NOTICE OF SALE
AND
BIDDING INSTRUCTIONS
ON

$50,000,000*
CITY OF GEORGETOWN, TEXAS
(A political subdivision of the State of Texas located in Williamson County)
UTILITY SYSTEM REVENUE BONDS, SERIES 2026A

Bids Due Tuesday, September 22, 2026 at 9:00 AM, CDT

THE SALE

BONDS OFFERED FOR SALE AT COMPETITIVE BIDDING . . . The City of Georgetown, Texas (the "City"), is offering for sale its $50,000,000* Utility System Revenue Bonds, Series 2026A (the "Bonds"). Bids may be submitted by either of two alternative procedures: (i) written bids; or (ii) electronic bids. Prospective bidders may select one of the two alternative bidding procedures in their sole discretion. Neither the City nor its Financial Advisor, Specialized Public Finance Inc., assumes any responsibility or liability for a prospective bidding procedure.

The City and Specialized Public Finance Inc. assume no responsibility or liability with respect to any irregularities associated with the submission of electronic, telephone or facsimile bids.

Specialized Public Finance Inc. will not be responsible for submitting any bids received after the deadline. For the purpose of determining compliance with any and all time deadlines set forth in this Official Notice of Sale, for all alternative bidding procedures, the official time shall be the time maintained only by the Parity Electronic Bid Submission System ("PARITY").

WRITTEN BIDS DELIVERED IN PERSON . . . Signed bids, plainly marked "Bid for Bonds," should be addressed to "Mayor and City Council, City of Georgetown, Texas," and delivered to the City's Financial Advisor, Specialized Public Finance Inc. at 248 Addie Roy Road, Suite B-103, Austin, Texas 78746 by 9:00 AM, CDT on September 22, 2026 (the "date of the bid opening"). All bids must be submitted on the Official Bid Form, without alteration or interlineation.

ELECTRONIC BIDDING PROCEDURE . . . Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Subscription to the i-Deal LLC's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in the Notice of Sale, and shall be binding upon the bidder as if made by a signed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of the Notice of Sale shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Notice of Sale shall control. Further information about PARITY, including any fee charged, may be obtained from Parity Customer Support, 40 West 23rd Street, 5th Floor, New York, New York 10010, (212) 404-8102.

For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the City, as described under "BASIS FOR AWARD" below. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale and the Official Bid Form.

PLACE AND TIME OF BID OPENING . . . The bids for the Bonds will be publicly opened and read in the office of the Financial Advisor at 9:00 AM, CDT, Tuesday, September 22, 2026.

SIGNED OFFICIAL BID FORM . . . The bidder whose bid is the winning bid in accordance with this Notice of Sale will be notified immediately and must submit via email a Signed Official Bid Form in connection with the sale, by 9:30 AM CDT on the date of the sale to Monica Melvin, Specialized Public Finance Inc. at monica@spfmuni.com.

AWARD OF THE BONDS . . . The City Council will take action to award the Bonds (or reject all bids) at a meeting scheduled to convene at 6:00 PM, CDT, on the date of the bid opening. Upon awarding the Bonds, the City will also adopt the ordinance authorizing the Bonds (the "Ordinance") and will approve the Official Statement, which will be an amended form of the Preliminary Official Statement. Sale of the Bonds will be made subject to the terms, conditions and provisions of the Ordinance to which ordinance reference is hereby made for all purposes. The City reserves the right to reject any and all bids and to waive any and all irregularities, except time of bid submission.

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*See "CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS." Preliminary, subject to change.

Withdrawal of the Bids . . . Any bid may be withdrawn by an authorized representative of the bidder at any time prior to the time set for receipt of bids. Thereafter, all bids shall remain firm for twelve hours after the time for receipt of the bids. The award of or rejection of bids will occur within this time period.

Extension of Sale Date . . . The City reserves the right to extend the date and/or time for the receipt of bids by giving notice by Bond Buyer Wire Service, and by posting a notice at the place established for receipt of bids, not later than 3:00 PM, CDT on Monday, September 21, 2026 of the new date and time of receipt of bids. Such notice shall be considered an amendment to this Official Notice of Sale.

THE BONDS

Description . . . The Bonds will be dated October 20, 2026 (the "Dated Date"). Interest will accrue from the date of initial delivery of the Bonds and will be due on February 15, 2027, and each August 15 and February 15 thereafter until the earlier of maturity or prior redemption. The Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity. The Bonds will mature on August 15 in each year as follows:

MATURITY SCHEDULE*

Maturity (August 15)	Principal Amount	Maturity (August 15)	Principal Amount
2029	$ 110,000	2043	$ 1,840,000
2030	220,000	2044	1,930,000
2031	335,000	2045	2,030,000
2032	455,000	2046	2,130,000
2033	585,000	2047	2,235,000
2034	720,000	2048	2,350,000
2035	1,000,000	2049	2,465,000
2036	1,175,000	2050	2,590,000
2037	1,375,000	2051	2,720,000
2038	1,440,000	2052	2,855,000
2039	1,515,000	2053	2,995,000
2040	1,590,000	2054	3,145,000
2041	1,670,000	2055	3,305,000
2042	1,750,000	2056	3,470,000

*See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts." Preliminary, subject to change.

Optional Redemption . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2037, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

Serial Bonds and/or Term Bonds . . . Bidders may provide that all of the Bonds be issued as serial Bonds or may provide that any two or more consecutive annual principal amounts be combined into one or more Term Bonds.

Book-Entry-Only System . . . The City intends to utilize the book-entry-only system of The Depository Trust Company ("DTC"). See "THE BONDS – Book-Entry-Only System" in the Official Statement.

Paying Agent/Registrar . . . The initial Paying Agent/Registrar shall be The Bank of New York Mellon Trust Company, Houston, Texas (see "THE BONDS – Paying Agent/Registrar" in the Official Statement).

Source of Payment . . . The Bonds, together with the Previously Issued Parity Obligations and any Additional Parity Obligations, constitute special obligations of the City, payable solely from and equally and ratably secured by a first lien on and pledge of the Pledged Revenues derived from the operation of the City's System, as defined in the Ordinance. The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation. The Bonds are not a charge upon any other income or revenue of the City and shall never constitute an indebtedness of the general credit or taxing power of either the City or the State of Texas. The Ordinance does not create a mortgage on the City's System (see "THE BONDS – Security and Source of Payment" in the Official Statement).

Further details regarding the Bonds are set forth in the Official Statement.

CONDITIONS OF THE SALE

TYPE OF BIDS AND INTEREST RATES . . . **The Bonds will be sold in one block on an "All or None" basis, and at a price of not less than 101% of their par value and not more than 112% of their par value.** Bidders are invited to name the rate(s) of interest to be borne by the Bonds, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/100 of 1% and the net effective interest rate must not exceed 15%. The highest rate bid may not exceed the lowest rate bid by more than 2.5% in rate. For Bonds having stated maturities on and after August 15, 2037, no reoffering yield producing a dollar price less than 97.5% for any individual maturity will be accepted. The high bidder will be required to submit reoffering yields and dollar prices prior to award. No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Bonds of one maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

POST BID MODIFICATION OF PRINCIPAL AMOUNTS . . . After selecting the winning bid, the aggregate principal amount of the Bonds and the principal amortization schedule may be adjusted as determined by the City and its Financial Advisor in $5,000 increments to reflect the actual interest rates. Such adjustments will not change the aggregate principal amount of the Bonds by more than 15% from the amount set forth herein. The dollar amount bid for the Bonds by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Bonds finally determined to be issued. The City will use its best efforts to communicate to the winning bidder any such adjustment within three (3) hours after the opening of bids. Purchaser's compensation will be based upon the final par amount after any adjustment thereto, subsequent to the receipt and tabulation of the winning bid, within the aforementioned parameters.

In the event of any adjustment of the maturity schedule for the Bonds as described above, no rebidding or recalculation of the proposals submitted will be required or permitted. The bid price for such an adjustment will reflect changes in the dollar amount of par amount of the Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering terms. Any such adjustment of the aggregate principal amount of the Bonds and/or the maturity schedule for the Bonds made by the City or its Financial Advisor shall be subsequent to the award of the Bonds to the winning bidder as determined pursuant to "CONDITIONS OF THE SALE – BASIS FOR AWARD" herein and shall not affect such determination. The winning bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

BASIS FOR AWARD . . . Subject to the City's right to reject any or all bids and to waive any irregularities except time of bid submission, the sale of the Bonds will be awarded to the bidder or syndicate account manager whose name first appears on the Official Bid Form (the "Purchaser") making a bid that conforms to the specifications herein and which produces the lowest True Interest Cost rate to the City. The True Interest Cost rate is that rate which, when used to compute the total present value as of the date of initial delivery of all debt service payments on the Bonds on the basis of semiannual compounding, produces an amount equal to the sum of the par value of the Bonds, plus any premium bid, if any. In the event of a bidder's error in interest cost rate calculations, the interest rates and premium, if any, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the City with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Purchaser will be required to provide the City with a breakdown of its "underwriting spread" among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

ESTABLISHING THE ISSUE PRICE FOR THE BONDS . . . The City intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of municipal bonds), which require, among other things, that the City receives bids from **at least three underwriters** of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds **(the "Competitive Sale Requirement")**.

In the event that the bidding process does not satisfy the Competitive Sale Requirement, Bids will **not** be subject to cancellation and the winning bidder (i) agrees to promptly report to the City the first prices at which at least 10% of each maturity of the Bonds **(the "First Price Maturity")** have been sold to the Public on the Sale Date **(the "10% Test")** (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test) and (ii) agrees to hold-the-offering-price of each maturity of the Bonds that does not satisfy the 10% Test **("Hold-the-Price Maturity")**, as described below.

In order to provide the City with information that enables it to comply with the establishment of the issue price of the Bonds under the Internal Revenue Code of 1986, as amended, the winning bidder agrees to complete, execute, and timely deliver to the City or to the City's municipal advisor, Specialized Public Finance Inc. (the "City's Financial Advisor") the appropriate certification as to the Bonds' "issue price" (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Notice of Sale and Bidding Instructions, at least 5 business days before the Closing Date if the Competitive Sale Requirement is satisfied or within 5 business days of the date on which the 10% Test is satisfied with respect to all of the First Price Maturities. In the event the winning bidder will not reoffer any maturity of the Bonds for sale to the Public (as defined herein) by the Closing Date, the Issue Price Certificate may be modified in a manner approved by the City. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

For purposes of this section of this Notice of Sale and Bidding Instructions:

(i) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party,

(ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public),

(iii) "Related Party" means any two or more persons (including an individual, trust, estate, partnership, association, company, or corporation) that are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "Sale Date" means the date that the Bonds are awarded by the City to the winning bidder.

All actions to be taken by the City under this Notice of Sale and Bidding Instructions to establish the issue price of the Bonds may be taken on behalf of the City by the City's Financial Advisor, and any notice or report to be provided to the City may be provided to the City's Financial Advisor.

The City will consider any bid submitted pursuant to this Notice of Sale and Bidding Instructions to be a firm offer for the purchase of the Bonds, as specified in the bid and, if so stated, in the Official Bid Form.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to report the prices at which it sells to the Public the unsold Bonds of each maturity allocated to it until either all such Bonds have been sold or it is notified by the winning bidder that either the 10% Test has been satisfied as to the Bonds of that maturity, (B) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a Related Party to an Underwriter, and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder will assume that based on such agreement each order submitted by the underwriter, dealer or broker-dealer is a sale to the Public; and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each underwriter or dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the Public the unsold Bonds of each maturity allocated to it until either all such Bonds have been sold or it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity. Sales of any Bonds to any person that is a Related Party to an Underwriter shall not constitute sales to the public for purposes of this Notice of Sale and Bidding Instruction.

By submitting a bid, the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Bonds, that each Underwriter will neither offer nor sell any Hold-the-Price Maturity to any person at a price that is higher than the initial offering price to the Public during the period starting on the Sale Date and ending on the earlier of (1) the close of the fifth (5th) business day after the Sale Date; or (2) the date on which the Underwriters have sold at least 10% of that Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public. The winning bidder shall promptly advise the City when the Underwriters have sold 10% of a Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

PROVISION OF TEXAS ETHICS COMMISSION FORM 1295 ("TEC FORM 1295") . . . In accordance with Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Bonds to a bidder unless the winning bidder either:

(i) submits a Certificate of Interested Parties Form 1295 (the "TEC Form 1295") to the City as prescribed by the Texas Ethics Commission ("TEC"), or

(ii) certifies in the Official Bid Form that it is exempt from filing the TEC Form 1295 by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

In the event that the bidder's bid for the Bonds is the best bid received, the City, acting through its financial advisor, will promptly notify the winning bidder. That notification will serve as the City's conditional verbal acceptance of the bid, and, unless the bidder is exempt from filing a TEC Form 1295, such notification will obligate the winning bidder to promptly file a completed TEC Form

1295, as described below, in order to allow the City to complete the award. The City reserves the right to reject any bid that does not comply with the requirements prescribed herein.

For purposes of completing the TEC Form 1295, box 2 is name of the governmental entity (*City of Georgetown, Texas*) and box 3 is the identification number assigned to this contract by the City *(Georgetown Utility 2026A)* and description of the goods or services (*Purchase of the City of Georgetown Utility System Revenue Bonds, Series 2026A*). **The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require certain business entities contracting with the City to complete the TEC Form 1295 electronically at https:www.ethics.state.tx.us/main/file.htm, print, complete the unsworn declaration, sign, and deliver, in physical form, the certified TEC Form 1295 that is generated by the TEC's "electronic portal" to the City. The completed and signed TEC Form 1295 must be sent by email, to the City's financial advisor at jennifer@spfmuni.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award.** Upon receipt of the final written award, the winning bidder must submit the TEC Form 1295 with original signatures by email to Bond Counsel as follows: rdonoghue@mphlegal.com

To the extent that the bidder is not exempt from filing a TEC Form 1295 and therefor makes such filing with the City, the Interested Party Disclosure Act and the TEC 1295 provide that such declaration is made "under oath and under penalty of perjury." Consequently, a bidder should take appropriate steps prior to completion of the TEC Form 1295 to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the TEC Form 1295. **Time will be of the essence in submitting the form to the City, and no final award will be made by the City regarding the sale of the Bonds until a completed TEC Form 1295 is received. The City reserves the right to reject any bid that does not satisfy the requirement of a completed TEC Form 1295, as described herein.** Neither the City nor its consultants have the ability to verify the information included in a TEC Form 1295, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to the proper completion of the TEC Form 1295. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the City that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https: www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

VERIFICATIONS OF STATUTORY REPRESENTATIONS AND COVENANTS . . . The City will not award the Bonds to a bidder unless the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as amended (the "Government Code"), are included in the bid. As used in such verifications, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Such representations and covenants shall also be applicable to each syndicate member listed on the Official Bid Form. Liability for breach of any such verification through the delivery date of the Bonds shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of this Notice of Sale or the Official Bid Form, notwithstanding anything herein or in the Official Bid Form to the contrary.

(i) **No Boycott of Israel (Texas Government Code, Chapter 2271):** A bidder must verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel through the delivery date of the Bonds. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

(ii) **Not a Sanctioned Company (Texas Government Code, Chapter 2252):** A bidder must represent that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes a bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

(iii) **No Discrimination Against Firearm Entities or Firearm Trade Associations (Texas Government Code, Chapter 2274):** A bidder must verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association through the delivery date of the Bonds. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

(iv) **No Boycott of Energy Companies (Texas Government Code, Chapter 2276):** A bidder must verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies through the delivery date of the Bonds. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

<u>Further State Law Compliance and Standing Letter Requirement</u> . . . Each prospective bidder and each syndicate member listed on the Official Bid Form must have a standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office in the form included as Exhibit A to the All Bond Counsel Letter of the Texas Attorney General dated November 1, 2023 and any supplements thereto (the "All Bond Counsel Letter"). In submitting a bid, a bidder represents to the City that it has filed a standing letter in the form included as Exhibit A to the All Bond Counsel Letter without qualification and including current statutory citations and it has no reason to believe that the City may not be entitled to rely on the standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office. The bidder agrees that it will not rescind its standing letter at any time before the delivery of the Bonds unless the same is immediately replaced with a standing letter meeting the requirements of the All Bond Counsel Letter.

The City will not accept a bid from a bidder (including each syndicate member listed on the Official Bid Form) that does not have such standing letter on file as of the deadline for bids for the Bonds. If requested by the City, the Purchaser agrees to provide such further representations, certifications or assurances in connection with the Covered Verifications (defined below), as of the delivery date of the Bonds or such other date requested by the City including, but not limited to, a bring down certification as provided by the All Bond Counsel Letter.

THE CITY RESERVES THE RIGHT, IN ITS SOLE DISCRETION, TO REJECT THE BID OF ANY BIDDER WHO IS, OR WHOSE PARENT COMPANY, SUBSIDIARIES OR AFFILIATES ARE, ON A LIST MAINTAINED BY THE TEXAS COMPTROLLER OR THE TEXAS ATTORNEY GENERAL OF FINANCIAL COMPANIES BOYCOTTING ENERGY COMPANIES OR DISCRIMINATING AGAINST FIREARM ENTITIES.

BY SUBMITTING A BID, EACH BIDDER AGREES, SHOULD IT BE THE WINNING BIDDER, TO COOPERATE WITH THE CITY AND TAKE ANY ACTION NECESSARY TO FURTHER VERIFY AND CONFIRM COMPLIANCE WITH STATE LAW.

To the extent the Purchaser and any syndicate member listed on the Official Bid Form is unable to provide a standing letter in a form satisfactory to the Texas Office of the Attorney General, the City reserves the right to cash, accept and retain the Good Faith Deposit (see "CONDITIONS OF THE SALE – Good Faith Deposit"). **THE LIABILITY OF THE BIDDER FOR BREACH OF ANY OF THE VERIFICATIONS MADE IN CONNECTION WITH CHAPTERS 2252, 2271, 2274, AND 2276, TEXAS GOVERNMENT CODE, AS AMENDED (COLLECTIVELY, THE "COVERED VERIFICATIONS") SHALL SURVIVE UNTIL BARRED BY THE STATUTE OF LIMITATIONS, AND SHALL NOT BE LIQUIDATED OR OTHERWISE LIMITED BY ANY PROVISION OF THIS NOTICE OF SALE OR THE OFFICIAL BID FORM. ADDITIONALLY, THE CITY RESERVES AND RETAINS ALL RIGHTS AND REMEDIES AT LAW AND IN EQUITY FOR PURSUIT AND RECOVERY OF DAMAGES, IF ANY, RELATING TO THE COVERED VERIFICATIONS**

<u>Impact of Bidding Syndicate on Award</u> . . . For purposes of contracting for the sale of the bonds, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

<u>Good Faith Deposit</u> . . . A bank cashier's check, payable to the order of "City of Georgetown," in the amount of $1,000,000 which is 2% of the proposed par value of the Bonds (the "Good Faith Deposit"), is required to accompany any bid. The Good Faith Deposit of the Purchaser will be retained uncashed by the City pending the Purchaser's compliance with the terms of its bid and this Official Notice of Sale. In the event the Purchaser should fail or refuse to take up and pay for the Bonds in accordance with its bid then said check shall be cashed and accepted by the City and shall constitute full and complete liquidated damages; however, if it is determined after the acceptance of the bid by the City that the Purchaser was found not to satisfy the requirements described under "Covered Verifications" and as a result the Texas Attorney General will not deliver its approving opinion of the Bonds, then said check shall be cashed and accepted by the City but shall not be the sole or exclusive remedy available to the City. The Good Faith Deposit may accompany the Official Bid Form or it may be submitted separately; however, if submitted separately, it shall be made available to the City prior to the opening of the bids, and shall be accompanied by instructions from the bank on which it is drawn which authorizes its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. The Good Faith Deposit of the Purchaser will be returned to the Purchaser on the date of Initial Delivery. No interest will be allowed on the Good Faith Deposit. Checks accompanying bids other than the winning bid will be returned promptly after the bids are opened, and an award of the Bonds has been made by the City.

DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS

<u>CUSIP Numbers</u> . . . It is anticipated that CUSIP identification numbers will appear on the Bonds, but neither the failure to print or type such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale and Bidding Instructions and the terms of the Official Bid Form. The Financial Advisor will obtain CUSIP identification numbers from the CUSIP Service Bureau, New York, New York prior to the date of sale. CUSIP identification numbers will be made available to the Purchaser at the time the Bonds are awarded or as soon thereafter as practicable. All expenses in relation to the assignment, printing or typing of CUSIP numbers on the Bonds shall be paid by the City.

DELIVERY OF BONDS . . . Delivery will be accomplished by the issuance of one Initial Bond (also called the "Bond" or "Bonds"), either in typed or printed form, in the aggregate principal amount of $50,000,000*, payable in stated installments to the Purchaser, signed by the Mayor and City Secretary, approved by the Attorney General of Texas, and registered and manually signed by the Texas Comptroller of Public Accounts. Upon delivery of the Initial Bond, it shall be immediately cancelled and one definitive Bond for each maturity will be registered and delivered only to Cede & Co., and deposited with DTC in connection with DTC's book-entry-only system. Delivery will be at a principal office of the Paying Agent/Registrar. Payment for the Bonds must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given six business days' notice of the time fixed for delivery of the Bonds. It is anticipated that delivery of the Bonds can be made on or about October 20, 2026, and it is understood and agreed that the Purchaser will accept delivery and make payment for the Bonds by 10:00 AM, CDT, on October 20, 2026, or thereafter on the date the Bond is tendered for delivery, up to and including November 3, 2026. If for any reason the City is unable to make delivery on or before November 3, 2026, the City shall immediately contact the Purchaser and offer to allow the Purchaser to extend its offer for an additional thirty days. If the Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of any further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Bonds, provided such failure is due to circumstances beyond the City's reasonable control.

CONDITIONS TO DELIVERY . . . The obligation of the Purchaser to take up and pay for the Bonds is subject to the Purchaser's receipt of (a) the legal opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel for the City ("Bond Counsel") and (b) the no-litigation certificate, all as further described in the Official Statement. In order to provide the City with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986 relating to the exemption of interest on the Bonds from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the City (no later than the close of business on the business day following the award of the bid) a certification as to their "issue price" substantially in the form and to the effect attached hereto or accompanying this Notice of Sale and Bidding Instructions. In the event the successful bidder will not reoffer the Bonds for sale, such certificate may be modified in a manner approved by the City. In no event will the City fail to deliver the Bonds as a result of the Purchaser's inability to sell a substantial amount of the Bonds at a particular price prior to delivery. Each bidder, by submitting its bid, agrees to complete, execute, and deliver such a certificate not later than the close of business on the business day following the award of the bid, if its bid is accepted by the City. It will be the responsibility of the Purchaser to institute such syndicate reporting requirements to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

LEGAL OPINION . . . The Bonds are offered when, as and if issued, subject to the approval of the Attorney General of the State of Texas. Delivery of and payment for the Bonds is subject to the receipt by the Purchaser of opinions of Bond Counsel, to the effect that the Bonds are valid and binding obligations of the City (except as the enforceability may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by principles of equity which permit the exercise of judicial discretion) and that the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" in the Official Statement.

NO MATERIAL ADVERSE CHANGE . . . The obligations of the City to deliver the Bonds and of the Purchaser to accept delivery of and pay for the Bonds are subject to the condition that at the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition of the City from those set forth in or contemplated by the "Preliminary Official Statement" as it may have been supplemented or amended through the date of sale.

NO-LITIGATION CERTIFICATE . . . On the date of delivery of the Bonds to the Purchaser, the City will deliver to the Purchaser a certificate, as of the same date, to the effect that to the best of the City's knowledge no litigation of any nature is pending or, to the best of the certifying officials' knowledge or belief, threatened against the City, contesting or affecting the Bonds; restraining or enjoining the authorization, execution, or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officials of the City.

GENERAL

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

___

*See "CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS." Preliminary, subject to change.

Blue Sky Laws . . . By submission of its bid, the Purchaser represents that the sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or, where necessary, the Purchaser will register the Bonds in accordance with the securities law of the states in which the Bonds are offered or sold. The City agrees to cooperate with the Purchaser, at the Purchaser's written request and expense, in registering the Bonds or obtaining an exemption from registration in any state where such action is necessary, provided, however, that the City shall not be obligated to execute a general or special consent to service of process in any such jurisdiction.

Not an Offer to Sell . . . This Notice of Sale and Bidding Instructions does not alone constitute an offer to sell the Bonds, but is merely notice of the sale of the Bonds. The offer to sell the Bonds is being made by means of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement. Prospective purchasers are urged to carefully examine the Official Statement to determine the investment quality of the Bonds.

Issuance of Additional Debt . . . The City does anticipate the issuance of approximately $607 million in one or more issuances of additional debt payable from revenues of the System within the next twelve months. This amount includes $46 million through the Texas Water Development Board in 2026.

Rating . . . The Bonds and the outstanding Parity Obligations of the City have been rated "AA-" by S&P Global Ratings ("S&P") and "AA-" by Fitch Ratings, Inc. ("Fitch") without regard to credit enhancement.

Municipal Bond Insurance . . . In the event the Bonds are qualified for municipal bond insurance, and the Purchaser desires to purchase such insurance, the cost therefor will be paid by the Purchaser. Any fees to be paid to the rating agencies as a result of said insurance will be paid by the City. It will be the responsibility of the Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Bonds. Any rating downgrade by S&P or Fitch of the bond insurance provider after the Bid Opening shall not relieve the Purcshaser of its obligation under the heading "DELIVERY OF THE CERTIFICATES AND ACCOMPANYING DOCUMENTS."

The Official Statement and Compliance with SEC Rule 15C2-12 . . . The City has prepared the accompanying Official Statement and, for the limited purpose of complying with SEC Rule 15c2-12, deems such Official Statement to be final as of its date within the meaning of such Rule for the purpose of review prior to bidding. To the best knowledge and belief of the City, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Bonds. Representations made and to be made by the City concerning the absence of material misstatements and omissions in the Official Statement are addressed elsewhere in this Notice of Sale and Bidding Instructions and in the Official Statement.

The City will furnish to the Purchaser, acting through a designated senior representative, in accordance with instructions received from the Purchaser, within seven (7) business days from the sale date copies of the Official Statement reflecting interest rates and other terms relating to the initial reoffering of the Bonds. The cost of any Official Statement in excess of the number specified shall be prepared and distributed at the cost of the Purchaser. The Purchaser shall be responsible for providing in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award. Except as noted above, the City assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement in connection with the offering or reoffering of the subject securities.

