</u>	<u>DATED DATE</u>	<u>CURRENT OUTSTANDING PRINCIPAL AMOUNT (\$)</u>
General Obligation Refunding Bonds, Series 2010	07/01/2010	2,495,000
Combination Tax and Revenue Certificates of Obligation, Series 2010	07/01/2010	2,545,000
Combination Tax and Revenue Certificates of Obligation, Series 2014	04/01/2014	4,400,000
Tax Notes, Series 2014	12/01/2014	785,000
General Obligation Refunding Bonds, Series 2015	09/15/2015	2,195,000

EXHIBIT B

COMBINED DEBT SERVICE SCHEDULE

SIGNATURE IDENTIFICATION AND NO-LITIGATION CERTIFICATE

We, the undersigned Mayor and City Secretary, respectively, of **CITY OF PORTLAND, TEXAS** (the "**City**"), hereby certify as follows:

(a) This Certificate is executed and delivered with reference to the **CITY OF PORTLAND, TEXAS TAX NOTE, SERIES 2016**, dated December 15, 2016, authorized by an ordinance passed by the City Council of the City on December 6, 2016 (the "**Note**").

(b) Each of us signed the Note by manually executing or causing facsimiles of our manual signatures to be printed or lithographed on the Note, and we hereby adopt said facsimile signatures as our own, respectively, and declare that said facsimile signatures constitute our signatures the same as if we had manually signed the Note.

(c) The Note is substantially in the form, and has been duly executed and signed in the manner, prescribed in the ordinance authorizing the issuance thereof.

(d) At the time we so executed and signed the Note we were, and at the time of executing this Certificate we are, the duly chosen, qualified, and acting officers indicated therein, and authorized to execute and sign the same.

(e) No litigation of any nature has been filed or is now pending or, to our knowledge, threatened, to restrain or enjoin the issuance or delivery of the Note, or which would affect the provision made for their payment or security, or in any manner questioning the proceedings or authority concerning the issuance of the Note, and that so far as we know and believe no such litigation is threatened.

(f) Neither the corporate existence nor boundaries of the City is being contested; no litigation has been filed or is now pending or, to our knowledge, threatened, which would affect the authority of the officers of the City to issue, execute, sign, and deliver the Note; and no authority or proceedings for the issuance of the Note have been repealed, revoked, or rescinded.

(g) We have caused the official seal of the City to be impressed, or printed, or lithographed on the Note; and said seal on the Note has been duly adopted as, and is hereby declared to be, the official seal of the City.

EXECUTED and delivered this _____.

MANUAL SIGNATURES

OFFICIAL TITLES

David Krebs, Mayor

Annette Hall, City Secretary

Before me, on this day personally appeared the foregoing individuals, known to me to be the officers whose true and genuine signatures were subscribed to the foregoing instrument in my presence.

Given under my hand and seal of office this _____.

Notary Public

Typed Name _____

(My Commission Expires _____)

(Notary Seal)

December 6, 2016

Texas State Comptroller of Public Accounts
Cash and Securities Management Division
Thomas Jefferson Rusk Building
208 East 10th Street, 4th Floor, Room 448
Austin, Texas 78701-2407
Attn: Melissa Mora

RE: CITY OF PORTLAND, TEXAS TAX NOTE, SERIES 2016

Ladies and Gentlemen:

The Attorney General will deliver to you the above-described issues of obligations. At such time as you have registered such obligations, this will be your authority to deliver them to an authorized representative of McCall, Parkhurst & Horton L.L.P. who will deliver said obligations to the Paying Agent/Registrar named in the obligations for delivery to the purchasers thereof.

At the time you have registered the obligations, please deliver three copies of the Attorney General's opinion and the Comptroller's Signature Certificate covering said issue of obligations to a representative of McCall, Parkhurst & Horton L.L.P., or send such documents by overnight courier to Thomas K. Spurgeon, McCall, Parkhurst & Horton L.L.P., 700 N. St. Mary's, Suite 1525, San Antonio, Texas 78205.

Sincerely yours,

CITY OF PORTLAND, TEXAS

Mayor

cc: Attorney General of Texas

December 6, 2016

The Attorney General of Texas
Public Finance Division
300 W. 15 Street, 7th Floor
Austin, Texas 78701

RE: CITY OF PORTLAND, TEXAS TAX NOTE, SERIES 2016

Ladies and Gentlemen:

It is requested that you examine the above issues of obligations and the proceedings authorizing their issuance.