Continuing Disclosure Agreement . . . The City will agree in the Ordinance to provide certain periodic information and notices of certain specified events in accordance with Securities and Exchange Commission Rule 15c2-12, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION." The Purchaser's obligation to accept and pay for the Bonds is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

Compliance with Prior Undertakings . . . In previous continuing disclosure undertakings, the City has agreed to supply financial information and operating data with respect to the City of the general type of information contained in specified tables of the applicable Official Statement. The annual financial information filings made by the City as a result of these undertakings for each of the last five years have consisted of the related City's Comprehensive Annual Financial Report ("Annual Report"), which the City believes contains the information of the general type of information contained in the specified tables. Please note that certain information in the specified tables is not presented explicitly in the Annual Reports but can be calculated from information in the Annual Reports.

The City has approved the form and content of the Notice of Sale and Bidding Instructions, the Official Bid Form and Official Statement, and authorized the use thereof in its initial offering of the Bonds. On the date of the sale, the City Council will, in the Ordinance authorizing the issuance of the Bonds, confirm its approval of the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorize its use in the reoffering of the Bonds by the Purchaser.

/s/ ROBYN DENSMORE	/s/ JOSH SCHROEDER
City Secretary, City of Georgetown, Texas	Mayor, City of Georgetown, Texas

*See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts." Preliminary, subject to change.

OFFICIAL BID FORM

Honorable Mayor and City Council
City of Georgetown, Texas
101 East 7th Street
Georgetown, Texas 78627

September 22, 2026

Members of the City Council:

Reference is made to your Official Statement and Notice of Sale and Bidding Instructions, dated September 14, 2026, of $50,000,000* CITY OF GEORGETOWN, TEXAS UTILITY SYSTEM REVENUE BONDS, SERIES 2026A, both of which constitute a part hereof.

For your legally issued Bonds, in the aggregate principal amount of $50,000,000*, we will pay you a price of $_____________________, representing approximately ________% of the par value. Such Bonds mature August 15, in each of the years and in the amounts and interest rates shown below:

Maturity (August 15)	Principal Amount*	Interest Rate	Maturity (August 15)	Principal Amount*	Interest Rate
2029	$ 110,000	%	2043	$ 1,840,000	%
2030	220,000	%	2044	1,930,000	%
2031	335,000	%	2045	2,030,000	%
2032	455,000	%	2046	2,130,000	%
2033	585,000	%	2047	2,235,000	%
2034	720,000	%	2048	2,350,000	%
2035	1,000,000	%	2049	2,465,000	%
2036	1,175,000	%	2050	2,590,000	%
2037	1,375,000	%	2051	2,720,000	%
2038	1,440,000	%	2052	2,855,000	%
2039	1,515,000	%	2053	2,995,000	%
2040	1,590,000	%	2054	3,145,000	%
2041	1,670,000	%	2055	3,305,000	%
2042	1,750,000	%	2056	3,470,000	%

Of the principal maturities set forth in the table above, Term bonds have been created as indicated in the following table (which may include multiple Term bonds, one Term bond or no Term bond if none is indicated). For those years which have been combined into Term bonds, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term bond maturity date shall mature in such year. The Term bonds created are as follows:

Term Bonds Maturing August 15	Year of First Mandatory Redemption	Principal Amount	Interest Rate
		$	%
		$	%
		$	%
		$	%

Our calculation (which is not a part of this bid) of the interest cost from the above is:

TRUE INTEREST COST ______________________%

*See "CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS." Preliminary, subject to change.

The Initial Bond shall be registered in the name of _____________________, which will, upon payment for the Bonds, be cancelled by the Paying Agent/Registrar. The Bonds will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the book-entry-only system.

We are having the Bonds insured by ________________________ (the "Bond Insurer") at a premium of $______________, said premium to be paid by the Purchaser. Any fees to be paid to the rating agency as a result of said insurance will be paid by the City.

A wire transfer or a cashiers or certified check to the City in the amount of $1,000,000 will be made available in accordance with the Notice of Sale made a part hereof. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions set forth in the Notice of Sale, the proceeds of this deposit shall be retained by the City as complete liquidated damages against us.

We agree to accept delivery of the Bonds utilizing the book-entry-only system through DTC and make payment for the Initial Bond in immediately available funds in the Corporate Trust Division, The Bank of New York Mellon Trust Company, National Association, Houston, Texas, not later than 10:00 AM, CDT, on October 20, 2026, or thereafter on the date the Bonds are tendered for delivery, pursuant to the terms set forth in the Notice of Sale and Bidding Instructions. It will be the obligation of the purchaser of the Bonds to complete the DTC Eligibility Questionnaire.

The bidder makes the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the "Government Code"), in entering into this Official Bid Form. As used in the following verifications, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification through the delivery date of the Bonds shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of this Official Bid Form or the Notice of Sale, notwithstanding anything in this Official Bid Form or the Notice of Sale to the contrary.

(i) No Boycott of Israel Verification (Texas Government Code, Chapter 2271). The Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel through the delivery date of the Bonds. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

(ii) Not a Sanctioned Company (Texas Government Code, Chapter 2252). The Purchaser represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes a bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

(iii) No Boycott of Energy Companies (Texas Government Code, Chapter 2276). The Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies through the delivery date of the Bonds. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

(iv) No Discrimination Against Firearm Entities or Firearm Trade Associations (Texas Government Code, Chapter 2274). The Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association through the delivery date of the Bonds. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

By submitting this bid, the Purchaser understands and agrees that the liability of the Purchaser for breach of any of the verifications made in connection with Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as amended and as described above (collectively, the "Covered Verifications") shall survive until barred by the statute of limitations, and shall not be liquidated or otherwise limited by any provision of this Official Bid Form or the Notice of Sale. Additionally, the Purchaser acknowledges and agrees that the City reserves and retains all rights and remedies at law and in equity for pursuit and recovery of damages, if any, relating to the Covered Verifications.

By submitting this bid, the Purchaser understands and agrees that it must have a standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office in the form included as Exhibit A to the All Bond Counsel Letter of the Texas Attorney General dated November 1, 2023 and any supplements thereto (the "All Bond Counsel Letter"). In submitting this bid, the Purchaser represents to the City that it has filed a standing letter in the form included as Exhibit A to the All Bond Counsel Letter without qualification and including current statutory citations and it has no reason to believe that the City may not be entitled to rely on the standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office. The Purchaser hereby further agrees that it will not rescind its standing letter at any time before the delivery of the Bonds unless the same is immediately replaced with a standing letter meeting the requirements of the All Bond Counsel Letter.

The Purchaser agrees to provide such further representations, certifications or assurances in connection with the Covered Verifications, as of the delivery date of the Bonds or such other date requested by the City including, but not limited to, a bring down certification as provided by the All Bond Counsel Letter.

By submitting this bid, the Purchaser understands and agrees that if the Purchaser fails or refuses to pay for the Bonds in accordance with this bid, then the Purchaser's Good Faith Deposit shall be retained, cashed and accepted by the City as full and complete liquidated damages; provided however, if it is determined after the acceptance of the bid by the City that the Purchaser or any syndicate member listed on this Official Bid Form was found not to satisfy the requirements described in the Notice of Sale under the heading "CONDITIONS OF THE SALE – VERIFICATIONS OF STATUTORY REPRESENTATIONS AND COVENANTS" and as a result the Texas Attorney General will not deliver its approving opinion for the Bonds, then the Good Faith Deposit shall be retained, cashed and accepted by the City but shall not be the sole or exclusive remedy available to the City. IF THE CITY CASHES THE PURCHASER'S GOOD FAITH DEPOSIT AS DESCRIBED ABOVE, SUCH ACTION DOES NOT CONSTITUTE COMPLETE OR LIQUIDATED DAMAGES RELATED TO THE PURCHASER'S BREACH OF ANY OF THE COVERED VERIFICATIONS.

The Purchaser acknowledges that the City, in its sole discretion, has reserved the right to reject the bid of any bidder who is, or whose parent company, subsidiaries or affiliates are, on a list maintained by the Texas Comptroller or the Texas Attorney General of financial companies boycotting energy companies or discriminating against firearm entities.

The Purchaser understands and agrees that to the extent the Purchaser and each syndicate member listed on the Official Bid Form is unable to provide a Standing Letter in a form satisfactory to the Texas Office of the Attorney General, the City reserves the right to cash and accept the Good Faith Deposit (see "CONDITIONS OF THE SALE – GOOD FAITH DEPOSIT" in the Notice of Sale).

NOTWITHSTANDING ANYTHING CONTAINED HEREIN, THE REPRESENTATIONS AND COVENANTS CONTAINED IN THIS OFFICIAL BID FORM SHALL SURVIVE TERMINATION OF THIS BID OF THE PURCHASER TO PURCHASE THE BONDS UNTIL THE STATUTE OF LIMITATIONS HAS RUN.

The undersigned agrees to complete, execute, and deliver to the City, at least five business days prior to delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form and to the effect accompanying the Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to the City and Bond Counsel.

The undersigned certifies that the Purchaser [is]/[is not] exempt from filing the TEC Form 1295 by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

We agree to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.

Respectfully submitted,

____
Name of Purchaser or Manager

____
Authorized Representative

____
Phone Number

____
Signature

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by City of Georgetown, Texas, this the 22nd day of September, 2026.

ATTEST:

______________________________ ______________________________

City Secretary
City of Georgetown, Texas

Mayor
City of Georgetown, Texas

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ISSUE PRICE CERTIFICATE

(Sales where at least 3 bids are received from underwriters)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Utility System Revenue Bonds, Series 2026A issued by the City of Georgetown, Texas ("Issuer") in the principal amount of $50,000,000* ("Bonds"), hereby certifies and represents, based on its records and information, as follows:

(a) On the first day on which there was a binding contract in writing for the purchase of the Bonds by the Purchaser, the Purchaser's reasonably expected initial offering prices of each maturity of the Bonds with the same credit and payment terms (the "Expected Offering Prices") to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter are as set forth in the pricing wire or equivalent communication for the Bonds, as attached to this Certificate as Schedule A. The Expected Offering Prices are the prices for the Bonds used by the Purchaser in formulating its bid to purchase the Bonds.

(b) The Purchaser had an equal opportunity to bid to purchase the Bonds and it was not given the opportunity to review other bids that was not equally given to all other bidders (i.e., no last look).

(c) The bid submitted by the Purchaser constituted a firm bid to purchase the Bonds.

(d) The Purchaser [has] [has not] purchased bond insurance for the Bonds. The bond insurance has been purchased from ________________________________ (the "Insurer") for a fee of $_______ (net any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arm's-length charge for the transfer of credit risk and it has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Bonds. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Bonds, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such fee that has not been earned.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public) to participate in the initial sale of the Bonds to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this _______________, 2026.

[NAME OF PURCHASER], as Purchaser

By:____________________________________

Name:__________________________________

____

*See "CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS." Preliminary, subject to change.

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION
(*Attached*)

ISSUE PRICE CERTIFICATE

(**Form of Certificate if less than 3 bids are received from underwriters**)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Utility System Revenue Bonds, Series 2026A issued by the City of Georgetown, Texas ("Issuer") in the principal amount of $50,000,000* ("Bonds"), hereby certifies and represents, based on its records and information, as follows:

(a) [Other than the Bonds maturing in ____________ ("Hold-the-Price Maturities"), the][The] first prices at which at least ten percent ("Substantial Amount") of the principal amount of each maturity of the Bonds having the same credit and payment terms ("Maturity") was sold to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter ("Public") are their respective initial offering prices, as listed in the pricing wire or equivalent communication for the Bonds that is attached to this Certificate as Schedule A.

(Add (b) and (c) only if winning bidder designates one or more maturities as Hold-the-Price Maturities)

(b) On or before the first day on which there is a binding contract in writing for the sale of the Bonds ("Sale Date"), the Purchaser offered to the Public each Maturity of the Hold-the-Price Maturities at their respective initial offering prices, as set forth in Schedule A hereto ("Initial Offering Price").

(c) As set forth in the Notice of Sale, the Purchaser agreed in writing to neither offer nor sell any of the Hold-the-Price Maturities to any person at any higher price than the Initial Offering Price for each such Maturity until the earlier of the close of the fifth business day after the Sale Date or the date on which the Purchaser sells at least ten percent of a Hold-the-Price-Maturity of the Bonds to the Public at no higher price than the Initial Offering Price for such Maturity.

(d) The Purchaser [has] [has not] purchased bond insurance for the Bonds. The bond insurance has been purchased from ________________________________ (the "Insurer") for a fee of $_______ (net any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arm's-length charge for the transfer of credit risk and it has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Bonds. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Bonds, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such fee that has not been earned.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public) to participate in the initial sale of the Bonds to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this _______________, 2026.

[NAME OF PURCHASER], as Purchaser

By:____________________________________

Name:__________________________________

____

*See "CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS." Preliminary, subject to change.

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION
(*Attached*)

PRELIMINARY OFFICIAL STATEMENT

Dated September 14, 2026

Ratings:
S&P: "AA-"
Fitch: "AA-"
Insurance: Applied For
(See "OTHER INFORMATION – RATINGS" herein)

NEW ISSUE – Book-Entry-Only

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, interest on the Bonds, defined below, will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.

GEORGETOWN TEXAS EST. 1848

$50,000,000*
CITY OF GEORGETOWN, TEXAS
(A political subdivision of the State of Texas located in Williamson County)
UTILITY SYSTEM REVENUE BONDS, SERIES 2026A

Dated Date: October 20, 2026 **Due: August 15, as shown on the inside cover page**
Interest to accrue from the Date of Initial Delivery (defined below)

PAYMENT TERMS . . . Interest on the $50,000,000* City of Georgetown, Texas (the "City") Utility System Revenue Bonds, Series 2026A (the "Bonds") will accrue from the Date of Initial Delivery (defined below), will be payable on February 15 and August 15 of each year, until stated maturity or prior redemption, commencing February 15, 2027, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS – BOOK-ENTRY-ONLY SYSTEM"). The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Houston, Texas (see "THE BONDS – PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1502, Texas Government Code, as amended, and an ordinance authorizing the issuance of the Bonds (the "Ordinance") adopted by the City Council of the City on September 22, 2026. The Bonds are special obligations of the City payable, together with the Previously Issued Parity Obligations and any Additional Parity Obligations (both as defined in the Ordinance), both as to principal and interest, solely from and equally and ratably secured by a first lien on and pledge of the Pledged Revenues (as defined in the Ordinance), including the Net Revenues (as defined in the Ordinance) derived from the operation of the City's combined electric, waterworks and sewer system (the "System"). As additional security, there has been established a Reserve Fund which shall be funded (but beginning only after Net Revenues for any fiscal year are less than 1.35 times the Average Annual Debt Service Requirements of the Parity Obligations secured by the Reserve Fund) in an amount at least equal to the Average Annual Debt Service Requirements (as defined in the Ordinance) of the Parity Obligations (as defined in the Ordinance) secured by the Reserve Fund. Due to the coverage currently maintained by the City, at the time of delivery of the Bonds, it is not anticipated that the Reserve Fund will be funded. The amount required to be on deposit in the Reserve Fund can, at the option of the City, be satisfied by the issuance of a surety bond or insurance policy (defined in the Ordinance as a "Reserve Fund Obligation"). **The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation.** The Bonds are not a charge upon any other income or revenue of the City and shall never constitute an indebtedness of the general credit or taxing power of either the City or the State of Texas. The Ordinance does not create a mortgage on the System (see "THE BONDS – AUTHORITY FOR ISSUANCE" and "THE BONDS – SECURITY AND SOURCE OF PAYMENT").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of providing funds for (1) extending and improving the City's System, and (2) paying the costs of issuing the Bonds (see "THE BONDS – Purpose").

CUSIP PREFIX: 373064
MATURITY SCHEDULE
See Inside Cover Page

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Austin, Texas (see "APPENDIX F – FORM OF BOND COUNSEL'S OPINION").

DELIVERY . . . It is expected that the Bonds will be available for initial delivery through DTC on October 20, 2026 (the "Date of Initial Delivery").

BONDS BIDS DUE ON TUESDAY, SEPTEMBER 22, 2026, BY 9:00 AM, CDT

*See "CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS" in the Notice of Sale. Preliminary, subject to change.

MATURITY SCHEDULE*

August 15 Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP Numbers(1)
2029	$ 110,000			
2030	220,000			
2031	335,000			
2032	455,000			
2033	585,000			
2034	720,000			
2035	1,000,000			
2036	1,175,000			
2037	1,375,000			
2038	1,440,000			
2039	1,515,000			
2040	1,590,000			
2041	1,670,000			
2042	1,750,000			
2043	1,840,000			
2044	1,930,000			
2045	2,030,000			
2046	2,130,000			
2047	2,235,000			
2048	2,350,000			
2049	2,465,000			
2050	2,590,000			
2051	2,720,000			
2052	2,855,000			
2053	2,995,000			
2054	3,145,000			
2055	3,305,000			
2056	3,470,000			

(Interest accrues from the Date of Initial Delivery)

*Preliminary, subject to change.

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REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2037, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – OPTIONAL REDEMPTION"). Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Purchaser elects to aggregate two or more consecutive maturities as term Bonds.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), this document constitutes an "official statement" of the City with respect to the Bonds that has been "deemed final" by the City as of its date except for the omission of the information permitted by the Rule.

No dealer, broker, salesman or other person has been authorized by the City or the Purchaser to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Financial Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy Bonds in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer or solicitation.

The information set forth or included in this Official Statement has been provided by the City or obtained from other sources believed by the City to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinion or that they will be realized.

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

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

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

Any references to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY.. The City of Georgetown, Texas (the "City"), is a political subdivision located in Williamson County operating as a home-rule city under the laws of the State of Texas and a charter approved by the voters in 1970, as subsequently amended (the "Home Rule Charter"). The City operates under the City Council/Manager form of government where the Mayor and seven City Councilmembers are elected for staggered three-year terms from seven single-member districts. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer. The City is approximately 61.25 square miles in area (see "APPENDIX A – GENERAL INFORMATION REGARDING THE CITY").

THE BONDS....................................... The Bonds are issued as $50,000,000* City of Georgetown, Texas Utility System Revenue Bonds, Series 2026A. The Bonds are issued as serial Bonds maturing on August 15 in each of the years 2029 through 2056, inclusive, in the principal amounts set forth on the inside cover page hereof unless the Purchaser aggregates two or more consecutive maturities as term Bonds.

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the Date of Initial Delivery and is payable on February 15, 2027, and each August 15 and February 15 thereafter until stated maturity or prior redemption (see "THE BONDS – DESCRIPTION OF THE BONDS").

AUTHORITY FOR ISSUANCE .... The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1502, Texas Government Code, as amended, and an ordinance authorizing the issuance of the Bonds (the "Ordinance") adopted by the City Council of the City on September 22, 2026 (see "THE BONDS – AUTHORITY FOR ISSUANCE").

SECURITY.. The Bonds are special obligations of the City payable, together with the Previously Issued Parity Obligations and any Additional Parity Obligations (both as defined in the Ordinance), both as to principal and interest, solely from and equally and ratably secured by a first lien on and pledge of the Pledged Revenues (as defined in the Ordinance), including the Net Revenues (as defined in the Ordinance) derived from the operation of the City's combined electric, waterworks and sewer system (the "System"). As additional security, there has been established a Reserve Fund which shall be funded (but beginning only after Net Revenues for any fiscal year are less than 1.35 times the Average Annual Debt Service Requirements of the Parity Obligations secured by the Reserve Fund) in an amount at least equal to the Average Annual Debt Service Requirements (as defined in the Ordinance) of the Parity Obligations (as defined in the Ordinance) secured by the Reserve Fund. Due to the coverage currently maintained by the City, at the time of delivery of the Bonds, it is not anticipated that the Reserve Fund will be funded. The amount required to be on deposit in the Reserve Fund can, at the option of the City, be satisfied by the issuance of a surety bond or insurance policy (defined in the Ordinance as a "Reserve Fund Obligation"). **The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation.** The Bonds are not a charge upon any other income or revenue of the City and shall never constitute an indebtedness of the general credit or taxing power of either the City or the State of Texas. The Ordinance does not create a mortgage on the System (see "THE BONDS – SECURITY AND SOURCE OF PAYMENT").

REDEMPTION .... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2037, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – OPTIONAL REDEMPTION"). Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Purchaser elects to aggregate two or more consecutive maturities as term Bonds.

*Preliminary, subject to change.

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

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used for the purpose of providing funds for (1) extending and improving the City's System, and (2) paying the costs of issuing the Bonds (see "THE BONDS – Purpose").

MUNICIPAL BOND RATINGS .... The Bonds and the outstanding Parity Obligations of the City have been rated "AA-" by S&P Global Ratings ("S&P") and "AA-" by Fitch Ratings, Inc. ("Fitch") without regard to credit enhancement (see "OTHER INFORMATION – RATINGS").

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

PAYMENT RECORD .... The City has never defaulted in the payment of any debt obligations.

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CITY OFFICIALS, STAFF AND CONSULTANTS

Policy making and supervisory functions are the responsibility of and are vested in a seven-member City Council ("Council"). The Council serves three-year staggered terms with elections being held in May of each year. The City's Home Rule Charter delegates administrative responsibilities to the City Manager. Various support services are provided by independent consultants and advisors.

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Josh Schroeder Mayor	6 Years	May 2029	Attorney
Kevin Pitts Mayor Pro-Tem, District 5	8½ Years	May 2027	Commercial Banker
Amanda Parr Councilmember District 1	5½ Years	May 2027	Senior Director of Development at Southwestern University
Doug Noble Councilmember District 2	6 Months	May 2029	Certified Financial Planner
Ben Butler Councilmember, District 3	1½ Years	May 2028	Architect
Ron Garland Councilmember District 4	4½ Years	May 2028	Retired
Jake French Councilmember District 6	5 Years	May 2029	Construction Project Manager
Ben Stewart Councilmember District 7	4½ Years	May 2028	Technical Consultant

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service
David Morgan	City Manager	11½ Years
Leigh Wallace	Chief Financial Officer	10½ Years
Skye Masson	City Attorney	6¼ Years
Robyn Densmore	City Secretary	7½ Years

CONSULTANTS AND ADVISORS

Auditors .... Weaver and Tidwell, L.L.P.
Austin, Texas

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

Financial Advisor.. Specialized Public Finance Inc.
Austin, Texas

For additional information regarding the City, please contact:

Leigh Wallace Chief Financial Officer City of Georgetown, Texas 510 West 9th Street Georgetown, Texas 78626 512/930-3676 512/930-3681 Fax	or	Jennifer Ritter Managing Director Specialized Public Finance Inc. 248 Addie Roy Road, Suite B-103 Austin, Texas 78746 512/275-7300 512/275-7305 Fax

PRELIMINARY OFFICIAL STATEMENT
RELATING TO

$50,000,000*
CITY OF GEORGETOWN, TEXAS UTILITY SYSTEM REVENUE BONDS, SERIES 2026A

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $50,000,000* City of Georgetown, Texas Utility System Revenue Bonds, Series 2026A (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance except as otherwise indicated herein (see "APPENDIX E – SELECTED PROVISIONS OF THE ORDINANCE").

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Specialized Public Finance Inc., Austin, Texas, by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Bonds will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE CITY . . . The City is a political subdivision located in Williamson County operating as a home-rule city under the laws of the State of Texas and a charter approved by the voters in 1970 and subsequently amended (the "Home Rule Charter"). The City operates under the City Council/Manager form of government where the Mayor and seven City Councilmembers are elected for staggered three-year terms from seven single-member districts. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer. The City is approximately 61.25 square miles in area. For more information regarding the City, see "APPENDIX A – GENERAL INFORMATION REGARDING THE CITY."

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated October 20, 2026 (the "Date of Initial Delivery") and mature on August 15 in each of the years and in the amounts shown on the inside cover page hereof. Interest will accrue from the Date of Initial Delivery, will be computed on the basis of a 360-day year comprised of twelve 30-day months, and will be payable on February 15 and August 15 of each year until stated maturity or prior redemption, commencing February 15, 2027. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein ("Book-Entry-Only-System"). **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – BOOK-ENTRY-ONLY SYSTEM" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1502, Texas Government Code, as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds, together with Previously Issued Parity Obligations and any Additional Parity Obligations, constitute special obligations of the City and are payable solely from and equal and ratably secured by a first lien on and pledge of the Pledged Revenues derived from the operation of the City's System, as defined in the Ordinance (the "System"). The Ordinance defines Pledged Revenues as (1) the Net Revenues (as defined in the Ordinance) of the System, plus (2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the City to the payment of the Parity Obligations, and excluding those revenues excluded from Gross Revenues. The Bonds are not a charge upon any other income or revenues of the City and will never constitute a legal or equitable pledge, charge, lien, mortgage, or encumbrance upon any property of the City or the System, except the Pledged Revenues. In the Ordinance, the City has reserved the right to issue (i) Additional Parity Obligations (as defined in the Ordinance), which includes obligations issued by the City which are equally and ratably secured solely by a first lien on Pledged Revenues on a parity with the Bonds and the Previously Issued Parity Obligations, and (ii) Subordinate Lien Obligations (as defined in the Ordinance) which includes obligations issued by the City which are payable, in whole or in part, from and equally and ratably secured by a lien on Net Revenues which lien is subordinate and inferior to the lien and pledge on Net Revenues securing the Previously Issued Parity Obligations, the Bonds and any Additional Parity Obligations. As additional security, there has been established a Reserve Fund which shall be funded (but beginning only after Net Revenues for any fiscal year are less than 1.35

*Preliminary, subject to change.

times the Average Annual Debt Service Requirements of the Parity Obligations secured by the Reserve Fund) in an amount at least equal to the Average Annual Debt Service Requirements (as defined in the Ordinance) of the Outstanding Parity Obligations secured by the Reseve Fund and the Bonds (the "Required Reserve Amount"). The amount required to be on deposit in the Reserve Fund can, at the option of the City, be satisfied by the issuance of a Reserve Fund Obligation (as defined in the Ordinance). Due to the coverage currently maintained by the City, at the time of delivery of the Bonds it is not anticipated that the Reserve Fund will be funded. See "APPENDIX E – SELECTED PROVISIONS OF THE ORDINANCE."

The ordinances authorizing the Parity Obligations allow the City to issue Additional Parity Obligations that are secured by a reserve fund separate and apart from the Reserve Fund and securing only a particular issue or series of Parity Obligations or a specific group of issues or series of Parity Obligations. Such separate reserve funds may have provisions that differ from those of the Reserve Fund. Debt service on Parity Obligations secured by such separate reserve funds shall not be included in the calculation of the Required Reserve Amount for the Reserve Fund. See Section 22 of the Ordinance described in APPENDIX E attached hereto. To date, the City has not issued any Parity Obligations secured by reserve funds separate and apart from the Reserve Fund, but the City anticipates issuing two series of Additional Parity Obligations in November 2026 to be purchased by the Texas Water Development Board aggregating $46 million in principal amount that will be secured by reserve funds separate and apart from the Reserve Fund securing the Bonds.

ADDITIONAL OBLIGATIONS . . . In the Ordinance, the City has reserved the right to issue Additional Parity Obligations (as defined in the Ordinance) which are equally and ratably secured solely by a first lien on and pledge of Pledged Revenues on parity with the Previously Issued Parity Obligations and Bonds, upon satisfying certain covenants contained in the Ordinance including having Net Earnings of at least equal to the sum of 1.25 times the Average Annual Debt Service Requirements. The City has also reserved the right to issue Subordinate Lien Obligations and Special Project obligations (each as defined in the Ordinance). See Sections 22 through 25 in the Ordinance which are described in APPENDIX E attached hereto.

SPECIAL FUNDS . . . In the Ordinance, the City has confirmed the establishment and maintenance on the books of the City, so long as any of the Parity Obligations, including the Bonds, are outstanding and unpaid, of the following Special Funds (i) the City of Georgetown, Texas Utility System Revenue Fund (the "Revenue Fund" and (ii) the City of Georgetown, Texas Utility System Revenue Bonds Interest and Sinking Fund (the "Interest and Sinking Fund").

The City has covenanted that Gross Revenues shall be deposited and credited to the Revenue Fund immediately as collected and received. All Maintenance and Operating Expenses are paid from such Gross Revenues as a first charge against Gross Revenues.

The City has agreed to maintain the Interest and Sinking Fund for purposes of providing funds to pay the principal of, premium, if any, and interest on the Parity Obligations as the same become due and payable. The City has covenanted to deposit and credit to the Interest and Sinking Fund prior to each principal, interest payment or redemption date from the available Pledged Revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the Parity Obligations then falling due and payable. The City has agreed to make such deposits and credits to pay maturing principal, accrued interest, and mandatory sinking fund redemptions on the Parity Obligations in substantially equal semi-annual installments on or before each February 15 and August 15.

FLOW OF FUNDS . . . All Gross Revenues deposited and credited to the Revenue Fund are pledged and appropriated to the extent required for the following uses and in the order of priority shown:

> FIRST: to the payment of all necessary and reasonable Maintenance and Operating Expenses (as defined in the Ordinance) or required by statute, including, but not limited to, Chapter 1502, Texas Government Code, as amended, to be a first charge on and claim against the Gross Revenues, including a two (2)-month reserve amount based upon the budgeted amount of Maintenance and Operating Expenses for the current Fiscal Year, which amount shall be retained in the Revenue Fund.
>
> SECOND: to the payment of the amounts required to be deposited and credited to the Interest and Sinking Fund created and established for the payment of the Bonds, the Previously Issued Parity Obligations and any Additional Parity Obligations issued by the City as the same become due and payable.
>
> THIRD: pro rata to the payment of the amounts required to be deposited and credited (i) to the Reserve Fund created and established to maintain the Required Reserve Amount in accordance with the provisions of the Ordinance, including amounts owed with respect to any Reserve Fund Obligation to restore the Required Reserve Amount and (ii) to each other reserve fund created and established to maintain a reserve in accordance with the provisions of the ordinances relating to the issuance of any Outstanding Previously Issued Parity Obligations and Additional Parity Obligations hereafter issued by the City.
>
> FOURTH: to the payment of Subordinate Lien Obligations.
>
> FIFTH: to the payment of the amounts required for any lawful purpose.

RATE COVENANT . . . For the benefit of the owners of the Parity Obligations and in addition to all provisions and covenants in the laws of the State of Texas and in the Ordinance, the City has agreed, while any of the Parity Obligations, including the Bonds, are outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year reasonably anticipated to be sufficient:

1. To pay Maintenance and Operating Expenses;

2. To produce Pledged Revenues at least equal to the greater of 1.25 times the Average Annual Debt Service Requirements or 1.10 times the Maximum Annual Debt Service Requirement;

3. To produce Pledged Revenues in amounts sufficient to enable the City to make the deposits and credits, if any, from Pledged Revenues (i) to the Reserve Fund to restore the Required Reserve Amount in accordance with the requirements of the Ordinance, including the payment of any Reserve Fund Obligation Payment then due, and (ii) to other reserve funds to establish or restore the reserve securing any issue or series of then Outstanding Parity Obligations;

4. To produce Pledged Revenues, together with any other lawfully available funds, in amounts sufficient to pay principal and interest on any Subordinate Lien Obligations and amounts required to be deposited in any reserve or contingency fund created for payment and security of the Subordinate Lien Obligations and any other obligations issued or incurred that are payable from, in whole or in part, a subordinate lien on and pledge of Pledged Revenues; and

5. To pay any other debt payable from the Pledged Revenues and/or secured by a lien on the Pledged Revenues.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having a stated maturity on and after August 15, 2037, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof on August 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds of a maturity, or sinking fund installment in the case of any term Bonds, are to be redeemed, the Bonds to be redeemed shall be selected by the City. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to an optional redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. Any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the bondholder.

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

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Bonds will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised or any such notice. Redemption of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "THE BONDS – BOOK-ENTRY-ONLY SYSTEM" herein.

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

The deposit under clause (2) above shall be deemed a payment of a Bond when proper notice of redemption of such Bonds shall have been given or the establishment of irrevocable provisions for the giving of such notice, in accordance with the Ordinance. Any money so deposited with the Paying Agent/Registrar or an eligible commercial bank or trust company may at the discretion of the City Council also be invested in Defeasance Securities maturing in the amounts and at the times as set forth in the Ordinance, and all income from such Defeasance Securities received by the Paying Agent/Registrar or an eligible commercial bank or trust company that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be remitted to the City.

All money or Defeasance Securities set aside and held in trust pursuant to the provisions of the Ordinance for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Obligations shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Obligations the same as if they had not been defeased, and the City shall make proper arrangements to provide and pay for such services as required by the Ordinance.

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

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

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

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

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the rating for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid.

BONDHOLDERS' REMEDIES . . . The Ordinance establishes specific events of default with respect to the Bonds. If the City defaults in the payment of the principal of or interest on the Bonds when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions.

The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds including payment of the principal of or interest on the Bonds, or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the Registered owners upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court (the "Court") has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("*Tooke*"), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas Legislature has effectively waived the City's governmental immunity from a suit for money damages, bondholders may not be able to bring such a suit against the City for breach of the Bonds or the Ordinance. Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of the municipality.

In *Wasson Interests, Ltd., v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson"), the Court addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources." While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed Wasson for a second time and issued an opinion on October 5, 2018, clarifying that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of inception of the contractual relationship.

Notwithstanding the foregoing, such governmental immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Registered owners of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to governmental immunity and the customary rights of debtors relative to their creditors and general principles or equity which permit the exercise of judicial discretion.

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Rating rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City does not take any responsibility for the accuracy thereof.

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

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

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

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, firstclass, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

LIMITATION ON TRANSFER OF BONDS CALLED FOR REDEMPTION . . . Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond (i) 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, or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

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

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

AMENDMENTS TO THE ORDINANCE . . . In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any owners for the purpose of amending or supplementing the Ordinance to (1) add to the covenants and agreements of the City in the Ordinance contained, other covenants and agreements thereafter to be observed, grant additional rights or remedies to bondholders or to surrender, restrict or limit any right or power herein reserved to or conferred upon the City, (2) make such provisions for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision contained in the Ordinance, or in regard to clarifying matters or questions arising under the Ordinance, as are necessary or desirable and not contrary to or inconsistent with the Ordinance and which shall not adversely affect the interests of the holders of the Parity Obligations, (3) make any changes or amendments requested by any Rating Agency, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the City, materially adversely affect the interests of the owners of the outstanding Parity Obligations, (4) make such changes, modifications or amendments as may be necessary or desirable, which shall not adversely affect the interests of the owners of the outstanding Parity Obligations, in order, to the extent permitted by law, to facilitate the economic and practical utilization of credit agreements with respect to the Parity Obligations, (5) modify any of the provisions of the Ordinance in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Parity Obligations outstanding at the date of the adoption of such modification shall cease to be outstanding, and (ii) such modification shall be specifically referred to in the text of all Additional Parity Obligations issued after the date of the adoption of such modification.

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of providing funds for (1) extending and improving the City's System, and (2) paying the costs of issuing the Bonds. See "THE SYSTEM."

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources:	
Principal	$
Net Reoffering Premium	
Total Sources	$
Uses:	
Deposit to Project Fund	$
Deposit to Interest and Sinking Fund Account	
Purchaser's Discount	
Costs of Issuance	
Total Uses	$

THE SYSTEM

Pursuant to its Home Rule Charter, the City currently owns and operates an electric utility and a water and wastewater utility.

The electric system, for the fiscal year ending September 30, 2025, served approximately 35,831 meters and accounted for approximately 46% of the operating revenues of the System. The water utility service territory covers approximately 440 square miles, and the wastewater utility covers approximately 70 square miles. For the fiscal year ending September 30, 2025, the water system served approximately 64,128 water customers and 42,477 wastewater customers and accounted for 54% of the operating revenues of the system. See "FINANCIAL INFORMATION – SYSTEM CONDENSED STATEMENT OF OPERATIONS."

WATERWORKS SUPPLY . . . The City's water needs are provided by surface and subsurface sources. Surface water is provided by water rights granted by the Brazos River Authority ("BRA") described below. Up to 45,707 acre-feet of water per year is available from the Brazos Basin within Lakes Georgetown, Stillhouse and Belton, through a total of seven different agreements. In addition, up to 1,200 acre-feet of water per year is available from the BRA Colorado River basin. In total, the surface water rights can supply an average daily demand of up to 40.8 million gallons per day ("MGD"). Subsurface sources are derived from eight (8) wells drawing from the Edwards Aquifer providing an average daily supply of up to 12.9 MGD.

The City has several water availability agreements with BRA for raw water resources and has acquired additional rights by purchasing rights in the BRA system from Jonah, and from the acquisition of the Chisholm Trail WSD territory. The City also purchased water rights from the BRA within the Colorado River Basin. This water is delivered to the City by an interlocal agreement with the City of Leander.

The City is a party to an agreement dated June 30, 1986, with the Brazos River Authority (BRA), City of Round Rock, Jonah Water Special Utility District, and Chisholm Trail Special Utility District (CTSUD). The Brazos River Authority designed, constructed owns, and operates a pipeline to transport water from Lake Stillhouse Hollow to Lake Georgetown to benefit the parties in the agreement. Total project construction cost for the raw water line was approximately $40,000,000. In 2007, BRA refunded a portion of the original $89,000,000 in debt, leaving approximately $69,000,000 outstanding debt, including principal and interest. Each participant agreed to pay for the annual cost of debt and operations of the line. The City's obligation is $50,500,000, including principal and interest, to be repaid annually through 2032. The amount for fiscal year 2025 was $2,038,489.

The following schedule reflects the City's obligation:

Year Ending September 30	Total Amount
2026	$ 2,030,105
2027	2,015,618
2028	2,011,450
2029	2,016,185
2030	2,010,597
2031-2032	1,014,564
Total	$ 11,098,519

As part of the CTSUD acquisition that occurred on September 12, 2014, the City assumed the ownership interest and related obligations of CTSUD's portion of this project.

PLANNING FOR FUTURE WATER SUPPLY AND CCN SALE . . . In 2022, the City began updating its long-term water and wastewater planning to address faster than anticipated growth, modify long-term needs and recommend steps for securing the additional water sources necessary to meet those needs in the coming years and decades. Finalized and released publicly in May 2023, the City's Integrated Water Resource Plan concluded the total baseline demand for water in the City's approximately 440-square-mile utility service area—including water used for irrigation—will exceed the City's current water supply by 2030.

The City's current water sources are expected to continue to supply the City in the coming decades, but the population in the City's utility service area is projected to grow significantly. Without a significant new supply, the City's utility system will not run out of water in 2030, but the City would most likely have to impose system-wide water restrictions on irrigation year-round with even tighter restrictions during periods of drought.

On August 26, 2025, in an effort to better plan for future growth and manage the rising costs of water and infrastructure, the City Council directed City staff to pursue the sale of most of its water service area and water utility system located outside of its city limits and extraterritorial jurisdiction ("ETJ"). The City will retain all of its water service area within its city limits and ETJ, as well as a small portion west of its ETJ that extends to US-183. Out of a total of approximately 74,000 current water customers, the City provides water to an estimated 11,502 water customers (based on meter connections) within the water service territory it is proposing to sell, which includes water service within the ETJs of the cities of Killeen, Salado, Florence, Jarrell, and Liberty Hill.

The City created its municipal water utility to provide water to City residents. Currently, the City's water utility serves a 440-square-mile service territory that extends far beyond its ETJ all the way into Bell and Burnet Counties. Forty percent of the City's water customers now live outside of its city limits, with many in fast-growing areas located in other cities' ETJ. The City has little control over development that occurs outside of its city limits and ETJ, but is legally required to provide water to any residential and commercial user within its service area that requests service. Continuing to invest greater amounts to serve future water customers in other cities' ETJs places an undue burden on the City's rate payers and taxpayers.

After a competitive RFP process, the City selected National Utility Infrastructure ("NUI") as the proposed buyer and future water provider for the portion of its water service territory located within the ETJs of Florence, Liberty Hill, and Salado. As required by State law, the voters within the City authorized such sale at a price of no less than $20,000,000 pursuant to an election held on May 2, 2026. The City has also agreed to transfer the portion of its service territory within the ETJs of Killeen and Jarrell to those cities. The transfers to Killeen and Jarrell do not require voter approval under State law because those areas do not yet have any water customers or infrastructure. The Texas Public Utility Commission (the "PUC") must also approve the sale. The City estimates that the PUC approval process will take approximately two years. However, if an appeal to the State Office of Administration Hearings is filed during the PUC approval process, that timeline could be extended. The PUC will continue to regulate water rates regardless of whether the service areas are acquired by a public or private water utility.

The City will retain any areas that cannot be transferred through the sale and will continue to provide water service to all customers in those areas. In such event, the City would increase the rates for customers outside the ETJ significantly to pay for the continued growth and water demand in that area. However, the City currently expects that it will not retain any of the areas it is proposing to sell given that the selected buyer of the CCN ("Certificate of Convenience and Necessity") territory will more than pay off the debt issued to build infrastructure in the sale area and has considerable utility experience that is expected to be seen favorably at the PUC.

With respect to approval by the PUC, the City plans to avoid challenges by prioritizing the needs of transferred customers up front by selecting a utility based on service rather than price alone. Specifically, the City's primary considerations in selection included, among other factors, (1) the utility's ability to provide continuous and adequate service, (2) the utility's experience and qualifications, (3) the utility's water delivery plan, (4) the utility's plan to build out infrastructure, and (5) price, including the utility's ability to offer rate stabilization. By prioritizing these factors in selecting a new utility, the City believes that the sale will be approved by the PUC.

The value of the outstanding debt is approximately $20 million. NUI has agreed to pay the City $60 million. The City is currently assessing the value of the infrastructure to be transferred as part of the sale process, along with the associated revenues from such areas. The City will use sale proceeds in accordance with all covenants and requirements applicable to the debt used to build the infrastructure transferred, reinvesting any excess amounts into the utility system. The City will also obtain confirmations from each rating agency then maintaining a rating on its utility system revenue bonds that the sale will not cause the rating agency to withdraw or lower its current rating.

At this time, the City can make no guarantees as to the ultimate outcome or timing of the sales described herein. The City believes that the sales will not have a material adverse impact on the City's ability to operate its combined electric, waterworks and sewer system sufficient to (i) serve the utility needs of its utility customers, (ii) pay all required debt service on the City's utility system revenue bonds and (iii) comply with all covenants in the ordinances authorizing the City's utility system revenue bonds.

The City's sale of a portion of the CCN works in tandem with its efforts to procure new groundwater supplies. If the City were to retain its entire service territory, it would need multiple groundwater deals to supply the 100,000 acre-feet needed by 2070. This would require significantly higher capital costs to transport the groundwater from multiple different sources. With the transfer, however, instead of needing 100,000 acre-feet by 2070, the City anticipates it will need closer to 41,000 acre-feet long-term, allowing the City to pursue only one groundwater contract that will be sufficient to meet long-term demand.

To meet that demand, the City is pursuing multiple water supply options. First, to meet near-term demand by 2030, the City has secured a site in the Circleville area on which to drill up to four wells into the Hosston Aquifer with an approximately 30 mile pipeline to be constructed to transport water to the City. At this same site, the City will also have the ability to treat return flows once the City obtains a Bed and Banks permit from the Texas Commission on Environmental Quality.

Second, the City continues to advance a long-term groundwater supply option with Recharge Water, L.P. ("Recharge") for up to 34,800 acre-feet per year of water from Lee and Bastrop Counties. This supply option would involve an approximately 35-mile transmission line from the well field to the City's receiving site in Circleville. In August 2025, the parties entered into a memorandum of understanding outlining the initial deal terms. On May 12, 2026, the City Council approved a non-binding term sheet between the City and Recharge setting out the basic terms intended to be included in a future definitive agreement to be negotiated by the parties, which the City currently anticipates to be finalized and executed by the end of calendar year 2026. Such term sheet with Recharge imposes no financial obligations on the City and currently anticipates that additional water supply would be available to the City in phases beginning in calendar year 2030.

The City expects to sign a final water supply agreement within the year, at which time the City will begin paying reservation fees on the groundwater reserved. The City will only enter into a contract that is best for ratepayers long-term.

The City's payments under water supply agreements would be Maintenance and Operating Expenses payable from Gross Revenues of the City's System prior to the payment of debt service on the City's Parity Obligations, including the Bonds. Any purchase of assets by the City would be financed through a combination of debt and available cash that is not anticipated to adversely impact operations of the City's System.

Any one of these projects would diversify the City's raw water sources, which currently rely mostly on surface water. The City can provide no assurances at this time with respect to the final terms of any agreement or amendments executed in connection therewith.

WATER SYSTEM . . . The City's water system currently serves approximately 64,128 customers. The City's water system is comprised of 5 treatment plants with a total capacity of 99.4 MGD with associated intake structures and wells (North Lake, South Lake, Park, Domel, and Southside), 19 storage tanks with total capacity of 25.6 MGD, 17 (seventeen) pumping stations and 1383 miles of water distribution piping serving 63,848 customers. The City has contracted with the Cities of Round Rock and Leander for additional treatment capacity. The contracts for Round Rock are for 3 MGD on the southeast side of the service territory known as Rabbit Hill and a 4.25 MGD contract consisting of two delivery points, both on the southwest side of the service territory, one location is in Highlands for 1 MGD and the other is CR 175 for 3.25 MGD. The Leander contract is for the treatment of 3 MGD, originating from the 1200 acre-ft of the BRA Colorado Basin water and has a delivery point on the west side of the system, known as Kauffmann Loop.

The City recently completed several capacity related projects. The City built a new 44 MGD water treatment plant south of Lake Georgetown to include full power back up. The first phase of this project of 22 MGD came online in June, 2025. The second phase is currently operational and officially came online in June 2026 for an additional 22 MGD. The City is also in the process of building an additional elevated storage tank that will allow the utility to remove a hydropneumatics tank. This will add more resiliency and efficiency to the system.

The water distribution system is in good repair and the City is proceeding with regularly scheduled normal repair and replacement of water lines. In accordance with Senate Bill 3, the Water System is focusing on resiliency projects to include the North Lake Treatment Plant and back up power supplies for each of the City's eight critical pressure plains. These projects have been issued for construction and are nearing completion.

SEWER SYSTEM . . . The City's wastewater system currently serves approximately 42,477 customers. The existing treatment facilities consist of five (5) treatment plants with approximately 8.5 MGD of treatment capacity. The system also includes 537 miles of wastewater collection mains, 34 miles of force mains and 54 lift stations. The sewer collection system is in good repair and the City is proceeding with regularly scheduled normal repair and replacement of sewer lines. Two of the City's plants will have had major rehabilitation projects that started in fiscal year 2024 to maintain treatment capabilities and to extend their useful life. The City started 2 wastewater treatment plant design projects in fiscal year 2024, to include III Forks at 6.0 MGD, Northlands at 3.0 MGD, these plants are in the process of solicitation for a CMAR contractor. These expansions are planned to meet growth needs as outlined in the City's 2022 Water and Wastewater Master Plan.

TABLE 1 – WATER USAGE (GALLONS)

Fiscal Year Ended 9-30	Average Day Usage (1,000s)	Peak Day Usage (1,000s)	Total Usage (1,000s)
2021	19,580	38,420	7,146,831
2022	22,794	38,931	8,319,823
2023	21,497	46,410	7,846,401
2024	21,469	44,900	7,836,294
2025	23,350	48,400	8,522,874

TABLE 2 – TEN LARGEST WATER CUSTOMERS BY CONSUMPTION

Customer	% of Total
Citicorp of North America, Inc.	0.63%
City of Georgetown	0.61%
Southwestern University	0.52%
Williamson County	0.43%
Pulte Homes of Texas LP	0.41%
DDC Merritt Heritage Ltd.	0.40%
Georgetown Independent School District	0.39%
Perry Homes	0.36%
City of Florence	0.32%
Villages of Georgetown	0.31%
	4.38%

TABLE 3 – MONTHLY WATER RATES (EFFECTIVE 10-1-2026)(1)

Residential and Non-Residential:

Customer Meter Size	Customer Charge per Month Inside City	Customer Charge per Month Outside City
5/8 inch	$ 34.60	$ 41.60
3/4 inch	51.85	62.40
1 inch	86.50	104.05
1 1/2 inch	172.85	208.00
2 inch	345.75	416.05
3 inch	829.80	998.45
4 inch	1,452.15	1,747.35
6 inch	3,180.85	3,827.45
8 inch	5,531.95	6,656.50
Fire Hydrant	829.80	998.45

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(1) Rates adopted by the City on July 28, 2026 and will go into affect on October 1, 2026.

TABLE 4 – VOLUMETRIC WATER RATES (EFFECTIVE 10-1-2026)(1)

Residential Water Rates	Volumetric Rate	
Gallons	Inside City	Outside City
Up to and including 7,000 gallons	$ 3.20	$ 3.20
Over 7,001 gallons, up to and including 15,000 gallons	4.80	4.80
Over 15,001 gallons, up to and including 25,000 gallons	8.40	8.40
Over 25,001 gallons, up to and including 50,000 gallons	16.75	16.75
Over 50,001 gallons	21.00	21.00

(1) Rates adopted by the City on July 28, 2026 and will go into affect on October 1, 2026.

TABLE 5 – DAILY FLOW (WASTEWATER TREATMENT)

Average Daily Wastewater Flow	
Fiscal Year	Gallons
2021	8,365,370
2022	10,521,384
2023	8,044,566
2024	10,558,470
2025	11,574,230

TABLE 6 – MONTHLY WASTEWATER RATES (EFFECTIVE 10-1-2026)(1)

Residential Service:

A. Availability. This schedule applies to residential customers in single-family residences, or to residential locations that have domestic use only and one individual dwelling unit per water meter. This schedule is not available to multi-family dwellings of more than one dwelling unit per water meter.

B. Net monthly rates.

1. Flat rate inside city limits: $68.15 per month.
2. Flat rate outside city limits: $78.40 per month.

C. Residential customers may request a low-income sewer discount that is 20 percent below the current flat rate for the residential service that is applicable.

1. Request for low-income discount must be made in writing.
2. To qualify for the discount, customer or a permanent resident in the household must participate in the Medicaid Program and provide verifiable proof of that participation, such as a Medicaid card or official documentation.
3. Requests for the low-income discount must be renewed annually.

D. Any customer connected to the City sewer must pay the sewer charges in this Section.

Small commercial:

A. Availability. This schedule is available, by written request only, to nonresidential consumers that have a single water line to their location that is no larger than three-fourths-inch and serves only one unit; a single sewer line, no larger than four inches; no more than ten plumbing fixtures; and whose function, processes or product does not utilize or require water.

B. Net monthly rate.

1. Flat rate inside city limits: $68.15 per month.
2. Flat rate outside city limits: $78.40 per month.

Commercial:

A. Availability. This schedule applies to nonresidential customers at commercial or general service locations with a wastewater service line six inches or smaller.

B. Net monthly rate.

1. Inside city limits.
   a. Customer charge: $103.05 per month.
   b. Volumetric charge: $5.95 per 1,000 gallons.
2. Outside city limits.
   a. Customer charge: $118.50 per month.
   b. Volumetric charge: $6.85 per 1,000 gallons.

(1) Rates adopted by the City on July 28, 2026 and will go into affect on October 1, 2026.

C. The volumetric charges in this Section are calculated using the actual water consumption billed per month.

Large commercial:
A. Availability. This schedule applies to nonresidential customers at commercial or general service locations with a wastewater service line eight inches or larger. Multifamily locations do not qualify.
B. Net monthly rate.
   1. Inside city limits.
      a. Customer charge: $183.00 per month.
      b. Volumetric charge: $5.95 per 1,000 gallons.
   2. Outside city limits.
      a. Customer charge: $210.60 per month.
      b. Volumetric charge: $6.85 per 1,000 gallons.
C. The volumetric charges in this Section are calculated using the actual water consumption billed per month.

Multifamily:
A. Availability. This schedule applies to multi-family residential customers with domestic use only and more than one individual dwelling unit per water meter.
B. Net monthly rate. Multifamily dwellings served by one master meter will be billed on a per unit basis. The minimum charge will be an amount equal to the applicable residential service rate multiplied by the number of dwelling units, multiplied by two-thirds.
C. Any nonresidential portion of a multi-family location with a separate meter shall be considered a small commercial, commercial, or large commercial consumer, depending upon the size of the line to said meter.

Industrial:
A. Availability. This schedule applies to any nonresidential customer with a wastewater service line six inches or small and whose Standard Industrial Classification (SIC) Code has the potential for discharges that exceed the limits of domestic sewage as defined in section 13.20.040 and is considered an industrial user and is subject to industrial waste permitting and wastewater strength sampling.
B. An annual wastewater sample and pretreatment permit renewal by the City is used to determine the industrial users wastewater strength factor. The wastewater strength factor remains in effect for a 12-month period following the sample results, or until replaced by a wastewater strength factor calculated as a result of a more recent sample.
C. If a customer believes that the calculated wastewater strength factor is incorrect, the customer may request a follow-up sample whose strength factor will be averaged with results of the normally scheduled sample and the averaged results will remain in effect for the original 12-month period from the prior sample. The customer will be charged a resample fee of $250.00.
D. Net monthly rate.
   1. Inside city limits.
      a. Customer charge: $142.60 per month.
      b. Volumetric charge: $5.95 per 1,000 gallons multiplied by the customer’s wastewater strength factor.
   2. Outside city limits.
      a. Customer charge: $164.00 per month.
      b. Volumetric charge: $6.85 per 1,000 gallons multiplied by the customer’s wastewater strength factor.
E. The volumetric charges in this Section are calculated using the actual water consumption billed per month.