We enclose herewith one signed but undated copy of the Signature Identification and No-Litigation Certificate. Upon approval of the obligations, you are authorized to insert the date of approval in said Signature Certificate. If any litigation should develop before you have approved the obligations, we will notify you at once both by telephone and telecopy. With this assurance you can rely upon the absence of any such litigation at the time you approve the obligations unless we advise you otherwise.

After you have examined the obligations, kindly deliver them to the Office of the Comptroller of Public Accounts of the State of Texas. The Comptroller has received instructions as to disposition of such obligations following their registration.

Sincerely yours,

CITY OF PORTLAND, TEXAS

Mayor

cc: Comptroller of Public Accounts

RECEIPT FOR PROCEEDS

The undersigned hereby certifies as follows:

(a) This Receipt is executed and delivered with reference to the **CITY OF PORTLAND, TEXAS TAX NOTE, SERIES 2016** (the "*Note*"), dated December 15, 2016, in the aggregate principal amount of ***\$650,000***, authorized by an ordinance passed by the City Council of **CITY OF PORTLAND, TEXAS** (the "*City*") on December 6, 2016.

(b) The undersigned is the duly chosen, qualified, and acting Director of Finance of the City.

(c) The Note has been duly delivered to the initial purchaser thereof, namely

(d) The Note has been paid for in full by said purchaser concurrently with the delivery of this Receipt, and the City has received, and hereby acknowledges receipt of, the agreed purchase price for the Note, being ***\$650,000***, which amount is equal to par and no accrued interest.

Executed and delivered this _____.

CITY OF PORTLAND, TEXAS

Katie Griffin, Director of Finance

LAW OFFICES
M^cCALL, PARKHURST & HORTON L.L.P.

717 NORTH HARWOOD
NINTH FLOOR
DALLAS, TEXAS 75201-6587
TELEPHONE: 214 754-9200
FACSIMILE: 214 754-9250

700 N. ST. MARY'S STREET
1525 ONE RIVERWALK PLACE
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: 210 225-2800
FACSIMILE: 210 225-2984

600 CONGRESS AVENUE
1800 ONE AMERICAN CENTER
AUSTIN, TEXAS 78701-3248
TELEPHONE: 512 478-3805
FACSIMILE: 512 472-0871

December __, 2016

**CITY OF PORTLAND, TEXAS
TAX NOTE, SERIES 2016
DATED DECEMBER 15, 2016
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$**

AS BOND COUNSEL FOR THE CITY OF PORTLAND, TEXAS (the "**Issuer**"), the issuer of the tax note described above (the "**Note**"), we have examined into the legality and validity of the Note, which bears interest from the date specified in the text of the Note until maturity or prior redemption at the rate and payable on the dates as stated in the text of the Note, and which are subject to redemption prior to maturity, all in accordance with the terms and conditions stated in the text of the Note.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Note including (i) the ordinance authorizing the issuance of the Note (the "**Ordinance**"), (ii) the executed Initial Note (Note No. R-1), (iii) the Issuer's Federal Tax Certificate of even date herewith, and (iv) various certificates and documents executed by officers and officials of the Issuer upon which certificates and documents we rely as to certain matters stated below.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Note has been duly authorized, issued, and delivered in accordance with law and that the Note, except as may be limited by laws applicable to the Issuer relating to governmental immunity and bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar matters affecting creditors' rights or by general principles of equity which permit the exercise of judicial discretion, constitutes a valid and legally binding obligation of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Note has been levied and pledged for such purpose, within the limit prescribed by law, as provided in the Ordinance.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, the interest on the Notes (i) is excludable from the gross income of the owners thereof for federal income tax purposes, and (ii) is not treated as a "preference item" in calculating the alternative minimum tax imposed on individuals and corporations under section 57(a)(5) of the Internal Revenue Code of 1986 (the "**Code**"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Note and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Note may become includable in gross income retroactively to the date of issuance of the Note.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Note.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Note, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "**Service**"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Note. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Note as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Note is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Note under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Note for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Note, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Note and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the Issuer.

Respectfully,

PAYING AGENT/REGISTRAR AGREEMENT

THIS PAYING AGENT/REGISTRAR AGREEMENT, dated as of December 15, 2016 (this "***Agreement***"), by and between **CITY OF PORTLAND, TEXAS** (the "***Issuer***") and _____, _____, _____ (the "***Bank***"), a [banking association duly organized and operating under the laws of the State of _____] OR [national banking association] and authorized to transact business in the State of Texas.