Large industrial:
A. Availability. This surcharge applies to any nonresidential customer with a wastewater service line eight inches or larger and whose Standard Industrial Classification (SIC) Code has the potential for discharges that exceed the limits of domestic sewage as defined in section 13.20.040 and is considered an industrial user and is subject to industrial waste permitting and wastewater strength sampling.
B. An annual wastewater sample and pretreatment permit renewal by the City is used to determine the industrial users wastewater strength factor. The wastewater strength factor remains in effect for a 12-month period following the sample results, or until replaced by a wastewater strength factor calculated as a result of a more recent sample.
C. If a customer believes that the calculated wastewater strength factor is incorrect, the customer may request a follow-up sample whose strength factor will be averaged with results of the normally scheduled sample and the averaged results will remain in effect for the original 12-month period from the prior sample. The customer will be charged a resample fee of $250.00.
D. Net monthly rate.
   1. Inside city limits.
      a. Customer charge: $222.15 per month.
      b. Volumetric charge: $5.95 per 1,000 gallons multiplied by the customer’s wastewater strength factor.
   2. Outside city limits.
      a. Customer charge: $249.65 per month.
      b. Volumetric charge: $6.85 per 1,000 gallons multiplied by the customer’s wastewater strength factor.
F. The volumetric charges in this Section are calculated using the actual water consumption billed per month.

Evaporative cooling or wastewater diversion credit:
A. Availability. This schedule is available to nonresidential locations, with the exception of those qualifying for a flat small commercial sewer rate, which have installed qualifying evaporative cooling equipment or whose product or process diverts water from the wastewater collection system.
B. An evaporative cooling system or other qualifying water diversion is eligible for a reduced volumetric rate.
1. The rate reduction is equal to the average system evaporation or diversion, documented by a calculation signed and sealed by a licensed professional engineer, less an amount equal to two percent for error.
C. Volumetric evaporative cooling or product diversion credit.
1. With documented engineering calculation standard rate × (100% - (diversion % - 2%)).
D. Customer may request that the City adjust their diversion percent by providing documentation of an updated engineering calculation, no more than once annually.
E. City may require customer to provide documentation of an updated engineering calculation to maintain the existing credit if there have been changes to the equipment or location that may alter the evaporative cooling equipment or other water diversion process. City may also request documentation verifying compliance with industrial waste discharge regulations.

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*The volumetric charges are calculated using the actual water consumption billed per month.
**Multifamily dwellings served by one master meter will be billed on a per unit basis. The minimum charge will be based on premises location and multiplied by number of dwelling units, multiplied by two-thirds (2/3). Any non-residential portion of a multifamily location with a separate meter shall be considered a small commercial, commercial, or large commercial consumer, depending upon the size of the line to said meter.

TABLE 7 – TEN LARGEST WASTEWATER CUSTOMERS

Customer	% of Total Wastewater Usage
Citicorp of North America Inc.	1.25%
Williamson County	0.74%
Georgetown Independent School District	0.68%
Southwestern University	0.52%
Perry Homes	0.49%
Pulte Homes of Texas LP	0.40%
Georgetown Infiniti	0.37%
City of Georgetown	0.34%
St. David's Georgetown Hospital	0.32%
Taylor Morrison	0.29%
	5.40%

ELECTRIC SYSTEM . . . In 1976, the Public Utility Commission (the "PUC") issued the City a Certificate of Convenience and Necessity ("CCN") to provide electric service to an approximately 10 square mile area encompassing the then boundaries of the City, plus its extraterritorial jurisdiction area ("ETJ") at the time. The City is the exclusive provider of electric services to 60% of the area included within the 1976 service territory. In the remaining 40% of the area included within the 1976 service territory dual certification was also granted to Pedernales Electric Cooperative in approximately 10% of the dual certified territory and Oncor Electric Delivery Company in approximately 90% of the dual certified area. Based on the historical customer growth data, the City owned electric utility has been competitive in acquiring new customers in the dual certified CCN.

The electric utility continues to experience robust load growth within the service area. In FY2025, customer growth rate was 2%. Over the past three fiscal years, the annual average customer growth rate has been 5%. The annual average kWh sales growth rate over the past two years has been around 5%. The load growth is well diversified, with growth in residential, commercial, and industrial customer classes. Commercial and Industrial load is poised to increase significantly in the next 3 -5 years.

Electric System Statistics as of December 31, 2025:

Residential Electric Meters	32,303
Commercial & Industrial	4,180
Total Electric Meters	**36,483**

The Georgetown Electric Utility System has the following Power Purchase Agreements.

The existing long term PPAs are as follows:

Counterparty	Resource Type	Capacity under Contract	Delivery Type	Expiry	Price
American Electric Power (AEP)	South Trent Wind Farm	30 MW(Max)	Variable (As Generated)	2028	Fixed
Boralex	Spinning Spur 3 Wind Farm	144 MW (Max)	Variable (As Generated)	2035	Fixed
Buckthorn Westex, LLC	Riggins Solar	150 MW (Max)	Variable (As Generated)	2043	Fixed

ERCOT LETTERS OF CREDIT . . . The current ERCOT electric market requires each market participant to meet certain credit thresholds to participate in the electric market. For a discussion of the ERCOT electric market, see APPENDIX C. To meet ERCOT's credit requirements, the City currently provides ERCOT a letter of credit which allows ERCOT to draw up to $10 million in the event of a payment or settlement deficiency by the City. At the option of the City the amount of such letter of credit may be increased up to $20 million. The related reimbursement agreement and the City's Utility System Subordinate Lien Revenue Notes (ERCOT Financial Security), Taxable Series (the "ERCOT Notes") which are automatically issued and delivered without any further action by the City pursuant to such reimbursement agreement in the event of an ERCOT draw on the letter of credit, constitute Subordinate Lien Obligations secured by a lien on and pledge of the Pledged Revenues of the City subordinate and inferior to the lien on and pledge of Pledged Revenues securing Parity Obligations. The letter of credit expires on November 30, 2026 and the City is currently considering options to renew or replace the letter of credit to meet future credit requirements. The City does not anticipate that ERCOT will draw against such letter of credit. The City may either increase or reduce the amount of future letters of credit provided to ERCOT as necessary. If a letter of credit is drawn upon by ERCOT, the City has 90 days to repay any ERCOT Notes issued as a result of such a draw, and the City may issue refunding bonds or utilize its operating reserves to repay such ERCOT Notes if issued.

ENERGY RISK MANAGEMENT . . . The City of Georgetown has a City Council-approved Energy Risk Management (ERM) Policy that supports the advancement of its strategic business plan and management of its energy risks. The Energy Risk Management and the supporting guidelines and policies outline specific guidelines for managing financial risk related to volumetric and congestion exposure to spot market energy prices associated with serving its load obligations. Consistent with the ERM, the City has entered into power supply agreements with counterparties to hedge against volumetric and congestion exposure to spot market energy prices. As of January 1, 2024, Georgetown is its own Qualified Scheduling Entity (QSE) in the ERCOT market. Shell Energy will be the agent QSE. As part of the comprehensive review in FY 2025, the ERM has been updated to address the risks associated with serving very large C&I customers.

As discussed above, in December 2023, the City closed on a $10 million Letter of Credit with Wells Fargo Bank to use as collateral for participation in the ERCOT market. After PUC updates, municipalities are no longer allowed unsecured credit with ERCOT. The utility is considering increasing the Letter of Credit facility to $30 million at the end of FY26 as part of the renewal process.

ELECTRIC FINANCIAL STRATEGIES:

- The electric utility ended fiscal year 2025 with unrestricted cash and investments of $49.2 million.
- The electric utility ended the 2024-2025 fiscal year with fully funded reserves. The City's net purchased power expenses for fiscal year 2025 totaled $73 million which was lower than the anticipated budget of $77 million.
- The financial policies are regularly reviewed to ensure adequate fund reserves are maintained to provide reliable service delivery, meet future needs, and protect against financial risks.
- The electric utility continuously updates all our cost recovery models, including the Financial Forecast Model, Cost of Service/Revenue requirements studies, to ensure that the retail rates and fees generate the revenues required to meet the financial and operational objectives of the electric utility.
- With the projected increase in Commercial and Industrial loads, a comprehensive review of risks associated with these loads has been completed.
- A Very Large Commercial & Industrial rate rider (VLC&I ERR) was implemented in June 2025 to assign and recover the energy costs incurred in serving the very large C&I customers. The ERR is designed to ensure full recovery of purchased power costs associated with serving VLC&I customers.
- A simplified version of the ERR calculation formula is:

  Forecasted ERR ($/kWh) = ((VLC&I PP Cost – Energy Charge Revenue) + (Target ERR Account Balance – Actual ERR Account Balance))/(VLC&I kWh)

- A codified rate structure and policy for very large commercial and industrial customers with peak demands of 10,000 kW or greater ensure these customers fully cover capacity improvements and energy costs.
- Risk mitigation measures for very large customers include cash collateral requirements, letters of credit, binding energy forecasts, and minimum demand charges to address financial exposure.
- The electric utility recovers all costs associated with line extensions and infrastructure additions, including substation and distribution backbone infrastructure, distribution system upgrades, and retirements required to serve
  - o The Line Extension Application Fee ($9,312/MW for each MW of requested load) ensures recovery of engineering costs before collecting project payment.
  - o The Plant Investment Fee recovers substation and feeder capacity costs.

- For FY26, the staff have established a dedicated funding mechanism to offset increases in transformation costs associated with substation infrastructure required to serve system load growth. These costs shall be funded only from the transformer and substation feeder exit related component of the PIF, as determined through the Utility's cost allocation methodology
- Strategic partnerships with vendors help the utility navigate supply chain challenges effectively.

ELECTRIC ENGINEERING AND OPERATIONAL STRATEGIES:

- Considering increased weather-related emergencies and the changing customer base, the electric utility system has a heightened focus on power quality, system hardening and resiliency. The System maintenance programs include:
  - **Tree trimming:** A 3-year Cycle which covers all of the primary feeder rights-of-way with more susceptible feeders being trimmed annually.
  - **Pole inspection:** A multi-year cycle where about 2200 poles are inspected annually for serviceability. On average, about 14% of the inspected poles are replaced.
  - **Underground asset management:** Underground Residential Distribution (URD) inspections target aging infrastructure and this program inspects about 800 single and three phase units per year.
  - **Critical 3 phase padmount inspection programs:** The annual inspection program involves detailed inspections of all roughly 900 3-phase padmount transformers during peak summer months.
  - **Overhead switch testing and maintenance programs:** The annual switch testing program involves detailed inspections and servicing of both overhead and underground switching devices of which there are 350 switching devices in total.

In FY26, the Electric Utility budgeted to spend approximately $2,055,000 on these system maintenance efforts annually.

- Electric Utility continues to maintain high levels of employee safety, power quality and reliability of the electric service. These high levels of service quality have been rewarded by two national recognitions:
  - Georgetown Electric Utility achieved and maintains diamond-level status under the American Public Power Association's (APPA) Reliable Public Power Provider (RP3) program. An RP3 designation is a sign of a utility's dedication to operating an efficient, safe, and reliable distribution system.
  - Georgetown Electric Utility achieved and maintains diamond-level status under the American Public Power Association's (APPA) Safety Award of Excellence for safe operating practices.
- Our employees are our biggest asset, and we continue to develop strategic competencies essential for providing safe, reliable and competitive retail electric service.

See "FEDERAL REGULATION OF ELECTRIC TRANSMISSION SERVICES" and "APPENDIX C – FACTORS AND REGULATORY MATTERS AFFECTING THE ELECTRIC UTILITY INDUSTRY" herein.

CONTRIBUTIONS TO THE CITY OF GEORGETOWN . . . The City's electric system enterprise fund annually transfers an amount to the General Fund of the City to reimburse for the electric system's share of administrative overhead of the City, such amount being $798,837 in fiscal year ended 2025. The amount transferred to the General Fund for administrative overhead is an operating expense of the City's electric system. The City's electric system also makes an annual transfer to the General Fund as payment in lieu of taxes, such amount being $6,815,917 in fiscal year ended 2025; this is paid after the City's electric system has provided for the payment of operating expenses and debt service requirements and does not affect coverage calculations.

The City's water and sewer system enterprise fund annually transfers an amount to the General Fund of the City to reimburse for the water and sewer system's share of administrative overhead of the City, such amount being $818,243 in fiscal year ended 2025. The amount transferred to the General Fund for administrative overhead is an operating expense of the City's water and sewer system. The City's water and sewer system also makes an annual transfer to the General Fund in lieu of taxes, such amount being $8,932,012 in fiscal year ended 2025; this is paid after the City's water and sewer system has provided for the payment of operating expenses and debt service requirements and does not affect coverage calculations

TABLE 8 – MONTHLY ELECTRIC RATES (EFFECTIVE 10-1-2026) (1)

All Customers	
Purchased Power Cost Adjustment:	$0.01375 per kWh
Transmission Cost of Service:	$0.0000 per kWh
Residential Sales Tax:	2.00% of total electric charges; outside City limits: None
Commercial Sales Tax:	8.25% of total electric charges; outside City limits: 6.25%
Residential Service	
Customer Charge:	$25.32 per month
Energy Charge:	$0.09780 per kWh
Small General Service	
Customer Charge:	$51.05 per month
Energy Charge:	$0.0921 per kWh
Minimum Bill:	$51.05

<u>School Services</u>	
Customer Charge:	$204.02 per month
Energy Charge:	$0.1174 per kWh
Minimum Bill:	$204.02
<u>Municipal Water & Wastewater Pumping Service</u>	
Customer Charge:	$199.10 per month
Demand Charge:	$19.99 per kW
Primary Voltage Discount:	($2.24) per kW
Energy Charge:	$0.0460 per kWh
Minimum Bill:	$199.10
<u>Municipal Services</u>	
Customer Charge:	$134.77 per month
Energy Charge:	$0.0715 per kWh
Minimum Bill:	$134.77
<u>Large General Service</u>	
Customer Charge:	$178.68 per month
Demand Charge:	$11.23 per kWh (50 kW minimum)
Energy Charge:	$0.0668 per kWh
Minimum Bill:	$740.18
<u>Commercial & Industrial (C&I) Service</u>	
Customer Charge:	$357.35 per month
Demand Charge:	$16.34 per kW (500 kW minimum)
Energy Charge:	$0.0577 per kWh
Minimum Bill:	$8,527.35
<u>Large Commercial & Industrial (C&I) Service</u>	
Customer Charge:	$520.71 per month
Demand Charge:	$19.65 per kW (2000 kW minimum)
Energy Charge:	$0.0543 per kWh
Minimum Bill:	$39,820.71
<u>Month-to-Month</u> <u>Large Commercial & Industrial (LC&I) Service</u>	
Customer Charge:	$520.71 per month
Demand Charge:	$19.65 per kW (2000 kW minimum)
Energy Charge:	$0.08755 per kWh
Minimum Bill:	$39,820.71
<u>Very Large Commercial & Industrial (VLC&I) Service</u>	
Customer Charge:	$8,125.00 per month
Demand Charge:	$19.65 per kW
Primary Voltage Discount	($2.11) per kW
Energy Charge:	$0.0543 per kWh
Energy Rate Rider:	Varies per billing period
<u>Month-to-Month Very Large Commercial & Industrial (VLC&I) Service</u>	
Customer Charge:	$8,125.00 per month
Demand Charge:	$19.65 per kW
Primary Voltage Discount	($2.11) per kW
Energy Charge:	$0.08755 per kWh
Energy Rate Rider:	Varies per billing period
<u>Power Pedestal Service</u>	
Customer Charge:	$0.00 per month
Energy Charge:	$0.1205 per kWh
<u>Electric Vehicle (EV) Charger Service</u>	
Customer Charge:	$357.35 per month
Demand Charge:	$16.34 per kW (500 kW minimum)
Energy Charge:	$0.0577 per kWh

Street Lighting Services:

Security Lighting Service		High Pressure Sodium	Municipal Street	Retail Street
100 Watt HPL	per light (35 kWh)	$8.50 per month	$5.09 per month	$5.26 per month
200 Watt HPL	per light (71 kWh)	$14.50 per month	$9.29 per month	$9.75 per month
250 Watt HPL	per light (86 kWh)	$16.70 per month	$11.13 per month	$11.64 per month
400 Watt HPL	per light (137 kWh)	$23.50 per month	$17.33 per month	$18.17 per month

Energy Efficiency and Conservation Fees ($/Month):

Rate Class	Fee
Residential	$1.00
Net Energy Metering—Residential	$1.00
Small General	$1.00
Net Energy Metering—Small General	$1.00
School	$5.00
Municipal Water and Wastewater Pumping	$5.00
Municipal	$5.00
Large General	$10.00
Commercial & Industrial	$15.00
Large Commercial & Industrial	$25.00
Month-to-Month Large Commercial & Industrial	$25.00
Very Large Commercial & Industrial	$25.00
Month-to-Month Very Large Commercial & Industrial	$25.00

____
(1) Ratest adopted by the City on September 8, 2026 and will go into affect on October 1, 2026.

TABLE 9 – TEN LARGEST ELECTRIC CUSTOMERS

Customer	% of Total kWh Consumed
Citicorp of North America Inc.	10.54%
City of Georgetown	4.46%
Findlay Machine and Tool	3.18%
ZT Systems	2.42%
Southwestern University	2.21%
Williamson County	1.88%
Scott & White Medical Center	1.46%
Georgetown Independent School District	1.36%
Round Rock Premium Outlets	1.14%
HEB Grocery Company	1.14%
	29.78%

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DEBT INFORMATION

TABLE 10 – PRO-FORMA PARITY OBLIGATIONS DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Parity Obligations			The Bonds[(1)]			Total Debt Service Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2027	$ 24,160,000	$ 48,385,737	$ 72,545,737	$ -	$ 2,048,611	$ 2,048,611	$ 74,594,348
2028	28,595,000	43,789,311	72,384,311	-	2,500,000	2,500,000	74,884,311
2029	29,950,000	42,477,704	72,427,704	110,000	2,500,000	2,610,000	75,037,704
2030	31,240,000	41,096,415	72,336,415	220,000	2,494,500	2,714,500	75,050,915
2031	31,195,000	39,634,251	70,829,251	335,000	2,483,500	2,818,500	73,647,751
2032	31,385,000	38,174,358	69,559,358	455,000	2,466,750	2,921,750	72,481,108
2033	33,555,000	36,700,171	70,255,171	585,000	2,444,000	3,029,000	73,284,171
2034	35,610,000	35,114,470	70,724,470	720,000	2,414,750	3,134,750	73,859,220
2035	36,745,000	33,425,973	70,170,973	1,000,000	2,378,750	3,378,750	73,549,723
2036	36,425,000	31,677,300	68,102,300	1,175,000	2,328,750	3,503,750	71,606,050
2037	36,095,000	29,900,631	65,995,631	1,375,000	2,270,000	3,645,000	69,640,631
2038	36,175,000	28,128,819	64,303,819	1,440,000	2,201,250	3,641,250	67,945,069
2039	37,525,000	26,326,744	63,851,744	1,515,000	2,129,250	3,644,250	67,495,994
2040	39,395,000	24,450,494	63,845,494	1,590,000	2,053,500	3,643,500	67,488,994
2041	41,365,000	22,480,744	63,845,744	1,670,000	1,974,000	3,644,000	67,489,744
2042	43,435,000	20,412,494	63,847,494	1,750,000	1,890,500	3,640,500	67,487,994
2043	42,870,000	18,240,744	61,110,744	1,840,000	1,803,000	3,643,000	64,753,744
2044	39,000,000	16,154,131	55,154,131	1,930,000	1,711,000	3,641,000	58,795,131
2045	34,035,000	14,260,494	48,295,494	2,030,000	1,614,500	3,644,500	51,939,994
2046	27,715,000	12,636,019	40,351,019	2,130,000	1,513,000	3,643,000	43,994,019
2047	22,980,000	11,330,181	34,310,181	2,235,000	1,406,500	3,641,500	37,951,681
2048	24,050,000	10,264,419	34,314,419	2,350,000	1,294,750	3,644,750	37,959,169
2049	25,250,000	9,055,244	34,305,244	2,465,000	1,177,250	3,642,250	37,947,494
2050	26,555,000	7,756,744	34,311,744	2,590,000	1,054,000	3,644,000	37,955,744
2051	27,920,000	6,387,975	34,307,975	2,720,000	924,500	3,644,500	37,952,475
2052	29,360,000	4,949,288	34,309,288	2,855,000	788,500	3,643,500	37,952,788
2053	18,810,000	3,436,106	22,246,106	2,995,000	645,750	3,640,750	25,886,856
2054	17,790,000	2,478,019	20,268,019	3,145,000	496,000	3,641,000	23,909,019
2055	15,895,000	1,611,750	17,506,750	3,305,000	338,750	3,643,750	21,150,500
2056	16,340,000	817,000	17,157,000	3,470,000	173,500	3,643,500	20,800,500
	$ 921,420,000	$ 661,553,727	$ 1,582,973,727	$ 50,000,000	$ 51,519,111	$ 101,519,111	$ 1,684,492,838

(1) Interest on the Bonds has been calculated at an assumed rate for purposes of illustration. Preliminary, subject to change.

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TABLE 10A – ELECTRIC SYSTEM SUBORDINATE LIEN OBLIGATIONS DEBT SERVICE REQUIREMENTS[1]

Fiscal Year Ending 9/30	PPFCO Debt[2] Principal	Interest	Total
2026	$ 4,780,000	$ 518,827	$ 5,298,827
2027	4,860,000	436,133	5,296,133
2028	4,945,000	352,055	5,297,055
2029	5,030,000	266,507	5,296,507
2030	5,120,000	179,488	5,299,488
2031	5,255,000	45,456	5,300,456
	$ 29,990,000	$ 1,798,465	$ 31,788,465

(1) Excludes any payment obligations on the City's ERCOT Notes authorized up to $20 million in the event of draws by ERCOT on the related letter of credit. No ERCOT Notes are currently outstanding, and the City does not anticipate that ERCOT will draw against such letter of credit. The City plans to renew the letter of credit at expiration on November 30, 2026 in an equivalent or larger amount. See "THE SYSTEM – ERCOT LETTERS OF CREDIT."

(2) Comprised of the City's Combination Tax and Surplus Revenue Public Property Finance Contractual Obligation, Taxable Series 2021 (the "2021 PPFCO") which is secured by and payable from a pledge of annual ad valorem taxes and from a pledge of the surplus revenues of the City's Electric System, after payment of all operation and maintenance expenses or collections thereof, and all debt service, reserve and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding) which are payable from all or any part of the net revenues of the City's Electric System. The 2021 PPFCOs have been paid entirely from the surplus revenues of the City's Electric System, and the City currently expects to continue making payments solely from surplus revenues of the City's Electric System.

FINANCIAL INFORMATION

TABLE 11 – SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30, 2025	2024	2023	2022	2021
Revenue					
Water and Sewer System	$ 123,780,168	$ 92,101,774	$ 74,815,224	$ 64,358,893	$ 56,268,199
Electric System	105,834,126	97,596,894	91,457,318	86,877,653	80,933,054
Miscellaneous	14,909,052	13,790,255	12,480,835	16,175,137	16,331,769
Interest Earnings	26,396,075	28,689,981	19,644,597	2,641,666	464,333
Total Revenues	$ 270,919,421	$ 232,178,904	$ 198,397,974	$ 170,053,349	$ 153,997,355
Expenses:[1]					
Water and Sewer System	$ 41,975,369	$ 36,712,665	$ 34,690,382	$ 28,321,528	$ 24,643,443
Electric System	24,222,990	21,232,166	19,780,078	17,524,284	17,702,987
Utility Contracts	88,674,624	88,749,436	81,689,907	78,588,958	71,031,640
Total Expenses	$ 154,872,983	$ 146,694,267	$ 136,160,367	$ 124,434,770	$ 113,378,070
Net Available for Debt Service	$ 116,046,438	$ 85,484,637	$ 62,237,607	$ 45,618,579	$ 40,619,285
Debt Service	$ 39,047,414	$ 31,915,240	$ 24,523,071	$ 10,099,721	$ 10,181,528
Debt Service Coverage:	2.97x	2.68x	2.54x	4.52x	3.99x

(1) Excludes depreciation costs and plant management.

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TABLE 12 – COVERAGE[1]

Average Annual Principal and Interest Requirements (2027-2056)	$ 56,149,761
Coverage of Average Annual Requirements by 2025 Net Revenues	2.07 Times
Maximum Principal and Interest Requirements, 2030	$ 75,050,915
Coverage of Maximum Requirements by 2025 Net Revenues	1.55 Times
Parity Obligations to be Outstanding after the issuance of Bonds	$ 971,420,000

(1) Includes the Bonds and excludes the Subordinate Lien Obligations. Preliminary, subject to change.

ADDITIONAL SYSTEM REVENUE DEBT

The City does anticipate the issuance of approximately $607 million in one or more issuances of additional debt payable from revenues of the System within the next twelve months. This amount includes $46 million through the Texas Water Development Board in 2026.

TABLE 13 – CITY'S EQUITY IN THE SYSTEM

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Utility System[1]	$ 999,419,269	$ 905,321,087	$ 825,369,288	$ 745,750,539	$ 693,019,892
Less: Accumulated Depreciation	(293,264,104)	(261,576,273)	(239,430,504)	(219,203,897)	(200,858,513)
Net Value of System	$ 706,155,165	$ 643,744,814	$ 585,938,784	$ 526,546,642	$ 492,161,379
Plus: Construction Fund	514,987,092	319,215,479	162,977,727	56,910,557	29,392,041
Net Plant	$ 1,221,142,257	$ 962,960,293	$ 748,916,511	$ 583,457,199	$ 521,553,420
Plus: Working Capital	542,490,590	537,669,619	529,100,424	472,563,790	210,105,683
Total	$ 1,763,632,847	$ 1,500,629,912	$ 1,278,016,935	$ 1,056,020,989	$ 731,659,103
Revenue Bond Debt[2]	585,780,000	499,085,000	398,235,000	301,600,000	88,515,000
CITY'S EQUITY IN SYSTEM	$ 1,177,852,847	$ 1,001,544,912	$ 879,781,935	$ 754,420,989	$ 643,144,103
Percentage City's Equity in System	66.79%	66.74%	68.84%	71.44%	87.90%

(1) Electric, water and wastewater funds only.
(2) Revenue Bond Debt excludes public property finance contractual obligations.

FINANCIAL ADMINISTRATION . . . The financial administration of the City is vested in the Department of Finance. The Department of Finance operates under the Chief Financial Officer, who is appointed by the City Manager. Required activities of the Department of Finance are control, custody and disbursement of City funds, City-wide purchasing, annual budget preparation and interim and annual financial reports.

FINANCIAL POLICIES

Basis of Accounting . . . The City's accounting records of the governmental fund revenues and expenditures are recognized on the modified accrual basis. Revenues are recognized in the accounting period in which they are available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt.

The accrual basis of accounting is utilized by proprietary funds. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

General Fund Balance . . . The City policy is to maintain a General Fund minimum balance of 90 days of budgeted on-going expenditures and a minimum of 75 days City-wide. The ending fund balance at September 30, 2025 was $37,074,032. This allows the City to avoid interim borrowing pending tax receipts and provides flexibility should actual revenues fall short of budget estimates.

Use of Debt Proceeds, Grants, etc . . . The City's policy is to use bond proceeds, grants, revenue sharing or other non-recurring revenues for capital expenditures only.

Budgetary Procedures . . . The Home Rule Charter establishes the City's fiscal year as the twelve-month period beginning October 1. The departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year by the first of June. The City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council by August 31. The City Council then holds a public hearing on the budget after giving at least seven days' notice of the hearing in the official newspaper of the City. The Council shall then make any changes in the budget as it deems advisable and adopts a budget not later than the 27th day of the last month of the fiscal year.

During the fiscal year, budgetary control is maintained by the review of departmental appropriation balances with purchase orders prior to their release to vendors.

Departmental appropriations that have not been encumbered, lapse at the end of the fiscal year. Therefore, funds that were budgeted and not used by the departments during the fiscal year are not available for their use unless appropriated by the City Council in the ensuing fiscal year's budget.

INVESTMENTS

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY . . . Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or (ii) where (a) the funds are invested by the City through (1) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (2) a depository institution that has its main office or branch office in the State of Texas that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3(17 C.F.R. Section 240.15c3-3); (9) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are secured by a combination of cash and/or obligations described in clause (1) above, (iii) requires the securities being purchased by the City or cash held by the City to be pledged to the City either directly or through a joint account (an account maintained by a custodian bank and established on behalf of two or more parties to engage in aggregate repurchase agreement transactions) approved by the City held in the City's name either directly or through a joint account approved by the City and deposited at the time the investment is made with the City or with a third party selected and approved by the City, (iv) are placed through a primary government securities dealer (as defined by the Federal Reserve) or a financial institution doing business in the State of Texas, and (v) collateralized in accordance with the City's investment policy; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations described in the this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (14) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas

Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than "AAA," "AAA-m" or at an equivalent rating by at least one nationally recognized rating service. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the Texas Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance, or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City, (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy, (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (7) restrict the investment in no-load money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, (9) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

CURRENT INVESTMENTS . . . The City is authorized to invest in certificates of deposit, direct obligations of the United States government, United States government agency securities, fully collateralized direct repurchase agreements, no-load money market funds whose portfolio meet the City's investment requirements, obligations of Texas or Texas, political subdivisions rated "A" or better and in qualified local government investment pools as approved by the City Council.

As of July 31, 2026 the City's investable funds (including GTEC/GEDCO Consolidated) were invested in the following categories:

Investments	Market Value	% of Total
TexPool	$ 68,064,220	4.24%
Money Market Accounts	24,968,970	1.56%
Locked Money Market Accour	61,494,256	3.83%
TexSTAR	585,307,618	36.47%
Texas Range	2,548,546	0.16%
Certificates of Deposit	718,305,722	44.75%
City's Depository Bank	16,278,406	1.01%
Securities	90,595,802	5.64%
SLGs	37,455,572	2.33%
Total	$ 1,605,019,111	100.00%

Investment pools and money market funds are not categorized since specific securities relating to the government cannot be identified.

None of the state pools are registered with the Securities and Exchange Commission ("SEC") as investment companies. They operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940.

Interest Rate Risk – In compliance with the City's Investment Policy, as of September 30, 2019, the City minimized the interest rate risk, related to the decline in market value of securities due to rising interest rates in the portfolio by; limiting the weighted average maturity of security types to no longer than 2 years; structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations and capital improvement projects; monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act; and investing operating funds primarily in shorter-term securities and similar government investment pools.

Credit Risk – In compliance with the City's Investment Policy, as of September 30, 2023, the City minimized credit risk losses due to default of security issuer or backer by limiting investments to the safest types of securities; pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City will do business; and diversifying the investment portfolio so that potential losses on individual securities were minimized. All of the City's purchased investments in U.S. Agencies were rated "AAA," "AAA," and "Aaa" by Standard and Poor's, Fitch and Moody's, respectively.

For short term liquidity requirements, the City primarily utilizes the Texas Short Term Asset Reserve Program ("TexSTAR"). JPMorgan Fleming Asset Management, Inc. and First Southwest Asset Management, Inc. serve as co-administrators under an agreement with the TexSTAR board of directors to provide investment and participant services for this pool. JPMorgan Chase Bank or its subsidiary J.P. Morgan Investor Services Co. provides the custodial, transfer agency, fund accounting, and depository services for this pool.

The City also maintains an account with the Texas Local Government Investment Pool ("TexPool"). Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State of Texas Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool.

The City also maintains an account with TexasTERM Local Government Investment Pool. The TexasTERM Advisory Board has contracted with PFM Asset Management LLC to serve as administrator and investment advisor to the pool. US Bank, NA provides the custodial services to the pool. The City's account is in their TexasDAILY portfolio, a money market portfolio with daily liquidity.

At year end, balances in TexSTAR and TexPool were rated "AAAm" by Standard & Poor's

All pools operate on a $1 net asset value basis. In order to maintain a stable $1 price of the fund, the pools will sell portfolio holdings if the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005. The pools are stated at their measured amortized cost, which is assumed to approximate fair value.

TAX MATTERS

OPINION . . . On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX F – FORM OF BOND COUNSEL'S OPINION."

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificate, and (b) covenants of the City contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the City with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

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

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

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

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

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

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

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

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

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

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

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

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

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

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to withholding under sections 1471 through 1474 or backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

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CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available to the public free of charge from the MSRB on its investment website at www.emma.msrb.org.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the Tables numbered 1 through 11 and 13 and in APPENDIX D. The City will update and provide this information within 6 months after the end of each fiscal year beginning with fiscal year ending in 2026. The City will provide the updated information to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB intends to make the information available to the public without charge through an internet portal as part of an expansion of its Electronic Municipal Market Access ("EMMA") system. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available within 12 months after any such fiscal year end, the City will file unaudited financial statements within such 12-month time period and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX D or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year-end) prior to the next date by which the City otherwise would be required to provide such financial information and operating data.

The financial information and operating data to be provided by the City as described above may be set forth in full in one or more documents or may be included by specific reference to any document that is available to the public on the MSRB's internet web site or filed with the United States Securities and Exchange Commission ("SEC"). All documents provided by the City to the MSRB will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

NOTICE OF CERTAIN EVENTS . . . The City will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The City will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the City or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the City (as defined by the Rule, which includes certain debt, debt-like, and debt related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. Neither the Bonds nor the Ordinance make any provision for credit enhancement or a trustee.

For these purposes, any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

For the purposes of the events described in clauses (15) and (16) of the immediately preceding paragraph, the term "Financial Obligation" is defined in the Ordinance. The Ordinance further provides that the City intends the words used in such clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

In addition, the City will provide timely notice of any failure by the City to provide information, data or financial statements in accordance with its agreement described above under "– ANNUAL REPORTS." The City will provide each notice described in this "– Event Notices" caption to the MSRB in an electronic format and accompanied by identifying information as prescribed by the MSRB.

AVAILABILITY OF INFORMATION . . . The City has agreed to provide the foregoing information only to the MSRB. All documents provided by the City to the MSRB described above under "Annual Reports" and "Notice of Certain Events" will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

Should the Rule be amended to obligate the City to make filing with or provide notices to entities other than the MSRB, the City agrees to undertake such obligation with respect to the Bonds in accordance with the Rule as amended.

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized Bond Counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . In previous continuing disclosure undertakings, the City has agreed to supply financial information and operating data with respect to the City of the general type of information contained in specified tables of the applicable Official Statement. The annual financial information filings made by the City as a result of these undertakings for each of the last five years have consisted of the related City's Comprehensive Annual Financial Report ("Annual Report"), which the City believes contains the information of the general type of information contained in the specified tables. Please note that certain information in the specified tables is not presented explicitly in the Annual Reports but can be calculated from information in the Annual Reports.

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LEGAL MATTERS

Legal Opinion . . . The City will furnish the Purchaser a transcript of certain proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of the State of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts, to the effect that the Bonds are valid and legally binding obligations of the City. The City will also furnish the approving legal opinion of Bond Counsel to the effect that (i), based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the City under the Constitution and the laws of the State, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to governmental immunity, bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the City and (ii) the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. See "APPENDIX F – FORM OF BOND COUNSEL'S OPINION." Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds and the Ordinance in the Official Statement under the captions "THE BONDS" (except for the information under the subcaptions "BONDHOLDERS' REMEDIES," "BOOK-ENTRY-ONLY SYSTEM" and "SOURCES AND USES OF PROCEEDS"), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings"), and under the subcaptions "LEGAL MATTERS – Registration and Qualification of Bonds for Sale," "LEGAL MATTERS – Legal Investments and Eligibility to Secure Public Funds in Texas," "APPENDIX E – SELECTED PROVISIONS OF THE ORDINANCE" and "APPENDIX F – FORM OF BOND COUNSEL'S OPINION" to determine that the information relating to the Bonds and the Ordinance contained therein fairly and accurately describes the provisions thereof and is correct as to matters of law. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The applicable legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of discontinuance of the Book-Entry-Only System. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the City. The opinion of Bond Counsel will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

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

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

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

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OTHER INFORMATION

RATINGS . . . The Bonds and the outstanding Parity Obligations of the City have been rated "AA-" by S&P Global Ratings ("S&P") and "AA-" by Fitch Ratings, Inc. ("Fitch") without regard to credit enhancement. The City anticipates receiving bids from various municipal bond insurers for bond insurance on the Bonds and plans to evaluate whether to have some or all maturities of the Bonds insured based on an analysis of bids actually received from such companies. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective views of such organizations and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by one or more of such rating companies, if in the judgment of such companies, circumstances so warrant. Any such downward revision or withdrawal of any of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION . . . It is the opinion of the City Attorney and City staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations, and there is no pending litigation seeking to enjoin the issuance of the Bonds or the legal ability of the City to issue the same.

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

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

FORWARD-LOOKING STATEMENTS . . . The statements contained in this Official Statement, including specifically APPENDIX B, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements.

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

INITIAL PURCHASERS . . . After requesting competitive bids for the Bonds, the City accepted the bid of ________________________ (the "Purchaser") to purchase the Bonds at the interest rates shown on page 2 of the Official Statement at a price of approximately _________% of par. The Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

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

The Ordinance will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Purchaser.

CERTIFICATION AS TO OFFICIAL STATEMENT . . . The City, acting by and through its City Council in its official capacity hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the City and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the City, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the City has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the City has no obligation to disclose any changes in the affairs of the City and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the City delivers the Bonds to the Purchaser at closing, unless extended by the Purchaser. All information with respect to the resale of the Bonds subsequent to the "end of the underwriting period" is the responsibility of the Purchaser.

This Official Statement has been approved by the City Council for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12.

Mayor
City of Georgetown, Texas

ATTEST:

City Secretary
City of Georgetown, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY

LOCATION . . . The City of Georgetown, Texas (the "City") with a 1980 census population of 9,468, a 1990 census population of approximately 14,842, and a 2026 estimated population of 115,600 is located 26 miles north of Austin, Texas on Interstate Highway 35. The City is the county seat of Williamson County (the "County"), which is bordered by Travis County on the south and Bell County on the north. It is centrally located in the middle of the four major metropolitan areas of Texas. Austin is 30 minutes south; Dallas is 3-hours north; Houston is 3-hours southeast; and San Antonio is one-an-a-half hours south.

ECONOMY . . . Founded in 1848, the City was originally an agricultural trade center for the County and the surrounding area. In recent years the City has become more industrialized and commercially oriented. Along with the commercial growth, the City has successfully promoted tourism in the area which has become a significant economic benefit to the community. Industries in the immediate area include a large crushed stone operation, several electronic manufacturers and agricultural related businesses.

SUN CITY GEORGETOWN . . . The Del Webb Corporation ("Del Webb") began development in April 1995 of a proposed 9,500 unit; 5,300 acre active retirement community to be called Sun City Texas. The City, through a Development Agreement, and in exchange for payment of Service Improvement Fees (SIP fee - discussed below) provides fire protection, wastewater, water and electric service to Sun City. The project is annexed into the City limits as phases of the project are platted. Home sales began in June 1995 and were expected to average 425 homes per year for 20 years.

In May 2006, the City approved the *Eighth Amendment to the Development Agreement* with Del Webb. The Eighth Amendment set the build out at 7,500 age restricted units at Sun City. Additionally, it escalated the payment of "stranded costs" and addressed the water and wastewater capacity needs to serve the 2,500 age restricted units above the 5,000 units originally defined in the Seventh Amendment. The SIP fee for units 5,001 through 7,500 was also set in this agreement at $3,292 per unit. All 7,500 units have now been completed.

On August 26, 2014, the City approved annexation of two tracts of land totaling over 1,175 acres for the future expansion of Sun City called Somerset Planned Unit Development and Queen's Tract Planned Unit Development. This expansion will contain a maximum of 2,600 homes, amenity centers and commercial property and will not be subject to the terms and conditions of the Del Webb Development Agreement. Instead, the expansion will occur under traditional development conditions.

In 2020, there was an addition to Sun City called the RV Tract Planned Unit Development. It will include a small amenity center and will not exceed 50 homes.

LABOR MARKET PROFILE . . . The most recent civilian labor force estimates for the metropolitan statistical area of the City of Georgetown, Williamson County and for the State of Texas are as follows:

City of Georgetown	July, 2026	July, 2025
Total Civilian Labor Force	49,289	48,905
Total Employment	46,936	46,762
Total Unemployed	2,353	2,143
Percent Unemployed	4.8%	4.4%

Williamson County	July, 2026	July, 2025
Total Civilian Labor Force	435,893	432,376
Total Employment	418,047	416,494
Total Unemployed	17,846	15,882
Percent Unemployed	4.1%	3.7%

State of Texas	July, 2026	July, 2025
Total Civilian Labor Force	15,955,048	15,889,771
Total Employment	15,188,778	15,180,836
Total Unemployed	766,270	708,935
Percent Unemployed	4.8%	4.5%

Source: Texas Workforce Commission.

MAJOR EMPLOYERS IN THE AREA

Name	Approximate Number of Employees
Georgetown ISD	2,000
Williamson County Government	1,937
City of Georgetown	992
ZT Systems	525
St. David's Hospital	516
Airborn, Inc.	505
Southwestern University	479
Rock Springs Hospital	257
Chatsworth Products Georgetown	254
Costco	244

Source: City of Georgetown Finance and Administration Division.

EDUCATIONAL FACILITIES . . . Georgetown Independent School District serves the City and the surrounding area, having a current enrollment of approximately 14,012 students. The District operates eleven elementary schools, four middle schools, three senior high schools and two alternative education schools. There are also private schools and parochial schools in the area.

Southwestern University is a liberal arts college located in the City and is the oldest institution of higher learning in Texas, being established in 1875. Present facilities of the University include some 40 buildings located on approximately 700 acres, located approximately 10 blocks from the City's central business district. The average enrollment of Southwestern University is approximately 1,505 with 458 employees.

TRANSPORTATION . . . Interstate Highway 35 (the major corridor between Dallas and San Antonio) and State Highway 29 intersect in the City. Additionally, Georgetown is at the intersection of State Highway 130, which parallels I-35 and provides easy access to Georgetown from the Austin-Bergstrom International Airport. Rail transportation includes the MKT Railroad and the Georgetown Railroad. The City also operates an airport with a paved and lighted main runway of 5,000 feet and a crosswind runway of 4,100 feet.

RECREATION AND TOURISM . . . The City offers a wealth of recreation opportunities through its award winning Parks and Recreation program. In the City, there are currently 74 city parks, comprising 1,200 total acres. The parks range from a half-acre neighborhood park to the one hundred-acre city wide San Gabriel Park. Garey Park is Georgetown's flagship park and a destination that offers a variety of outdoor recreation opportunities. Nestled along the South San Gabriel River, the 525-acre ranch was donated by Jack and Cammy Garey in 2004. Amenities at the park include a playground, a splash pad, a dog park, an equestrian arena, fishing ponds, the Garey House event facility, pavilions, picnic shelters, and more than seven miles of hiking and equestrian trails. There are 22 miles of Hike/Bike Trails throughout the City.

There are three golf courses in the City, two being country club operations and one at Sun City Georgetown.

Lake Georgetown, on the North San Gabriel River on the western edge of the City, offers park facilities along with fishing and boating.

Located on the southern borders of the City is Inner Space Cavern, a popular tourist attraction for the area. These facilities, along with three historical districts and many special events, have boosted the City's tourism traffic considerably over the last few years.

MEDICAL SERVICES . . . St. David's Hospital, a 98 bed full service medical facility with over 70 active admitting physicians, provides obstetrical, surgical, diagnostic and emergency services to the local area. Scott & White operates a 34,000 square foot outpatient clinic on the City's northwest side. The Ascension Seton is now opened at Wolf Lakes.

WILLIAMSON COUNTY . . . The County was organized in 1848, is a Central Texas county and has an area of approximately 1,118 square miles. The City is the County seat. The economy is diversified by agribusiness, manufacturing and education. The different cities within the County offer many recreational, historical and cultural opportunities.

CYBER SECURITY RISK MITIGATION AND PREPAREDNESS . . . Georgetown has never experienced a successful cyberattack that has compromised data, allowed inappropriate access to internal IT networks, or disabled City systems. The City experiences regular attempts at smaller, targeted threats such as spoofed emails, fraudulent invoices, and attempts to intercept vendor payments. All attempts have been thwarted through multi-layer protections and controls and have never resulted in a loss.

Beginning with a citywide risk assessment in 2018, the City conducts bi-annual third-party risk audits through technology partners such as Gartner, Inc or in cooperation with the U.S. Department of Homeland Security. In almost a decade since the first audit, IT has led hundreds of large and small cybersecurity projects ranging from highly complex network segmentation to basic user training and phishing awareness. In fiscal year 2026, the City will once again engage with U.S. Homeland Security to perform a general audit and also conduct a PCI audit for financial systems. The assessment results are used to prioritize and fund security measures in future years.

New programs in the last year to address risks include:

- 2025: Completed hiring of staff member specialized in multi-agency incident response.
- 2025: Initiated a project to implement hardware keys (aka UBI keys) as a required authentication method due to the identification nationwide phone app vulnerabilities (To Be Completed in 2026).
- 2025: Initiated the "Datacenter Modernization Project" which will dramatically increase resiliency for on-premise IT assets through the decentralization of key hardware across multiple datacenters.

In 2026, the Georgetown IT Department has multiple cybersecurity projects scheduled including a PCI audit, and a major revision of the IT Department's incident response plan, and implementation of State mandated AI security training for all employees.

SOCIAL RISKS RESPONSIVENESS . . . *Affordability* –Management and Council focus on tax rate and utility rate affordability for residents, balanced with meeting demand for services driven by growth. The Lean Process Improvement program is one example of improving efficiencies and looking for cost reductions. The property tax rate has historically been reduced due to large increases in assessed value from growth and market demand. In 2026, property values declined slightly, and the City is proposing a 1 cent increase in the tax rate for FY2027. Regular cost of service study updates provides options for rate-setting that balance goals of equity, conservation, and financial strength. Management and Council are committed to sound financial policies, and setting rates appropriately to cover fixed costs, meet debt coverage, and provide for liquid reserves. Staff maintain an annual comparison with other cities in the region on the monthly cost to the average resident for property taxes, utility rates, and fees for core services. For FY2027, the fixed cost recovery policy for the water utility's base rate and first tier were changed to recover more fixed costs in the first tier. This charge balances fixed cost recovery with base rate affordability.

Labor Market Risks – The Williamson County unemployment rate ended at 3.7% in 2025. The 2025 employee turnover rate was 12%. Additionally, the City added 67 new full-time positions in the FY2026 budget, 37 in the FY2025 budget, 51 in the FY2024 budget, and 80 in the FY2023 budget. Many of these positions are in the Water Utility to support new infrastructure, but population growth is affecting public safety, electric and other services across the City to meet demand. The City has focused on employee engagement, competitive pay and, where appropriate, flexible work environment to attract and retain employees. Between December 2021 and December 2025, the City increased its overall Gallup Employee Engagement mean score from 3.91, to 4.25 (out of 5).

Electric: Georgetown Electric has strategically partnered with Texas Electric Cooperatives (TEC) to address significant customer and load growth while mitigating supply chain challenges. TEC, with over 80 years of experience and a major distribution hub located just over a mile from the City's Electric Utility, ensures a steady supply of materials and efficient inventory management. This partnership reduces supply chain risks, optimizes inventory costs, and enables the utility to maintain and expand its infrastructure to meet increasing demand effectively.

Additionally, Georgetown Electric collaborates with other suppliers, such as Techline, to fill gaps when materials are not readily available from TEC. These partnerships allow the utility to meet aggressive construction timelines, overcome supply chain hurdles, and reduce long lead times for critical and hard-to-find items. By leveraging the buying power of its partners, Georgetown Electric ensures lower material costs and timely delivery, supporting its ability to deliver reliable service amid rapid growth.

Water: Georgetown Water has established a warehouse at its main location to ensure supplies are available when needed. The water utility is being proactive with rehabilitating, replacing equipment, leveraging installed spares to ensure future supply chain issues do not impact the utility. Additionally, the City is a member of TexasWarn in which mutual aid is offered across various member entities for emergency needs.

APPENDIX B

ADDITIONAL INFORMATION ON THE SYSTEM

SYSTEM MANAGEMENT . . . The principal administrative officers of the System, along with their summary biographies, are listed below.

Daniel Bethapudi, Electric Utilities General Manager started with the City in October 2019. He has worked in utilities since 2007, with experience in public utilities since 2014. Bethapudi served as the assistant director for College Station Utilities, directing and managing transmission and substation operations and overseeing strategic planning and power supply functions. While in College Station, Bethapudi successfully restructured and replaced multiple energy contracts, resulting in average annual savings of approximately $15 million. He also developed and implemented a risk management framework and governance model to equip decision makers at all levels of the organization to properly assess risk related to energy. In Georgetown, Daniel has successfully improved the Electric Utility's financial position and risk management related policies. Daniel has served on the Texas Public Power Association Board of Directors since 2019. Bethapudi has a Master's Degree in agricultural economics from Texas A&M University and a Master of Business Administration from the University of Hyderabad in Hyderabad, India. He is also a project management professional, a certified energy manager, and a certified energy procurement professional.

Chelsea Solomon, Water Utilities Director has worked for the City since 2014 when she was hired as a utility engineer. She was later promoted to Control Center Manager in 2018, and was hired as the Director in 2021. Ms. Solomon graduated in 2001from Texas A&M University with a Bachelor of Science degree in Civil Engineering. She brings more than 19 years of water and wastewater engineering experience in the public and private sectors. Ms. Solomon's experience includes multimillion dollar construction management projects, long term planning, design, permitting, grant applications, modeling and operational knowledge to the City. She managed the 2018 Water and Wastewater Masterplan and Impact fee assessment for the City, the 2020 AWIA Risk and Resiliency Assessment, and the AWIA Emergency Response Plan update as required by the EPA. She holds a professional engineering certification from the State of Texas and is a Certified Floodplain Manager.

SYSTEM FINANCIAL INFORMATION

FIVE YEAR CAPITAL IMPROVEMENT PLAN

The current Capital Improvement Plan reflects annual expenditures for the electric utility system of $59.3 million in FY2027 and between $30.9 million and $80.3 million for FY2028 through FY2031. The blend of financing for electric utility system capital improvements is reviewed annually to determine if any adjustments are necessary, but the model is currently set at an average of 36% equity and 64% debt financing breakdown for the electric utility system over the 5-year planning horizon.

For the Water System, the current Capital Improvement Plan reflects an bond amount of $265 million in FY2027 and between $17.2 million and $181.2 million in FY2028 through FY2031. The blend of financing for water utility system capital improvements is reviewed annually to determine if any adjustments are necessary, but preliminary finacing plans over the next 5-year period assume that 85% of projects will be debt funded an 15% will be funded from impact fees, grants, and cash.

For the Wastewater System, the current Capital Improvement Plan reflects an bond amount of $395 million in FY2027 and between $5.2 million and $69.1 million in FY2028 through FY2031. The blend of financing for water and wastewater utility system capital improvements is reviewed annually to determine if any adjustments are necessary, but preliminary finacing plans over the next 5-year period assume that 82% of projects will be debt funded and 18% will be funded from impact fees.

Operating Utility Revenue for electric, water, and wastewater services is anticipated to generate $371 million in FY2026. Utility revenue projections are based on five-year forecasting models for each utility. The City prepares a financial model of each utility, forecasting revenues, expected infrastructure needs, and operations. The models are prepared based upon assumptions regarding customer growth, the City's five-year capital improvement plans, forecasted increases in costs, including personnel, and historical data. The models serve as a planning tool to forecast the ability to pay cash for infrastructure, anticipate debt needs for the upcoming five to ten year period, as well as predict rate increases for customers.

Electric sales charges are the largest revenue in the Electric Fund and is based on consumptions. FY2025 finished in line with projections at $105.8 million. Electric staff continues to work on refining the utility five-year model. The model accounts for customer growth and continuing the current power cost adjustment rate (PCA) of 1.375 per kWh. Along with customer growth, the model also accounts for new development and forecasted load coming online in the next few years. It is anticipated that in FY2026 electric sales charges will generate $119 million, or 11% over FY2025 actuals which reflects an increase of $13 million.

Water, wastewater, and irrigation charges are the largest budgeted revenues in the Water Fund. Water and wastewater continues to refine their rate study. The increased revenue reflects successive rate increases adopted to fund the 10-year water infrastructure master plan. Customer demand and increased operational and capital costs for inflation as well as a proactive approach to secure long-term water resources will continue to require steady rate increases over the next five years. The increase in water rates along with the number of meter installation in FY2025 generated a 34% increase in water, wastewater, and irrigation revenue over FY2024 actuals. FY2026 assumes that the Water Fund will continue to generate enough revenue to cover operational needs while continuing followup rate studies to evaluate the need for rate increases in the out years. FY2026 includes a rate increase of 9% for water and 12% for wastewater.

Impact fee revenue and Developer Contributions consists of Service Improvement Fees and Impact Fees. Service Improvement Fees are collected from specific developments by agreement on a per unit basis to offset costs of infrastructure improvements to serve these developments. Impact fees are assessed to all development units and are updated at least every five years in accordance with Texas Local Government Code, Chapter 395 and are recognized in the Water Fund. The increase in new development in the City continues to increase the amount of impact fees received from year-to-year. In FY2025, the Water Fund received approximately $45.8 million in Water and Wastewater impact fees 30% over projections. The amount of impact fees in the Water Fund are related to growth, as well as an increase in the installation of meters that are larger in diameter such as meters used for multi-family housing. Electric fees for new development are authorized by council ordinance and reviewed regularly to recover costs. Staff anticipates that both the Electric Fund and the Water Fund will bring in $99.7 million in impact fees and developer contributions in FY2026.