WHEREAS, the Issuer has duly authorized and provided for the issuance of its **CITY OF PORTLAND, TEXAS TAX NOTE, SERIES 2016** (the "***Securities***"), such Securities to be issued in fully registered form only as to the payment of principal and interest thereon; and

WHEREAS, the Securities are scheduled to be delivered to the initial purchasers thereof on or about December 22, 2016; and

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

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

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE
APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR

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

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

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

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

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

ARTICLE TWO DEFINITIONS

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

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

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

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

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

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

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

"Predecessor Securities" of any particular Security means every previous Security evidencing all or a portion of the same obligation as that evidenced by such particular Security (and, for the purposes of this definition, any mutilated, lost, destroyed, or stolen Security for which a replacement Security has been registered and delivered in lieu thereof pursuant to Section 4.06 hereof and the Ordinance).

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

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

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

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

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

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

ARTICLE THREE PAYING AGENT

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

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

(c) Federal Tax Information Reporting. To the extent required by the Code and the Regulations it shall be the duty of the Bank to report to the owners of the Securities and the Internal Revenue Service (i) the amount of "reportable payments," if any, subject to back up withholding during each year and the amount of tax withheld, if any, with respect to the payments on the

Securities, and (ii) the amount of interest or amount treated as interest, such as original issue discount, on the Securities required to be included in the gross income of the owners thereof for federal income tax purposes.

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

ARTICLE FOUR REGISTRAR

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

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

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

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

SECTION 4.02. SECURITIES. The Issuer shall provide an adequate inventory of printed Securities to facilitate transfers or exchanges thereof. The Bank covenants that the inventory of printed Securities will be kept in safekeeping pending their use, and reasonable care will be exercised by the Bank in maintaining such Securities in safekeeping, which shall be not less than the care maintained by the Bank for debt securities of other political subdivisions or corporations for which it serves as registrar, or that is maintained for its own securities.

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

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

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

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

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

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

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

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

ARTICLE FIVE THE BANK

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE SIX MISCELLANEOUS PROVISIONS

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

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

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

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

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

Any corporation into which the Bank may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion, or consolidation to which the Bank shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Bank shall be the successor the Bank hereunder without the execution or filing of any paper or any further act on the part of either of the parties hereto. In case any Security shall have been registered, but not delivered, by the Bank then in office, any successor by merger, conversion, or consolidation to such authenticating Bank may adopt such registration and deliver the Security so registered with the same effect as if such successor Bank had itself registered such Security.

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

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

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

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

SECTION 6.10. TERMINATION. This Agreement will terminate on the date of final payment of the principal of and interest on the Securities to the Holders thereof or may be earlier terminated by either party upon 60 days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the Issuer and such appointment accepted, and (b) notice has been given to the Holders of the Securities of the appointment of a successor Paying Agent/Registrar. If the 60-day notice period expires and no successor has been appointed, the Bank, at the expense of the Issuer, has the right to petition a court of competent jurisdiction to appoint a successor under the Agreement. Furthermore, the Bank and the Issuer mutually agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay or otherwise adversely affect the payment of the Securities.

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

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

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

[The remainder of this page intentionally left blank]

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

By: _____

Title: _____

Address: _____

Attest:

Title: _____

CITY OF PORTLAND, TEXAS

By: _____

Title: Mayor

Address: 1900 Billy G. Webb Drive
Portland, Texas 78374

Attest:

Title: City Secretary

SCHEDULE A

PAYING AGENT/REGISTRAR FEE SCHEDULE

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

TERM SHEET
FOR
\$650,000
CITY OF PORTLAND, TEXAS
(San Patricio & Nueces Counties, Texas)
TAX NOTES, SERIES 2016

Sale Date: December 6, 2016

Dated Date: December 15, 2016

Delivery Date: December 22, 2016 (*No accrued interest upon delivery*)

Purpose: Public Works Facility Improvements

Tax Status: Tax-Exempt Bank Qualified

Term: 1 year

Interest Rate: Fixed Rate

Interest Payment Dates: Semi-annual payments on (2-15) and (8-15), first coupon on 8-15-2017

Principal Payment Dates: Maturity due on 2-15-2018

Call Option: Callable at any time at par, plus accrued interest

Security: Ad Valorem Tax Pledge

Ratings: None

Credit Enhancement: None

Sale Type: Private Placement

Purchaser: Broadway Bank

*Victor Quiroga, Jr.
Kevin Escobar, CTP
Frost Bank Capital Markets
Financial Advisors
(210) 220-5701*