SYSTEM RATEMAKING

The City Council adopted new rates that went into effect October 1, 2025. Council can take action to increase rates at any time per its discretion. Such rates are expected to result in projected cash flows and performance metrics that meet and/or exceed the City's target 1.50x debt service coverage policy.

Rate increases in Water and Wastewater include a 9% increase in the Water Base Rate and volumetric rate, and an 12% increase in the Wastewater Base Rate and volumetric rate. For FY2027 through FY2031, proposed rate increases range from 4% to 10% for all rate components.

Electric Rates for all rate classes were increased by 2% in the beginning of Fiscal Year 2026. Starting in the beginning of the Fiscal Year 2027, the VLC&I Customer Charge is projected to go from $5,615/Month to $8,125/Month, and the VLC&I Energy Rate Rider will go from $0.0082/kWh to $0.0110/kWh.

Projected 5-Year Cash Flows and Debt Serivce Coverage(1)(2)

City Financial Metrics: Combined	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Debt Service Coverage for Bond Covenant							
Total Operating Revenue	$ 327,512,346	$ 370,671,949	$ 413,347,442	$ 508,516,906	$ 542,438,664	$ 588,462,959	$ 640,704,092
Total Operating Expense	164,994,699	195,773,428	219,160,540	242,282,267	261,817,526	319,324,280	333,205,641
Net Revenue	162,517,646	174,898,521	194,186,902	266,234,639	280,621,138	269,138,679	307,498,451
Average Annual Debt Service for Revenue Bo	34,818,746	55,420,938	98,779,597	116,028,466	121,757,584	127,067,449	122,501,613
Debt Service Coverage for Bond Covenant	**4.67**	**3.16**	**1.97**	**2.29**	**2.30**	**2.12**	**2.51**

(1) The Bonds debt service is projected, subject to change.
(2) Based on City Capital Improvement Plan (for the Combined System). Projected, subject to change.

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REGULATORY
ENVIRONMENTAL RISK MITIGATION AND PREPAREDNESS

ENVIRONMENTAL RISK MITIGATION AND PREPAREDNESS . . . ***Extreme Weather.*** During mid-February 2021, an unprecedented winter weather event with sub-freezing temperatures and precipitation lasted for an approximately 7-day period (Winter Storm Uri.) Staff initiated a formal Emergency Operations Center both physically and virtually. It took several weeks to fully recover to normal operations. Since 2021, City staff across every department have worked diligently to improve for extreme weather preparedness and resiliency. All departments have routines for emergency response and continuity of public services. As a result of an after-action report recommendation in 2021, the City budgeted $350,000 for emergencies in the General Fund. These funds were used during FY2023 to cover the costs of Winter Storm Mara tree debris removal for City residents, and the funds were replaced in the FY2024 budget\ development process. As a result of Winter Storm Uri and in response to Senate Bill 3, the City prepared a TCEQ Emergency Preparedness Plan for water service during periods of extended power outages. Part of this response is to be on the electrical providers critical customer list. The City contacted the electric providers for all of City owned major facilities and each facility has been placed on the electrical providers critical customer list, which prioritizes notifications and restorations. The City has also joined TXWARN which is a statewide city mutual aid service and is entering into emergency service contracts with various neighboring cities. In addition to these measures, the City purchased portable generators for SCADA/Fiber switches and rented 500 kva portable generators for key facilities while permanent designs are being made. The recently expanded 44 MGD South Lake water treatment plant has complete generator back up and can deliver enough water to meet the service requirements for greater than 24 hours. The Electric Utility's practices to significantly hedge purchased power during winter and summer months, including targeted winter storm events, has reduced risk and enabled power costs to stay within bounds of the total budget. The Electric utility manages outages due to fallen tree limbs and quickly restores power for residents. Public Works established standing contracts for clearing tree debris. Sand and de-icer are staged to treat arterial roads.

The July 5, 2025, the San Gabriel River Flood Event caused evacuations and significant damage along the river through Georgetown and Williamson County. There was no loss of life in Georgetown, and limited damage to private property. The Austin Avenu Bridge, already under construction for maintenance, was closed and inspected by a structural engineer. Blue Hole and San Gabriel Parks, located in the flood plain, sustained damage to river crossings, trails, trees, restroom facilities, streetlights and other park amenities. Water and wastewater treatment and transmission systems along the river were also damaged by flood debris and the volume of flood waters. A small number of customers were without water or had low pressure until repairs were completed a few days later. The City cash funded all event expenses without using below line reserves and continues to work closely with FEMA/TDEM on a reimbursement request and TML on insurance claims.

Water System. The Water Utility operates multiple annual system maintenance programs designed to maintain and continuously improve high standards of reliability, resiliency, and water quality. The City contracts for quarterly generator maintenance and load testing to ensure they are fully operational and in good repair when needed. In addition, the City has maintenance agreements with certified firms for specialized key equipment to ensure proper operation, reliability, and longevity. The City currently maintains 1,200 miles of waterline, 10,600 fire hydrants, 323 main line PRV stations, 5 water treatment plants, and 13 elevated water towers. Each hydrant is inspected annually to help maintain a positive ISO rating. The utility continues to improve its leakage index and manages water resources responsibly to ensure sustainable, efficient service.

The City also conducts annual inspections of water storage tanks to assess conditions, perform necessary repairs, and complete cleaning as needed. The work order management system supports regular inspections of main line PRVs, helping protect the system from high pressure and minimize water loss. The AMI meter system, combined with the meter replacement program, enables the utility to detect customer leaks, improve water consumption accuracy, and provide near real-time system data to guide operational decisions. In addition, the City conducts daily, weekly, and quarterly water quality testing beyond regulatory requirements to ensure safe drinking water and provide advance indicators that allow proactive system management.

The City maintains 537 miles of wastewater lines, 34 miles of force mains, 13,900 manholes, 49 lift stations (excluding plant lift stations), and 5 wastewater treatment plants. Two of the City's oldest plants, 32 and 44 years old respectively, recently underwent rehabilitation to ensure reliable service to the community and long-term environmental protection. As part of the Edwards Aquifer Recharge Zone (EARZ) protection program, the City inspects one-fifth of its wastewater system each year using CCTV to identify and repair any deficiencies. The entire system follows a five-year inspection and repair cycle, and lift stations are placed on a condition assessment schedule to maintain operational reliability.

The Georgetown Water Utility completed the AWIA Risk and Resilience Assessment in 2020 and its subsequent update in 2025, as required by the EPA. The assessment evaluates both environmental risks, such as natural disasters, and system risks, including sabotage or cyber-attacks. It is currently being updated to account for new potential threats, infrastructure additions, and revised regulations. Updated every five years, the assessment methodology provides an inventory of assets, identifies vulnerabilities, evaluates the likelihood of various risks, and documents existing risk mitigation measures. Based on the assessment's findings, the City will update its Emergency Response Plan to address any newly identified risks. The City employs an Emergency Management Coordinator responsible for emergency planning and training across all departments and for activating the Emergency Operations Center during weather events, large public gatherings, or other risk situations. The City maintains both a primary and secondary Emergency Operations Center to ensure operational continuity. The City completed the TCEQ Emergency Preparedness Plan as required by Senate Bill 3, which was enacted following Winter Storm Uri to ensure continuous water service during power outages exceeding 24 hours. In response, the City proactively designed the 44-MGD South Lake Water Treatment Plant with full generator backup. The first phase of the plant, including the generator system, came online in June 2025, and the second phase was completed in the summer of 2026. This plant, along with additional generators being installed throughout the distribution system, will maintain service during extended power outages. Generator backup for the 28.6-MGD plant is currently under construction and expected to be completed this year. Generators have been added to all pressure planes, ensuring the ability to maintain service in every part of the system. The City anticipates that all pressure planes will have generator backup by the end of 2026.

The City completed material assessments of water lines and service connections to comply with Lead and Copper regulations established by the TCEQ and EPA. The GIS department has developed a map that records service materials, as documented by metering staff and field operations, to quickly identify any materials of concern. No lead or copper has been found in City-owned services. A publicfacing map is maintained to document system materials and provide ongoing transparency. The City has confirmed that there are no lead or copper lines on the City-owned side of the service system. The City completed and adopted its Industrial Pretreatment Program in 2025. With increasing requests for industrial connections and evolving regulatory requirements, including closely monitoring EPA guidance on PFAS, the program helps ensure the utility can meet changing environmental and regulatory standards while maintaining effective wastewater treatment. The City has completed its UCMR-5 testing as required by the EPA. Four of the five treatment plants are below regulatory limits for PFAS. At the one plant where PFAS was detected, a pilot study is currently underway, in coordination with TCEQ approvals, to determine the most effective treatment methods to complement existing processes. Once the study is complete, the City will proceed with design and construction to ensure ongoing compliance with EPA regulations.

Electric System. The electric utility maintains more than 1,000 circuit miles of primary electric lines. Of those, more than 50% are underground lines. Underground electric lines provide enhanced reliability and resilience by reducing exposure to weather-related outages, especially those caused by winter storms or high winds. They also reduce maintenance costs associated with vegetation management. Annually, the utility's capital improvement budget includes monies dedicated to strategically undergrounding additional lines. The utility is also pursuing grant funding, both from the federal government and state government, to move overhead lines underground. The utility has multiple annual system maintenance programs that ensure the high standards of reliability and resiliency are maintained and continuously improved. The electric utility has a 5-year maintenance plans for tree trimming, specialized equipment and infrastructure, underground and pole inspections, meter testing, and infrared testing. In FY2026, the electric utility will spend more than $1.5 million on maintenance, including more than $800 thousand on tree trimming. Multiple contractors work throughout the year to ensure vegetation management is completed across the entire system every 3 years, with some circuits cleared annually. The pole and line inspection and maintenance program ensures that the poles and the overhead lines are inspected and maintained to ensure the integrity of the poles and the associated hardware. The Underground asset management program involves inspection and maintenance of the underground system. Additionally, the electric utility proactively manages our joint use program. When communication companies request to attach to the electric utility's poles, they are required to conduct a pole load analysis. Should their fiber or communication lines exceed what a pole or series of poles can support, they are required to cover the cost of a pole make-ready so those poles can receive their infrastructure safely. Because of Georgetown's rapid population growth, there are many companies actively working to install fiber lines throughout Georgetown. In FY2027, the utility expects over $2.5 million in makeready projects, fully funded by these companies. These make ready efforts augment the pole replacement program. All the efforts identified above help the electric utility system to have excellent reliability and resiliency track record. SAIFI and CAIDI are key reliability metrics used in the electric utility industry to measure how often outages occur and how long outages last, respectively. The utility strives for a SAIFI value of less than 1 outage per customer per year and a CAIDI value of 116 minutes or less. In December 2025, the SAIFI value was 0.766 and the CAIDI was 46.7.

As for safety, the City of Georgetown electric utility achieved diamond-level status in 2025 under the American Public Power Association's Reliable Public Power Provider (RP3) program. The designation recognizes public power utilities that demonstrate proficiency in four key disciplines: reliability, safety, workforce development, and system improvement. Georgetown is one of six public power providers in Texas to receive the diamond designation. In total, only 254 of the more than 2,000 public power utilities nationwide hold the RP3 designation. The City of Georgetown Electric Utility has been a diamond designee since 2019.

APPENDIX C

FACTORS AND REGULATORY MATTERS AFFECTING THE ELECTRIC UTILITY INDUSTRY

TEXAS DEREGULATION STRUCTURE, STATUS AND ISSUES . . . The following discussion is presented for the purpose of providing information concerning the current Texas legal and market structure. The Texas market is unique in many respects from deregulated markets in other parts of the United States, in part due to the isolation of the market in ERCOT, which is essentially a transmission grid and associated generation facilities with few interconnects to other transmission grids. While the City has not opted in to full retail competition, it does participate in the wholesale energy market through its use of power sale agreements.

The wholesale energy market in ERCOT was established by legislation enacted in the 1995 Texas Legislature and has been significantly modified and developed through enactment of SB 7 and the commencement of retail electric choice in Texas on January 1, 2002. The discussion below describes some of the effects on the market and the challenges presented to the market as a whole. The continuing development of wholesale and retail competition in the ERCOT market will affect the planning, actions, options, cost structure and other essential factors of the City's electric system.

The information in this section is derived from various PUC and ERCOT source materials, and in particular, portions of this section are excerpted from the 2007, 2009, 2011, 2013, 2015, 2017, 2019, 2021, 2023, and 2025 PUC Reports to the Texas Legislature (collectively the PUC Legislative Reports"). The 2025 PUC Report is available in full on the PUC website at http://ftp.puc.texas.gov/public/puct-info/agency/resources/reports/leg/2025_Biennial_Agency_Report.pdf and previous biennial reports to the Texas Legislature are available in full on the PUC website at http://www.puc.texas.gov/industry/electric/reports/scope/ScopeArchive.aspx. Except for specific references to the City or as otherwise noted as being provided by another source or entity, all expressions of opinion, summaries of events and statistical information contained in such sections are from the PUC Legislative Reports. The City does not take responsibility for the content of the PUC Legislative Reports on either the PUC or ERCOT websites or in ERCOT reports. References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and information or links contained therein are not incorporated into, and are not part of, this official statement.

In general, the restructuring of the electric utility industry in accordance with SB 7 continues to evolve, and the City is observing and evaluating the changes in the developing energy market in the State. The elimination of the price to beat ("PTB") rate on January 1, 2007 and the "go-live" implementation of the Nodal Market in ERCOT on December 1, 2010 were key dates in the evolution of the restructured market.

Since January 1, 2002 when consumer choice began in competitive areas of ERCOT, there has been continued development within ERCOT of a market-driven wholesale market in which energy is a commodity. It is apparent that traditional planning methods using known generation resources paired with known load has become less important as a planning approach in the market in general. As the competitive market matures in Texas, the market will almost certainly experience ebbs and flows in the construction of new generation and transmission facilities, and some of the existing generation will be displaced by newer resources, which may affect the market price of energy on both the retail and wholesale levels, as well as the demands on, and capacity of, the existing electric transmission system.

ERCOT. ERCOT is one of six Regional Reliability Councils in the NERC. The ERCOT bulk electric system is located entirely within the State of Texas and serves more than 27 million customers, representing approximately 90% of Texas' electrical load. The ERCOT service region covers more than 75%, or 200,000 square miles, of the State and contains over 54,100 miles of transmission lines and over 1,250 generation units. ERCOT also manages financial settlement for the competitive wholesale bulk-power market and administers retail switching for 8 million premises in competitive choice areas. The all-time peak demand in ERCOT occurred on August 10, 2023 when 85,508 MWs of power was used. ERCOT is connected electrically to other reliability councils through two direct current lines, providing only limited import/export capability. Other electric reliability councils, including the Southwest Power Pool and the SERC Reliability Corporation, serve areas in the Texas panhandle, east Texas and west Texas.

In response to legislative directive, ERCOT amended its articles of incorporation to establish an independent system operator ("ISO") in 1996. Under ERCOT's organizational structure, the ISO reports to the ERCOT Board of Directors. ISO responsibilities include security operations of the bulk system, facilitation and efficient use of the transmission system by all market participants, and coordination of regional transmission planning among transmission owning utilities and providers. Under Texas law, ERCOT is required to perform four primary functions: ensuring non-discriminatory access to the transmission and distribution systems for all electricity buyers and sellers; ensuring the reliability and adequacy of the regional electric network; ensuring that information related to customer retail choice is provided in a timely manner; and ensuring that electricity production and delivery are accurately accounted for among all regional generators and wholesale buyers and sellers. The PUC has primary jurisdiction over ERCOT. Legislation enacted in 2005 clarified that the PUC has complete authority to oversee and investigate ERCOT's finances, budget, and operations as necessary to ensure that ERCOT is accountable. ERCOT regulations require that each market participant, including municipally owned utilities ("MOUs"), either be, or engage, a qualified scheduling entity ("QSE") to submit schedules and ancillary services bids and settle payments with ERCOT.

Individual electric utilities own sections or components of the ERCOT transmission grid and are responsible for operating and maintaining their own transmission lines and equipment. The ISO coordinates the operation of the transmission grid to ensure its reliability, and ERCOT coordinates with the various transmission-owning electric utilities to make sure the transmission system will meet the needs of the electric market. With the adoption of SB 7, investor-owned utilities have unbundled their respective electric generation business, electric transmission and distribution business and retail electric business from one another.

<u>TRE</u>. With its delegated authority from the NERC, the Texas Regional Entity ("TRE") began operations in 2007 for the purpose of monitoring, reporting, and enforcing compliance with the NERC reliability standards in ERCOT.

<u>Overview of the Senate Bill 7 Market Structure</u>. Senate Bill 7 adopted by the Texas Legislature in 1999 ("SB 7") dramatically altered the production and sale of electricity to retail customers in the State. Prior to SB 7, all retail customers were served by integrated investor-owned electric utilities, electric cooperatives ("Electric Co-ops"), or MOUs. The PUC certificated the service areas of utilities, Electric Co-ops, and MOUs, where, for the most part, these entities were granted the exclusive right and obligation to serve customers in an area. Integrated utilities, MOUs, and Electric Co-ops built generation plants and constructed transmission and distribution facilities and performed retail functions such as billing and customer service to meet their obligations to serve. The PUC set electric rates, for those utilities over which it had rate-making authority, that gave those utilities the opportunity to earn a reasonable return on prudent investments and to recover reasonably incurred expenses, but that were also just and reasonable to retail customers. As described below, the implementation of the Nodal Design Rule dramatically altered the wholesale market dynamics in ERCOT.

The wholesale electric market was opened to competition as a result of the amendments to the Texas Public Utility Regulatory Act ("PURA") adopted by the Legislature in 1995. As a part of these amendments, independent power producers ("IPPs") were granted access to the transmission lines of utilities, Electric Co-ops, and MOUs in order for IPPs and power marketers to move power to wholesale customers.

SB 7 established a framework to allow retail electric customers to select a provider of electricity other than the traditional utility beginning in January 1, 2002, unless the PUC delayed competition for a utility's service area. The governing boards of Electric Co-ops and MOUs were granted the authority to decide if and when to open their service areas to customer choice. The City has not adopted retail customer choice.

Although transmission and distribution facilities remain regulated by the PUC, the prices for the production and sale of electricity to both wholesale and retail customers are now predominantly dictated by market forces instead of regulatory rate-setting procedures. Customers with peak demand of one MW or less were provided access to the regulated price-to-beat ("PTB") rate until January 1, 2007 (beginning January 1, 2005, affiliated retail energy providers ("REPs") were permitted to offer rates lower than the PTB), and the PUC is required to designate providers of last resort ("POLRs") to ensure that all customers have access to electricity in the competitive market. The POLR for the City would be determined when and if the City ever elected to opt into a retail competition.

SB 7 established a framework for retail competition that is different from that adopted in other states. Formerly integrated investor-owned utilities were required to separate their business functions into three distinct companies: a power generation company ("PGC"), a transmission and distribution utility ("TDU"), and an REP. PGCs operate as wholesale providers of generation services, in the same manner as independent generators. REPs operate as retail providers of electricity and energy services and are the entities that have the primary contact with retail customers in the new market. TDUs remain regulated by the PUC and are required to provide non-discriminatory access to the transmission and distribution grid at rates and terms of access prescribed by the PUC.

In Texas, ERCOT performs functions in the retail market that are performed by the TDUs in other states that have introduced retail competition. Key elements in the design of the ERCOT retail market are the creation of a single, large retail market throughout the region and the use of a neutral third party to perform tasks related to the scheduling of power and settlement functions. ERCOT also serves as the registration agent for all retail transactions. All customer switch requests, move-in and moveout requests, and monthly electricity usage data flow through ERCOT.

REPs generally provide electricity to customers by purchasing wholesale electricity from generators located within the ERCOT region. REPs use a QSE to schedule power through ERCOT to meet their customers daily energy needs. All schedules and transactions within ERCOT flow, which means that schedules are not contingent upon a determination that there is adequate transmission capacity available to move power from the generation resource to the load. If all of the schedules submitted for a particular day or hour cannot be accommodated because of transmission constraints, ERCOT uses a market-based Security Constraint Economic Dispatch (SCED) congestion management system to clear the congestion and maintain reliability. The costs associated with clearing the congestion are assigned to market participants under methods outlined in the protocols adopted by ERCOT (the "ERCOT Protocols" or the "Protocols") and approved by the PUC. As described below under "Congestion Under Nodal Design" the Nodal Design Rule has altered the way in which some costs associated with clearing and congestion are processed.

<u>Generation Capacity Adequacy</u>. According to the ERCOT Long-Term Hourly Peak Demand and Energy Forecast April 2025 (the "ERCOT LTDEF"), the historical annual energy for the calendar years 2014-2024 grew at an average annual growth rate of 3.1%. The current forecast for 2025 through 2031 anticipates an average annual growth rate of 13.6% for energy.

Currently, there are almost 21,600 MW of generation within ERCOT that is over 40 years in age. Generation maturity is important to ERCOT planners in determining available capacity, long-range reliability, and whether there will be enough new capacity to compensate for load growth requirements. Age is one indication of the efficiency and maintenance cost of a generating unit, which are major factors in the decommissioning of units. Most of the older capacity is located in and around the larger metropolitan areas of the State.

According to the January 2026 update to the PUC s New Electric Generating Plants in Texas Since 1995 report, companies in the electric business have made significant investments in Texas (State-wide, including non-ERCOT areas) in recent years. About 136,173 MW of new generating capacity has been added in Texas since 1995, and some 63,253 MW of new capacity has been announced but has not yet begun construction and some 24,479 MW of capacity has been retired since 2002 (all statistics in this paragraph include fossil - fueled and renewable generation). The most recent Capacity Demand Report from ERCOT (dated December 19, 2025) indicates that the summer reserve margin for 2026 is now forecasted at 18.3%.

The chart below provides information on ERCOT projected summer reserve margin for the years 2026 through 2030, based on the ERCOT Report on the Capacity, Demand and Reserves in the ERCOT Region, 2026 – 2030 (the "ERCOT December 2025 CDR Report"), dated December 19, 2025. ERCOT experiences peak demand during the summer; projected winter reserve margins are substantially higher than the projected summer margins.

Year	Summer Load Forecast (MW)(1)	Total Resources Available (MW)(2)	Reserve Margin
2026	88,639	104,850	18.3%
2027	98,135	109,350	11.4%
2028	115,225	113,693	-1.3%
2029	122,195	115,080	-5.8%
2030	132,240	115,501	-12.7%

Source: ERCOT December 2025 CDR Report.

(1) Summer Load Forecast is ERCOT's firm load forecast, not peak summer load.

(2) Total Resources Available include installed capacity, capacity from private networks, peak average capacity ("PAC") of wind generation, RMR units, non-synchronous ties, switchable units, available mothballed generation, planned thermal resources with signed interconnection agreement ("IA") and air permits and water permits and PAC of planned wind units with signed IA. Total Resources Available excludes switchable units unavailable to ERCOT and retiring units.

ERCOT has performed technical studies and reviewed the appropriate level of reserve margins. As a result of such studies, ERCOT has established a 13.75% reserve margin goal for the ERCOT market for planning purposes. It is possible that the PUC may make additional changes to the ERCOT market design at any time and the City can give no assurances as to when or what policy determinations the PUC may make that may affect investment in new generation resources in ERCOT. The City management does not expect that any such decision of the PUC will have a material adverse impact of the finances of the City.

Congestion Under Nodal Market Design. On April 5, 2006 the PUC issued an order accepting the ERCOT proposed draft protocols for implementing a nodal market design in Texas initially by January 1, 2009. The ERCOT Nodal Market had a go live date on December 1, 2010. In the nodal market, there is no intra-zonal congestion, with the result that all congestion is treated in a manner similar to current zonal (or inter-zonal) congestion with the exception of how the cost of congestion is determined and to which party that cost is assigned. Under the nodal market design, all points of receipt or delivery into the ERCOT transmission system are assigned a value of energy at that unique point. The difference between the prices between any two points is considered the imputed cost of transmission between those two points, including any congestion costs.

ERCOT acts as a centralized dispatching agent, charging all loads, or users for electricity based on calculated nodal prices and paying all providers, or generators, of energy based on the appropriate nodal price for the point where their energy is injected into the transmission system. Zones are still used in the nodal market design, but only for financial settlement purposes. Under the approved Texas version of the nodal market design, all loads, or users of energy within a designated zone, pay the same average price based on the weighted average price of all load nodes in that zone. The zones established in the nodal protocols approved by the PUC are basically the four existing zones plus three zones for three non-opt-in entities ("NOIEs"), specifically, the municipal utilities of San Antonio, Austin, and the Lower Colorado River Authority. The PUC's order also initiated a proceeding to examine the issues of creating and changing load zones in a nodal market to ensure that any changes occur in a systematic procedural manner that do not adversely impact any parties. The PUC initiated Project No. 37052 to develop critical performance metrics and criteria for the ERCOT nodal market.

The PUC is currently considering changes to the ERCOT wholesale market to address resource adequacy and operational reliability concerns. In June 2023, a new 10-minute ancillary service, the ERCOT Contingency Reserve Service ("ECRS"), was rolled out to address forecasting error and provide capacity during large load ramps. ERCOT, per legislative directive, is also implementing a new 4-hour ancillary service, the Dispatchable Reliability Reserve Service ("DRRS"). DRRS is expected to reduce procurement of ECRS and lower costly out of market actions that greatly affect prices.

Regarding wholesale market design, the proposed Performance Credit Mechanism ("PCM"), which would have created a resource adequacy mechanism for ERCOT's energy-only market was rejected by the PUC in December 2024. A new firming requirement included in HB 1500 from the 2023 legislative session is in its rulemaking stage at the PUC. It targets intermittent resources signing interconnection agreements on or after January 1, 2027, and requires them to demonstrate annual ability to meet or exceed seasonal average generation during times of greatest reliability risk. It is performance-based, allowing operators flexibility in how to meet the standard using technologies like battery storage and contracts with dispatchable resources.

On December 5, 2025, ERCOT implented real-time co-optimization of plus batteries (RTC+B). The Dispatchable Reliable Reserve Service launched concurrently with RTC+B. This ancillary service was designed to address market uncertainty and procures dispatchable resources that can be called on within two hours and sustain output for at least four hours.

PUC REGULATORY ACTIVITIES . . . Wholesale Market Oversight. In September 2006, the PUC selected Potomac to serve as the independent market monitor ("IMM") for ERCOT, a function that was legislated at the request of the PUC by the 2005 Texas Legislature. The IMM has the authority to conduct monitoring, analysis and reporting activities but has no enforcement authority.

A PUC rule provides that the IMM shall report directly to the PUC any potential market manipulations, including market power abuse, and any violations of PUC rules or ERCOT Protocols. The PUC rule establishes the IMM as an office independent from ERCOT, which is not subject to the supervision of ERCOT with respect to its monitoring and investigative activities. ERCOT funds the operations of the IMM, but the budget and expenditures of the IMM are subject to PUC supervision and oversight. The ethical standards governing the IMM director and staff are intended to prevent conflicts of interest between the IMM and a market participant or an affiliate of a market participant. The rule took effect in April 2006.

ERCOT Oversight by the PUC. Legislation enacted in 2005 clarified that the PUC has complete authority to oversee and investigate ERCOT's finances, budget, and operations as necessary to ensure that ERCOT is accountable. The Texas Legislature and the PUC have enacted changes to the ERCOT marketplace following criticism in the wake of the 2021 Winter Weather Event. As a result of the 2021 Winter Storm Event, numerous changes in the structure of both the PUC and ERCOT occurred.

In 2025, the Texas Legislature passed laws that give the PUC new oversight of MOUs. This legislation will require MOUs to adhere to new transmission and distribution structural integrity standards and file pole maintenance management plans with the PUC as well as develop wildfire mitigation plans. SB 1789 directs the PUC to develop structural integrity standards for transmission and distribution poles as well as inspection schedules. Bryan Texas Utilities must adopt these standards within 120 days and submit an annual report detailing compliance with the standards on May 1 of each year. HB 144 requires all investor-owned utilities, cooperatives, and MOUs to submit plans to the PUC detailing how they will inspect, maintain, and repair distribution poles they own by January 2027, with annual updates due each May. Each plan must outline public safety objectives, include a timeline for inspections and repairs, and provide cost estimates. Although the two bills impose distinct requirements, language in HB 144 provides the PUC with the flexibility to harmonize the two reporting requirements and both allow for administrative penalties for non-compliance.

EMERGING ISSUES . . . *Demand Response*. Demand response, the ability of customers to reduce usage in response to high prices or grid conditions, will play an increasing role in the electricity market in the coming years. Some customers have some ability to respond to high prices by reducing usage at times when the price of electricity rises to a high level. This option may be attractive to additional customers, if developments in metering allow smaller customers to have their consumption metered at intervals shorter than one month and if they take advantage of retail prices that are based on wholesale prices. For ERCOT's settlement system to allow smaller customers to respond readily to spot market prices, advanced metering will be required. When advanced meters are deployed, REPs will have the chance to offer demand response products to smaller customers, which will in turn allow customers to have more control over their electric bills. The PUC adopted a rule on advanced metering in May 2007. Many of the State's utilities have commenced deploying advanced meters in accordance with the rule.

Alternative Transmission Models. According to the PUC, there has been interest in building transmission under a different set of rules. A power generation company might, for example, be willing to build and operate transmission facilities at its own expense (with no support from regulated rates) to connect to the transmission grid, without incurring the obligation to provide open-access to other entities. Such an arrangement might, for example, permit one or more generation companies that are outside of ERCOT to connect their facilities to the ERCOT transmission network at their own expense, without running the risk that they would be obligated to provide service to other customers. A similar transmission arrangement might permit a group of wind generators to build transmission to move the power they generate from West Texas to a location closer to population centers in East and Central Texas. Developers might also be interested in building merchant transmission connections between ERCOT and other power regions (the eastern or western United States or Mexico), where the interconnections are limited today.

FEDERAL REGULATION OF ELECTRIC TRANSMISSION SERVICES . . . *The Energy Policy Act of 1992*. The Federal Energy Policy Act of 1992 (the "Energy Policy Act") greatly expanded the authority of Federal Energy Regulatory Commission ("FERC") to order utilities, including utilities within ERCOT, to provide transmission service for other utilities, qualifying facilities, and independent power producers. FERC also has authority to determine the prices that may be charged for transmission but has generally deferred to the PUC electric transmission open access rules for access and pricing within ERCOT.

Retail Wheeling. The authority to order retail wheeling, which allows a retail customer to be located in one utility's service area and to obtain power from another utility or non-utility source, is specifically excluded from the enhanced authority granted to FERC under the Energy Policy Act. However, while the states may have authority to determine whether retail wheeling will be permitted, FERC has determined that it has jurisdiction over the rates, terms and conditions of retail wheeling.

FERC Final Rules and Proposed Rulemakings in Federal Regulation of Electric Utilities. To establish foundations necessary to develop a competitive wholesale electricity market and effectuate the transmission access provisions of the Energy Policy Act, on April 24, 1996, FERC issued two final rules ("FERC Final Rules") on non-discriminatory open access transmission services by public utilities and stranded cost recovery. The first of the FERC Final Rules, Order No. 888, requires all public utilities that own, control or operate facilities used for transmitting electric energy in interstate commerce to (i) file open-access, non-discriminatory transmission tariffs containing, at a minimum, the non-price terms and conditions set forth in the order and (ii) functionally unbundle wholesale power services by (1) applying unified transmission tariffs system to all customers, (2) providing separate rate systems for wholesale generation, transmission and ancillary services and (3) relying on the same electronic information dissemination network that its transmission customers rely on in selling and purchasing energy. The second of the FERC Final Rules, Order No. 889, requires all public utilities to establish or participate in an Open Access Same- Time Information System (OASIS) that meets certain specifications, and comply with standards of conduct designed to prevent employees of a public utility (or any employees of its affiliates) engaged in wholesale power marketing functions from obtaining preferential access to pertinent transmission system information.

FERC stated that its overall objective is to ensure that all participants in wholesale electricity markets have non-discriminatory open access to transmission service, including network transmission service and ancillary services. FERC also indicated that it intends to apply the principles set forth in the FERC Rules to the maximum extent to municipal and other non-FERC regulated utilities, both in deciding cases brought under the Federal Power Act and by requiring such utilities to agree to provide open access transmission service as a condition to securing transmission service from jurisdictional investor-owned utilities under open access tariffs.

Although the FERC Rules do not directly regulate municipally-owned and other non-FERC-regulated utilities, the FERC Rules have a significant impact on such utilities operations. The FERC Rules have significantly changed the competitive climate in which the non-FERC regulated utilities operate, giving their customers much greater access to alternative sources of electric transmission services. The rules require them to provide open access transmission service conforming to the requirements for investor-owned utilities whenever they are properly requested to do so under the Energy Policy Act or as a condition of taking transmission service from an investor-owned utility. In certain circumstances, the non-FERC-regulated utilities are required to pay compensation to their present suppliers of wholesale power and energy for stranded costs that may arise when the non- FERC-regulated utilities exercise their option to switch to an alternative supplier of electricity.

Over the past several years, various efforts have been made to provide some interstate connections with the ERCOT transmission grid. These efforts have resulted in protracted judicial and administrative proceedings involving ERCOT members. FERC has issued orders, which, among other things, permit the ERCOT members to avoid Federal regulation of rates as the result of the ordered interconnections with another interstate connected utility.

Energy Policy Act of 2005. The U.S. Congress amended the Federal Power Act in 2005 to authorize the FERC to approve transmission reliability standards developed by NERC. Once approved, the transmission reliability standards are applicable to transmission systems in all states, excepting Alaska and Hawaii. The reliability standards are applicable to transmission operators in ERCOT, including MOUs.

PROPOSED FEDERAL LEGISLATION . . . Many bills have been introduced in the United States Congress to deregulate the electric utility industry on the Federal or state level. Many of the bills provide for open competition in the furnishing of electricity to all retail customers (i.e., retail wheeling). In addition, various bills have been introduced that would impact the issuance of tax- exempt bonds for electric transmission and generation facilities. No prediction can be made as to whether these bills or any future proposed Federal bills will become law or, if they become law, what their final form or effect would be.

ENVIRONMENTAL REGULATION . . . *General*. Electric utilities and their operations and activities are subject to numerous environmental laws and regulations, including with respect to air pollution, water pollution, and management of solid and hazardous waste. These laws and regulations are administered at the Federal and State level. Over time, environmental laws and regulations have generally become more stringent as water and air quality and other environmental goals and requirements have tightened, and as pollution control technologies have advanced. Although it is expected that this trend toward more stringent regulation will continue into the future, there is uncertainty associated with future regulations and technology as well as the piecemeal and uncoordinated manner in which such regulations can be implemented. This presents the electric utility industry with formidable challenges and uncertainty with respect to future legal and regulatory obligations. In addition, more stringent environmental requirements may require significant operational changes, including upgrades in environmental controls, reduced operating levels, increased operating costs, or, where the necessary upgrades are not economical, the shutdown of affected generating units.

Air Emissions New Source Review. The Federal Clean Air Act ("FCAA"), the Texas Clean Air Act ("TCAA"), and the agency rules implementing these statutes, regulate air emissions from power plants through a number of different programs. Under New Source Review ("NSR") requirements, pre-construction permits must be obtained authorizing the emission of air pollutants from new or modified major stationary sources. In 1999, the EPA initiated a major enforcement initiative targeting older coal-fired electric generation plants, and has asserted that many of these plants underwent major modifications in the past without appropriate permit authorization under the NSR rules. One of the goals of this enforcement initiative is to force these older coal plants to go through the air permitting process and then install significant upgrades to their air emission controls consistent with current permitting criteria.

On October 22, 2020, the EPA finalized a rule to clarify the process for evaluating whether the NSR permitting program would apply to a proposed modification of a source of air emissions. This final rule clarified that both emission increases and decreases from a major modification are to be considered during Step 1 of the two-step NSR applicability test, a process known as project emissions accounting. Any proposed major modification or construction of the existing plants or a new plant would have to be analyzed in order to determine if would implicate the NSR applicability test. On February 22, 2024, the EPA released a proposal to revise how emissions increases and decreases are accounted for as a part of the NSR process; the proposed rule was withdrawn by the EPA on July 21, 2025. Legal challenges were subsequently filed contesting the proposed repeal of the rule.

National Ambient Air Quality Standards ("NAAQS") for Ozone. The EPA has established national air quality standards for six regulated pollutants: ozone, lead, carbon monoxide, sulfur dioxide, nitrogen dioxide, and particulate matter. States are required to develop a plan to be approved by EPA for achieving and maintaining NAAQS within its borders. These plans, in turn, impose limits on emissions from pollution sources meeting a NAAQS are designated as attainment areas. Areas not meeting a NAAQS are designated as nonattainment areas, A nonattainment designation triggers a process by which the affected state must develop and implement a plan to improve air quality and "attain" compliance with the appropriate standard. This State Implementation Plan or "SIP" entails enforceable control measures and time frames. More stringent requirements apply in nonattainment areas, including stricter controls on industrial facilities and more complicated and public permitting processes.

For ozone nonattainment SIPs, the emission reductions are generally targeted at nitrogen oxide and volatile organic compound emission sources because it is believed that the chemical reaction between these compounds in the presence of sunlight leads to ozone formation.

Under the FCAA, the EPA has an obligation to revisit the NAAQS every five years, and that process has resulted in the tightening of the ozone standard. Most recently, the EPA published a final rule lowering the eight-hour ozone standard to 70 parts per billion ("ppb") on October 1, 2015, and retained that standard in 2020. The EPA made its final nonattainment designations under the 2015 ozone standard in 2018.

Rules for the Regulation of Sulfur Dioxide and Nitrogen Oxide Emissions. Sulfur dioxide ("SO2") and nitrogen oxide ("NOx") emissions were identified in the 1960s as the main cause of acid rain and a variety of rules have been introduced to regulate them.

In August 2011, EPA published the Cross-State Air Pollution Rule ("CSAPR") which addresses air pollution from upwind states in the U.S. that affect air quality in downwind states and also included cap-and-trade programs for annual SO2 and annual NOx emissions. On February 22, 2022, the EPA signed a proposal to disapprove the state implementation plan (the "SIP") submittals from Arkansas, Louisiana, Oklahoma, and Texas, along with 15 other states, regarding interstate transport for 2015 8-hour Ozone standards. In March 2023, EPA released its Good Neighbor Plan, a Final Rule implementing revisions to the CSAPR Nox Emissions Trading Program. This program would implement an ozone emissions cap in upwind states that would decline over time. EPA later announced that it would delay implementation in several states, including Texas, pending court review. In June 2023, EPA published a final Federal Implementation Plan ("FIP") to address air quality impacts with respect to the 2015 Ozone NAAQS. The FIP was meant to resolve the interstate transport obligations of 23 states, including Texas, under the "good neighbor" provisions of the FCAA. On June 27, 2024, the United States Supreme Court issued an order granting a stay of the EPA implementation of the FIP while several states, companies and industry groups challenged the rule in federal court. On March 12, 2025, the EPA announced that it would seek to reconsider the Good Neighbor Plan.

On March 25, 2025, a three-judge panel of the Fifth Circuit issued a decision upholding the EPA's disapproval of Texas' and Louisiana's SIPs. In their briefs, the State and various industry petitioners ("Texas Petitioners") had claimed perceived flaws under the EPA's approach, modeling, and interpretation of the Clean Air Act. However, in evaluating Texas' SIP, the panel concluded that the EPA reasonably disapproved Texas' SIP "because it did not satisfy the Good Neighbor Provision even under Texas' own interpretation," with the panel pointing to the EPA's discussion of seven weight-of-evidence factors on which Texas relied in its SIP submission.

The Acid Rain program seeks to reduce emissions of SO2 and NOx, the primary pollutants implicated in the formation of acid rain. The program regulates fossil-fueled electric generation facilities through a cap-and-trade program for SO2 allowances.

Mercury Emissions. EPA has promulgated rules that establish standards for mercury emissions from coal-fired electric generating units under Section 112 of the CAA. The standards were issued in February 2012 as the Mercury and Air Toxics Standards ("MATS") with a compliance deadline of April 16, 2015. Provision was made for a one-year extension, if warranted. On May 7, 2024, EPA published a final rule that strengthens and updates the Mercury and Air Toxics Standards ("MATS") for electric generating units ("EGUs") to reflect recent developments in control technologies. The rule lowers the emission standard for filterable particulate matter ("PM") from 0.030 lbs/MMBtu to 0.010 lbs/MMBtu, with compliance to be demonstrated solely through the use of PM Continuous Emission Monitoring Systems. The rule is subject to legal challenges, but the challenges are currently being held in abeyance. On June 11, 2025, the EPA proposed amendments to the 2024 MATS rule that would revert the filterable particulate mater emission standard for existing coal-fired power plants to the 2012 standard, restore options for EGU owners and operators to use quarterly stack testing or continuous parametric monitoring systems as alternatives instead of continuous emissions monitoring systems, and would revert to the 2012 limit for mercury emission limits for lignite-fired EGUs.

Climate Change and Emissions of Carbon Dioxide. Legislation has been introduced during recent sessions of the U.S. Congress that would regulate emissions of "greenhouse gases" or "GHG," including carbon dioxide, which has not been previously regulated as a pollutant in the United States. In addition, several states have declined to wait on U.S. Congress to develop and implement climate change legislation and have already taken legal measures to reduce emissions of greenhouse gases, primarily through the planned development of greenhouse gas emission inventories and/or regional greenhouse gas cap and trade programs. It is not possible at this time to predict if or when U.S. Congress or states may act on climate change legislation or to predict the requirements included in such legislation on the City.

In May 2024, the EPA published a final rule that (1) repealed the Affordable Clean Energy Rule addressing GHG emissions from existing fossil fuel-fired electric generation units ("EGUs"), (2) established guidelines for GHG emissions from existing fossil-fuel fired steam generating EGUs, (3) finalized revisions to the New Source Performance Standards ("NSPS") for GHG emissions from new and reconstructed fossil fuel-fired stationary combustion turbine EGUs, and (4) finalized revisions to the NSPS for GHG emissions from fossil fuel-fired steam generating EGUs that undertake a large modification. The degree of GHG emission reduction would depend on the EGU's retirement date, and the cost of such reductions would likely be substantial. Provisions of the rule addressing GHG emissions from base load natural gas-fired EGUs would apply to new combined cycle ("CC") gas plants at which construction commenced after May 23, 2023. Base load CC gas plants subject to the rule would be required by January 1, 2032, to control 90 percent of the GHG emissions, most likely through carbon capture and storage. EPA did not finalize guidelines for GHG emissions from existing fossil fuel-fired stationary combustion turbine EGUs in this rulemaking. The rule is subject to legal challenges, but the challenges are currently being held in abeyance. On June 11, 2025, the EPA proposed to repeal all GHG standards for fossil fuel-fired power plants.

On August 1, 2025, EPA published a proposal to repeal the 2009 "Endangerment Finding" whereby the EPA determined that greenhouse gases threaten public health and welfare. The Endangerment Finding, among other things, provides a basis for regulating GHGs under the Clean Air Act, so rescinding the finding could potentially impact the regulation of GHG emissions from EDUs. The City is currently unable to predict any specific changes or how such change, if any, may impact its operations.
Passage of climate change legislation by U.S. Congress or restrictions on emissions of GHGs imposed by EPA, TCEQ or civil litigation could have an adverse effect on the City's Electric System. The City cannot predict whether climate change legislation will be enacted in this or any future session of U.S. Congress, or whether State legislation or regulations could be enacted that would regulate GHG emissions. Moreover, the City cannot predict the financial impact that any such legislation or regulations, if enacted and signed into law, would have on the City or the electric market in general.

The regulatory programs that address GHG air emissions are complex and still developing in many respects. The installation of additional pollution control equipment to address new emission reduction requirements (assuming any such equipment should prove necessary) may require significant capital expenditures and may also significantly increase operating and maintenance costs. Finally, many of the regulatory programs are "cap and trade" programs and may require the purchase of emission allowances or credits to authorize continued operations, when on-site emission reductions are not possible or economical. At this time, the City cannot predict the final cost to it arising from these developing changes to the environmental air emissions rules applicable to its operations.

Unplanned Startup, Shutdown and Malfunction ("SSM") Affirmative Defenses. On June 12, 2015, the EPA issued a final rule requiring 36 states, including Texas, to revise their respective state implementation plans to eliminate "affirmative defense provisions" relating to startup, shutdown and malfunction events (the "SIP Call"). In Texas, the affirmative defense provisions allow EGUs protection from administrative and civil penalties for unavoidable emissions that occur as a result of unplanned startup, shutdown and malfunction. To claim an affirmative defense, an entity must assert that the unplanned event could not have reasonably been anticipated or avoided with proper maintenance or operation. Without the affirmative defense, the City's electric utility system could be subject to increased agency enforcement and citizen suits. Legal challenges were filed by environmental petitioners and states seeking legal review of the rule before the D.C. Circuit Court of Appeals.

On March 1, 2024, the D.C. Circuit Court of Appeals vacated the EPA's determination that states must remove automatic exemptions, enforcement discretion provisions, and affirmative defenses related to unplanned SSM emissions. The only portion of the SIP Call not vacated was the "limited affirmative defenses" provisions, like the one in Texas. Although Texas is not part of the SIP Call case (having been removed previously by the EPA as stated above), the rationale in the D.C. Circuit Court of Appeals case applies to all states with limited affirmative defenses, including Texas. On December 19, 2024, EPA issued updated guidance with respect to how it will evaluate SIPs in light of the D.C. Circuit Ruling. The City cannot predict the outcome of future SIP submittals in responding to the March 2024 decision of the D.C Circuit.

Waters of the United States. The EPA and the U.S. Army Corps of Engineers (the "USACE" and with the EPA, the "Agencies") regulate jurisdictional waters of the United States ("WOTUS") to protect water quality.

On May 25, 2023, the U.S. Supreme Court's decision in *Sackett v. EPA* narrowed the interpretation of the scope of "waters of the United States" under the CWA. Specifically, the Court ruled that CWA jurisdiction extends only to wetlands that have continuous surface connection with relatively permanent bodies of water connected to traditional interstate navigable waters. In reaching its decision, the Court rejected the "significant nexus" standard for determining the jurisdiction of the CWA that was articulated by Justice Kennedy in the Court's Rapanos decision. On September 8, 2023, the EPA and USACE published a final rule amending the definition of WOTUS consistent with the *Sackett* decision. Moreover, the final rule does not change the eight previously recognized exclusions from the definition of WOTUS. The exclusions are prior converted cropland; waste treatment systems; ditches; artificially irrigated areas; artificial lakes or ponds; artificial reflecting pools or swimming pools; waterfilled depressions; swales and erosional features.

As a result of ongoing litigation, the EPA and USACE have implemented the final rule as described above in 24 states, the District of Columbia, and the U.S. Territories. In the other 26 states, including Texas, the EPA and USACE are continuing to interpret WOTUS consistent with the pre 2015 regulatory regime and the Supreme Court's decision in *Sackett* until further notice. On March 12, 2025, the Trump administration has issued guidance to field staff on implementation of "continuous surface connection" in light of the U.S. Supreme Court's May 25, 2023, decision in the case of *Sackett v. Environmental Protection Agency*.

Coal Combustion Residuals. On April 17, 2015, the EPA Administrator published a final rule that establishes a comprehensive set of requirements for the disposal of coal combustion residuals ("CCRs" or "coal ash") in existing and new landfills and surface impoundments under the solid waste provisions of the Resource Conservation and Recovery Act ("RCRA") that regulates non-hazardous wastes. Following a partial vacatur of the April 2015 CCR rule by the U.S. Court of Appeals for the D.C. Circuit, EPA published a direct final rule on October 4, 2016 that extended certain compliance deadlines and addressed issues raised by the court. On July 30, 2018, EPA published final amendments to the April 2015 CCR rule that affect state CCR programs. In 2024, EPA published the legacy CCR rule ("Legacy CCR Rule"), which expands the scope of the existing regulatory requirements of the 2015 CCR Rule to include two additional classes of CCR units: Legacy Surface Impoundments ("Legacy SIs") and Coal Combustion Residual Management Units ("CCRMUs"). Legacy SIs include inactive surface impoundments at retired generating facilities that were exempt from the 2015 CCR Rule. CCRMUs are a newly defined category that includes previously unregulated areas at CCR facilities where CCR was beneficially reused in an unencapsulated manner, disposed of, placed, or managed on land outside of CCR units regulated by the 2015 CCR Rule. On July 22, 2025, EPA issued a direct final rule and, in the alternative, a proposed rule, extending deadlines for several CCRMU requirements. Among other things, the rulemaking extends groundwater monitoring compliance by 15 months to August 8, 2029, and modifies the deadlines that owners and operators can elect to meet for CCRMU facility evaluation reports. The TCEQ is currently evaluating its own state CCR program. The City cannot predict if, or when, the state program will be implemented.

FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY . . . The electric utility industry in the State in general has been, and in the future may be, affected by a number of factors that could impact the financial condition and competitiveness of the City's electric system. Such factors include:

- prevailing governmental policies and regulatory actions, including those of the FERC, the NERC, the EPA, the TCEQ, the PUC and ERCOT, with respect to:
    - wholesale market design, including allocation of transmission congestion costs;
    - transmission cost rate structure;
    - purchased power and recovery of investments;
    - acquisitions and disposal of assets and facilities;
    - operation and construction of facilities;
    - present or prospective wholesale and retail competition;
    - changes in and compliance with environmental and safety laws and policies;
    - developments in Federal law with respect to the ability of the City to finance and operate facilities and make energy sales in a manner that permits them to finance facilities with, and honor existing covenants with respect to, tax- exempt debt;
    - developments in Federal law with respect to mercury emission and greenhouse gas regulation; and
    - reliability standards put forth by Electric Reliability Organizations under FERC authority;
- Federal legislation to expand FERC authority to address cyber-security vulnerabilities in the electric utility industry;
- increased costs of compliance and production resulting from possible Federal legislation to curb the generation of greenhouse gases, primarily carbon dioxide;
- competition from self-generation of electric energy by certain industrial and commercial customers; increased costs or decreased revenues resulting from conservation and demand-side management programs on the timing and use of electric energy;
- legislation passed by the Texas Legislature to restructure the electric utility industry in Texas or (including amendments that may be enacted to that legislation in future Texas legislative sessions) or require enhanced weatherization of the City's electric system s assets;
- power costs and availability, including the continued development, and financial stability of owners of, merchant power plants in the State;
- regulatory and market uncertainty associated with operating in the ERCOT market which could impact the opportunities for constructing new dispatchable generation resources and the future reliability of the ERCOT market;
- weather conditions and other natural phenomena, and acts of sabotage, wars or terrorist activities; unanticipated population growth or decline, and changes in market demand and demographic patterns; changes in business strategy, development plans or vendor relationships;
- competition for retail and wholesale customers;

- access to adequate and reliable transmission facilities to meet changing demands;
- pricing and transportation of coal, natural gas and other commodities that may affect the cost of energy sold to the City;
- unanticipated changes in interest rates, commodity prices or rates of inflation; unanticipated changes in operating expenses and capital expenditures; commercial bank market and capital market conditions;
- competition for new energy development and other business opportunities; legal and administrative proceedings and settlements;
- inability of the various counterparties to meet their obligations with respect to the City's electric system s power purchase arrangements;
- significant changes in the City's electric system s relationship with its employees, including the availability of qualified personnel;
- global pandemics, such as COVID-19;
- issues related to cyber and physical security;
- significant changes in critical accounting policies material to the City's electric system; and
- actions of rating agencies.

The City cannot fully predict what effects such factors will have on the operations and financial condition of the City's electric system, but the effects could be significant. The discussion of such factors herein does not purport to be comprehensive or definitive, and any or all of these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is, and will be, available from the legislative and regulatory bodies and other sources in the public domain, and potential purchasers of the Bonds should obtain and review such information.

POTENTIAL STATE LEGISLATION AFFECTING MUNICIPALLY OWNED ELECTRIC UTILITIES . . . On August 4, 2026, the Governor announced a general intention to seek legislation expanding retail electric competition in areas served by municipally owned electric utilities and providing that municipal electric utility revenues be dedicated to electric service rather than unrelated local governmental expenditures. No specific proposal or proposed legislation related to the Governor's announcement has been publicly released as of the date hereof. Accordingly, the scope of the Governor's plan, its potential applicability to the City's electric system, and its treatment of reimbursements for shared municipal services, payments in lieu of taxes or other payments cannot presently be determined. No assurance can be given regarding whether any such legislation will be introduced in the 90th Regular Session of the Texas Legislature which convenes on January 12, 2027 and runs through May 31, 2027, or ultimately enacted and, if enacted, with respect to its terms or effect on the City's electric system.

STATE RESPONSE TO 2021 WEATHER EVENT . . . In the aftermath created by the 2021 Weather Event, many challenges were created for the ERCOT market as a whole. See "OTHER INFORMATION WINTER WEATHER EVENTS FEBRUARY 2021, 2022, 2023." The storm exposed deficiencies in the natural gas supply as well as deficiencies in the generator winterization programs implemented by the generator owners. As a result of the 2021 Weather Event, numerous changes have occurred at both the PUC and ERCOT, including the following:

- All three commissioners of the PUC resigned their positions. The PUC was expanded by the Texas Legislature to five commissioners.
- All out-of-state members of the board of directors of ERCOT (the "ERCOT Board") submitted a letter of resignation from the ERCOT Board; and thereafter, three other ERCOT Board members resigned.
- The ERCOT Board was reconstituted by eliminating the prior 16-member board, which represented different market segments. The new ERCOT Board membership consists of 11 members with the PUC Chair, the Public Counsel of the Office of Public Utility Counsel and the ERCOT chief executive officer acting as ex officio non-voting members, with the remaining 8 voting members appointed by a select committee.
- The ERCOT Board installed a new chief executive officer of ERCOT.

The Texas Legislature also addressed events from the 2021 Weather Event during the 87th Texas Legislature regular session which ended on May 31, 2021. Senate Bill 3 ("SB 3") was the comprehensive bill approved by the Texas Legislature and signed into law by the Governor on June 8, 2021, addressing the Winter Weather Event. Among other items, SB 3 requires electric and other energy companies to implement a number of reforms, including (i) engaging in winterization measures for natural gas, electric generating facilities, water production and supply systems, (ii) the mapping and identification of all natural gas to power supply chains, (iii) identification of such systems and process as critical load for the purpose of mandating that such infrastructure obtain uninterruptible power supply so that they will be excluded from any future load shedding programs under emergency conditions in ERCOT, and (iv) implementing communication alerts. The City may be affected by a provision in the legislation that adds Section 38.075 to the Utilities Code. This new section (i) applies to municipal owned utilities ("MOUs") that provide transmission service in the ERCOT power region, (ii) requires the PUC to adopt reliability standards to prepare for weather emergencies, (iii) requires ERCOT to inspect the covered entities for compliance, (iv) requires ERCOT to inform the PUC of violations, and (v) authorizes the PUC to impose an administrative penalty for each violation, not to exceed $1 million for each day of noncompliance.

The PUC is implementing weatherization regulations in two phases. The first phase requires owners/operators to weatherize their transmission and generation facilities for winter operations to the standards established by PUC following the 2021 Weather Event and to address any failures experienced during such time. The second phase, which was approved in September 2022, is intended to address additional weatherization standards for both winter and summer seasons.

SB 3 requires that the Texas Railroad Commission (the "Railroad Commission") adopt rules for designating certain natural gas facilities as critical customers or critical gas suppliers during energy emergencies. Only facilities that are prepared to operate during a weather emergency may be designated as a critical customer. The Railroad Commission must adopt rules to require any "gas supply chain facility" that is designated as critical to weatherize facilities and requiring a gas pipeline facility to weatherize during extreme weather conditions if that gas pipeline facility services a natural gas electric generation facility. Concerning the weatherization of critical gas pipeline and delivery facilities, the Railroad Commission also acted in two phases. In phase one, the Railroad Commission adopted a rule focused on the identification of critical gas facilities, as well as relatively small facilities that would be exempt from critical designation. Under the rule, pipelines that are directly serving a city gate (to supply gas distribution systems) and generation resources are not eligible for an exemption from critical designation. In April 2022, the Texas Electricity Supply Chain Security and Mapping Committee released its confidential map and public report on the State's electric utility supply chain. Following the release of the map, the Railroad Commission implemented phase two by adopting a new rule that applies to natural gas supply and gas pipeline facilities included on such map, all of which must be designated as "critical facilities" under the Railroad Commission's earlier rule. The new rule outlines weatherization and other standards applicable to these facilities to ensure operation during extreme weather, inspections, and penalties.

SB 3 also requires the PUC to establish an emergency pricing program for the wholesale electric market with the following requirements: (i) the emergency pricing program must take effect if the high system-wide offer cap has been in effect for twelve hours in a 24-hour period; (ii) the pricing program may not allow an emergency pricing program cap to exceed any non-emergency high system-wide offer cap; (iii) it shall establish an ancillary services cap to be in effect during the period an emergency pricing program is in effect; (iv) any wholesale pricing procedure that has a low system-wide offer cap may not allow the low system-wide offer cap to exceed the high system-wide offer cap; and (v) the emergency pricing program must allow generators to be reimbursed for reasonable, verifiable operating costs that exceed the emergency cap.

House Bill 16 ("HB 16") was approved by the Texas Legislature and signed into law by the Governor on May 26, 2021. HB 16 prohibits offering a wholesale indexed product to a residential customer.

Senate Bill 2 ("SB 2") was approved by the Texas Legislature and signed into law by the Governor on June 8, 2021. SB 2 reforms the ERCOT Board of Directors to require that members live in the State, creates a board selection committee comprised of one member appointed by each of the Governor, Lieutenant Governor and the Speaker of the House of Representatives to select eight members of the Board with executive-level experience in certain professions, who do not have a fiduciary duty to or assets in the electricity market.

House Bill 4492 ("HB 4492") was approved by the Texas Legislature during the 87th Texas Legislature regular session and signed into law by the Governor on June 16, 2021. HB 4492, among other things, permits a loan of up to $800 million to ERCOT from the State's Economic Stabilization (or "rainy day") Fund to pay for debts to ERCOT, secured by a non-bypassable charge to market participants, subject to true up, paid for a period not to exceed 30 years. ERCOT closed on the securitized loan and the proceeds from the securitization have been used by ERCOT to pay market participants that were short-paid for power purchases during the 2021 Weather Event with the remainder going to reimburse an ERCOT fund that was temporarily used to make the initial short-payments for power during the storm. Payment for the debt service of the securitized loan is being allocated to all market participants, including the City, based on their pro-rata share of market activity going forward.

Also pursuant to HB 4492, the PUC also authorized ERCOT's similar securitization bond financing for the $2.1 billion Default Uplift amounts for 30 years by load serving entities participating in the financing, compromised of costs incurred for ancillary services in excess of $9,000 and for costs of reliability deployment price adders.

House Bill 2586 ("HB 2586") was approved by the Texas Legislature and signed into law on May 24, 2021 by the Governor. HB 2586 requires the PUC to conduct an annual audit of ERCOT that would be sent to the Legislature and posted online for public viewing.

On July 6, 2021, the Governor sent a letter to the PUC directing the PUC to immediately take the following actions: (i) streamline incentives within ERCOT to foster the development and maintenance of adequate and reliable sources of power; (ii) allocate reliability costs to generation resources that cannot guarantee their own availability; (iii) instruct ERCOT to establish a maintenance schedule for non- renewable electricity generators; and, (iv) order ERCOT to accelerate the development of transmission projects that increase connectivity between existing or new dispatchable generation plants and areas of need. The PUC has initiated several rulemaking proceedings to address market reforms in response to the directive.

In January 2023, the PUC voted unanimously to adopt a Performance Credit Mechanism (the "PCM") electric market design option and a set of guiding principles for implementation to strengthen reliability, accountability, and affordability of on-demand electric generation within ERCOT. The PUC deferred implementation of all elements of the PCM until such time as the 88th Texas Legislature had an opportunity to review the PCM and its guiding principles and provide guidance or direction based upon the market design option's merits. While the City does not anticipate any material adverse effect on its operations and finances as a result of the PCM, no assurance can be given regarding any such impact.

House Bill 1500 ("HB 1500") was approved by the Texas Legislature and signed into law by the Governor on June 9, 2023. HB 1500 initially focused on the continuation and functions of the Public Utility Commission of Texas and the Office of Public Utility Counsel, and the functions of the independent organization certified for the ERCOT power region. However, multiple amendments were added to the legislation, including, but not limited to: (1) guidelines and guardrails around the PCM, the PUC's proposal to entice the construction of new dispatchable generation in ERCOT; (2) establishing a cap on the amount of cost a transmission owner bears for interconnecting generation; (3) no verbal orders from the PUC to ERCOT, with exception for emergencies; (4) development of a two-hour-ramp/four-hour runtime ancillary service by December 1, 2024; (5) owners or operators of generation facilities with interconnection agreements signed after January 1, 2027 demonstrating that their portfolio of facilities can generate at or above seasonal average generation capacity during time of highest reliability risk; and, (6) creating a Grid Reliability Legislative Oversight Committee. While the City does not anticipate any material adverse effect on its operations and finances as a result of the PCM, no assurance can be given regarding any such impact.

Senate Bill 2627 ("SB 2627") was approved by the Texas Legislature and signed into law by the Governor on June 9, 2023. SB 2627 provides a program for low-interest loans and completion bonuses for new dispatchable generation or upgrades to existing generation facilities.

The legislation discussed above is not intended to be an exhaustive list of all legislation from the 87th and 88th Texas Legislatures. Balancing the supply and demand, ERCOT determines the "locational marginal price" or "LMP" which is the cost of the last megawatt hour ("MWh") required to serve the requested aggregate demand. The LMP is, however, subject to certain maximum offer caps. On March 4, 2021, the ERCOT market transitioned the LMP cap from the High System-wide Market Cap ($9,000/MWh) to the Low Systemwide Market Cap ("LCAP"). The LCAP is the greater of $2,000/MWh or 50x the natural gas index price. In recognition of the extreme increase in natural gas prices during the 2021 Weather Event, on June 24, 2021, the PUC approved an amendment eliminating the 50x the natural gas price index component of the LCAP and replaced it with a provision that ensures resource entities are able to recover their actual marginal costs when the LCAP is in effect. The LCAP remained in place through the end of 2021. On June 28, 2021, ERCOT approved Nodal Protocol Revision Request 1080 that limits ancillary services prices at the system-wide offer cap to acknowledge that ancillary services prices exceeded the system-wide offer cap during the 2021 Weather Event. See "Generation Capacity Adequacy" above. On April 29, 2022, the PUC adopted an order lowering the High System-wide Market Cap to $5,000/MWh. The LMP is paid to all dispatched electric generators who bid up to that clearing price (without regard to a lesser price bid by a generator) which also corresponds to the necessary amount of electric generation to meet the requested demand. Every load serving entity pays the LMP for electric power requested, which may also include any nodal congestion costs related to such entity's offload "node." This price determination method is done on an ERCOT-wide basis in the real-time market where LMPs are aggregated to a fifteen-minute settlement period.

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APPENDIX D

EXCERPTS FROM THE
CITY OF GEORGETOWN, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2025

The information contained in this APPENDIX consists of excerpts from the City of Georgetown, Texas Annual Financial Report for the Year Ended September 30, 2025, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Georgetown, Texas

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of The City of Georgetown, Texas (the City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Texas Municipal Retirement System schedules and ratios, and Other Post-employment Benefits schedules and ratios as listed in table contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual major and nonmajor fund financial statements and schedules, as listed in the table of contents, and Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements

The Combining and Individual Major and Nonmajor Fund Financial Statements and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Major and Nonmajor Fund Financial Statements and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the Annual Comprehensive Financial Report (ACFR). The other information comprises the Introductory Section and Statistical Section, as listed in the table of contents, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists; we are required to describe it in our report.

The Honorable Mayor and
Members of the City Council
City of Georgetown, Texas

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
February 27, 2026

CITY OF GEORGETOWN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the City of Georgetown financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2025. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

General Fund

- At the end of the current fiscal year, the fund balance of the General Fund was $37,074,032 or 2.8% lower than FY 2024 fund balance. The fund had $20.8 million of committed fund balance, $23 thousand of non-spendable fund balance and $16.1 million of unassigned fund balance. Revenues were $2.1 million more than the original budget estimates.

- General Fund revenues increased $900 thousand, an increase of 1% from FY 2024. This increase is mainly due to due to continued strength in investment income, a 4.5% increase in sales taxes, and an increase in Franchise tax.

- General Fund expenditures increased by $7.9 million, an increase of 7.7% over FY 2024. This increase was due to increased public safety costs including market increases. The General Fund also saw increases in new positions, the city-wide salary increases for non-civil service merit and market adjustments, increases in allocation of administrative costs, and increased economic development costs. Additionally, the General Fund transferred $2.4 million of one time funds for the pedestrian bridge project.

Governmental Activities

- On a government-wide basis for governmental activities, the City had expenses net of program revenue of $99.8 million. General revenues and transfers totaled $158.8 million, resulting in an increase in net position of $58.9 million.

- As of September 30, 2025, the City's governmental activities reported combined ending net position balances of $642.7 million. The largest element of this balance is the value of the City's net investment in capital assets which totaled $515.1 million. Capital assets include the value of streets, parks and facilities, vehicles and equipment.

- During fiscal year ended September 30, 2025, the City issued approximately $38,235,000 in General Obligation, and $66,405,000 Certificates of Obligation bonds. Some of the major programs funded in these issues include just over $90 million for roads and mobility, $8 million for Parks, trails, and an Animal Shelter Regional partnership. Finally, just over $6 million was programmed for Public Safety vehicles and equipment. The City's general obligation debt is rated AAA by Standard & Poor's as of September 30, 2025.

Business-Type Activities

- The net position of the City's business-type activities had a current year increase of $194 million. The growth for the Water Utility is due to an increased number of meters and customer base of the utility systems. The Water, Sewer, and Solid Waste Utility also had rate increases on 10/01. All business type funds had continued increases due to the rapid growth and continued strength in developer contributions. The City received $101.2 million of infrastructure assets contributed by developers for commercial projects and residential subdivisions.

- The City issued $315,000 in Certificates of Obligation debt for the Airport. The City also issued $101.36 million in Utility Revenue Bonds which included $18.4 million for the Electric Utility, $33.7 million for the Water Utility and $54.4 million for the Wastewater utility. The City's Standard & Poor's rating is AA- on the utility system revenue debt as of Sept. 30, 2025.

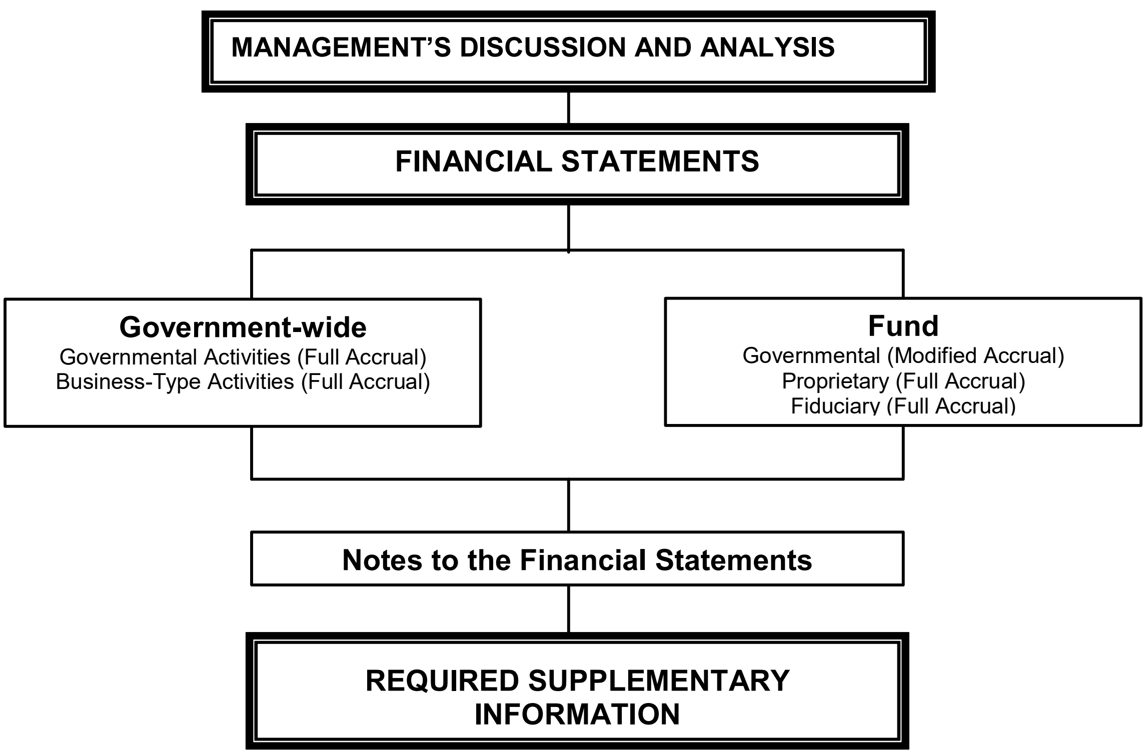
- To address the long-term demands of population growth in our water service area, on August 9, 2023, the City entered into a reservation agreement with EPCOR to secure additional raw-water supply. The City allowed this reservation agreement to expire in August of FY2025 because new, opportunities became available. The City is actively negotiating a water supply contract and hopes to reach final agreement this fiscal year. The infrastructure used to transport the groundwater from would also transport water from the Brazos River Authority, along with water stored in the City's future aquifer storage and recovery site and wells drilled into the Hosston and Trinity Aquifers on the same site.
- The City also announced in 2025 that it proposes to sell a portion of its water service territory outside of city limits. This would significantly reduce the amount of new water supply needed in the future.

Entity-Wide

The City's total net position on a government-wide basis was $1.915 billion at September 30, 2025, an increase of 15.2% over September 30, 2024. Most of this balance is invested in capital assets or restricted for specific purposes.

USING THE FINANCIAL SECTION OF THIS ANNUAL COMPREHENSIVE FINANCIAL REPORT

This Annual Comprehensive Financial Report consists of three sections: introductory, financial and statistical. As illustrated in the following chart, the financial section of this report has three components: management's discussion and analysis (this section), the basic financial statements, and required supplementary information.



Components of the Financial Section

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the City as a whole, using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. The statement of activities accounts for all current year revenues and expenses. Both are reported using full accrual basis of accounting, meaning recognizing events during the accounting period, regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position, which is the difference between the City's assets and deferred outflows and liabilities and deferred inflows, are one way to measure the financial health of the City. Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the City, one needs to consider other non-financial factors such as changes in the City's property tax base and condition of the City's infrastructure.

The government-wide financial statements of the City are divided into two categories:

Governmental Activities – Most of the City's basic services are included here, such as police, fire and other public safety services, parks and recreation, public library, street maintenance, and general administration. Property and sales taxes, return on investment from the City's utility services, and charges for services finance most of these activities.

Business-type Activities – The City's Water Services Fund, which includes water, wastewater and irrigation services, as well as its Electric utility, are reported here. Stormwater Drainage, Solid Waste Services and the City's Airport are also reported in these activities. Rates and fees charged to customers fund the costs of providing these services

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's most significant funds and will be more familiar to traditional users of government financial statements. The focus is now on major funds rather than fund types.

The City has three types of funds:

Governmental Funds – General Fund, Special Revenue Funds, Capital Projects Funds and the Debt Service Fund are governmental funds, which focus on:

(1) How cash and other financial assets can readily be converted to cash flow (in and out), and
(2) Year-end balances readily available for spending.

Consequently, the governmental funds statements provide a short-term view that helps determine whether there are greater or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided with the governmental fund financial statements that explain the reconciliation between the fund statements and the government-wide statements.

Proprietary Funds – Services for which the City collects fees and rates intended to fully recover the cost of providing the service are reported in proprietary funds. Two types of proprietary funds are allowed in governmental accounting: enterprise funds and internal service funds. These funds, similar to government-wide statements, provide both long-term and short-term financial information. The City's enterprise funds are substantially the same as its business-type activities, but the fund financial statements provide more detail and additional information, such as cash flows. The City uses enterprise funds to account for its airport, electric, water services, solid waste, and stormwater drainage activities. The City uses internal service funds to report activities that provide supplies and services for the City's other programs, activities and funds. The City's internal service funds are used in providing facility maintenance, fleet services, joint services (providing administrative functions to the other funds), as well as information technology services and self-funded health insurance.

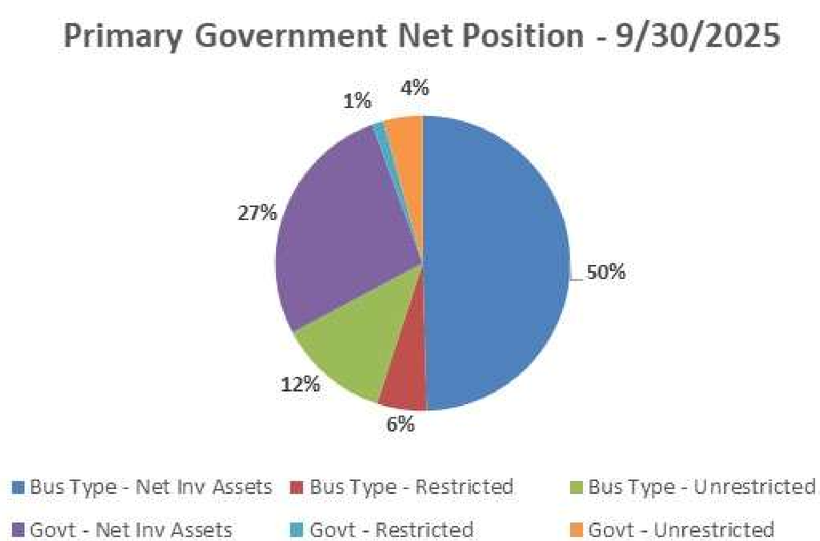
Fiduciary Funds – The City is the trustee, or fiduciary, for certain amounts held on behalf of others, and for certain pass-through arrangements. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The City's fiduciary activities are reported in a separate statement of fiduciary net position. Assets for assessment collections for the City's public improvement districts are held in fiduciary funds. These fiduciary activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Statement of Net Position:

The following table reflects the condensed Statement of Net Position (in thousands):

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 511,422	$ 426,274	$ 688,938	$ 680,519	$ 1,200,360	$ 1,106,793
Capital assets	698,497	640,816	1,365,046	1,087,441	2,063,543	1,728,257
Total assets	1,209,919	1,067,090	2,053,984	1,767,960	3,263,903	2,835,050
Deferred outflows	16,184	17,488	4,768	4,518	20,952	22,006
Long-term liabilities	528,669	455,108	717,811	629,718	1,246,480	1,084,826
Other liabilities	50,247	43,184	61,206	61,956	111,453	105,140
Total liabilities	578,916	498,292	779,017	691,674	1,357,933	1,189,966
Deferred inflows	4,435	2,486	7,310	2,775	11,745	5,261
Net investment in capital assets	515,173	465,612	938,155	830,107	1,453,328	1,295,719
Restricted	45,805	23,085	103,464	69,205	149,269	92,290
Unrestricted	81,774	95,103	230,806	178,717	312,580	273,820
Total net position	$ 642,752	$ 583,800	$ 1,272,425	$ 1,078,029	$ 1,915,177	$ 1,661,829



Statement of Activities:

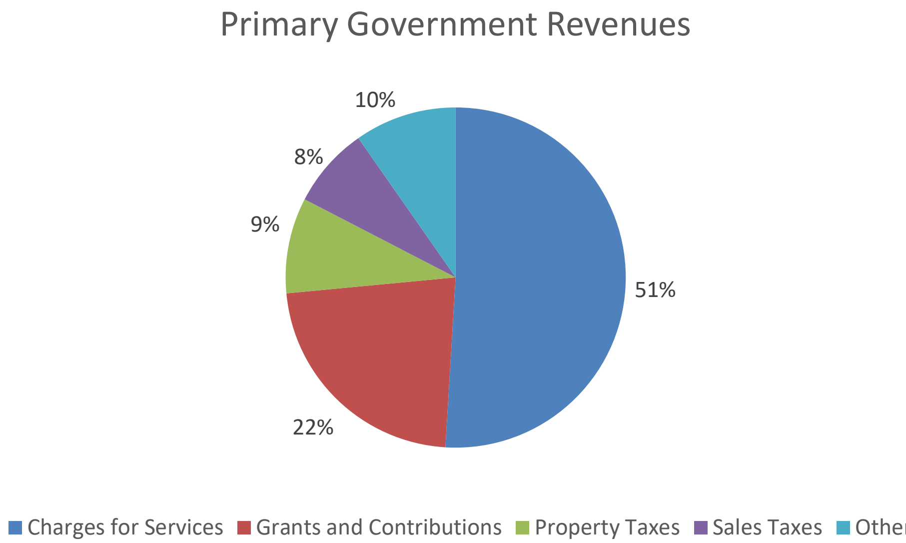
The following table reflects the condensed Statement of Activities (in thousands):

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues						
Charges for services	$ 25,539	$ 27,907	$ 326,123	$ 260,894	$ 351,662	$ 288,801
Operating grants and contributions	25,985	15,226	531	1,144	26,516	16,370
Capital grants and contributions	25,179	18,787	101,195	85,268	126,374	104,055
General revenues						
Property taxes	62,607	59,231	-	-	62,607	59,231
Sales taxes	52,787	50,489	-	-	52,787	50,489
Other taxes	2,885	2,670	-	-	2,885	2,670
Franchise taxes	9,765	8,480	299	-	10,064	8,480
Interest	20,595	19,881	27,501	29,491	48,096	49,372
Other	5,934	11,769	-	-	5,934	11,769
Total revenues	231,276	214,440	455,649	376,797	686,925	591,237
Expenses						
Culture/recreation	27,020	19,763	-	-	27,020	19,763
Development	15,124	6,891	-	-	15,124	6,891
Fire	36,548	34,440	-	-	36,548	34,440
General government	20,956	53,592	-	-	20,956	53,592
Interest on long-term debt	19,630	14,495	-	-	19,630	14,495
Police	30,522	27,367	-	-	30,522	27,367
Streets	26,639	8,826	-	-	26,639	8,826
Environmental services	163	165	-	-	163	165
Electric	-	-	111,463	109,260	111,463	109,260
Water services	-	-	113,864	92,047	113,864	92,047
Airport	-	-	6,357	6,347	6,357	6,347
Stormwater	-	-	8,695	7,680	8,695	7,680
Solid Waste	-	-	16,596	15,718	16,596	15,718
Total expenses	176,602	165,539	256,975	231,052	433,577	396,591
Change in net position before transfers	54,674	48,901	198,674	145,745	253,348	194,646
Transfers	4,278	(1,241)	(4,278)	1,241	-	-
Change in net position	58,952	47,660	194,396	146,986	253,348	194,646
Net position - beginning	583,800	527,767	1,078,029	940,866	1,661,829	1,468,633
Change in accounting principle	-	(778)	-	(672)	-	(1,450)
Adjustment - changes in reporting entity	-	9,151	-	(9,151)	-	-
Net position - beginning, as restated	583,800	536,140	1,078,029	931,043	1,661,829	1,467,183
Net position - ending	$ 642,752	$ 583,800	$1,272,425	$1,078,029	$ 1,915,177	$1,661,829

The City's combined net position increased by $253.3 million to $1.915 billion from $1.662 billion in FY 2024.

- Net position of Governmental Activities was $642.8 million. Most of these assets are invested in capital assets or restricted for particular purposes, such as $9 million for Street Maintenance projects or other capital projects, $3.8 million for Tax Incremental reinvestment Zones (TIRZ), and $2.3 million for debt service.
- The City's unrestricted net position for governmental activities, which can be used to finance day to day operations, totaled $81.8 million.
- Net investment in capital assets for governmental activities increased $49.6 million, primarily due to developer contributions and additions to capital assets.
- Current year net position for business-type activities increased by $194 million, due to the growth in the customer base, increased water and wastewater rates, developer contributed capital, and capital assets.

- During 2025, the City invested $ 215 million towards improving and expansion of utility infrastructure, compared to $182 million in 2024. The recently completed water and wastewater master plan includes projects for new and expanded water treatment plants, rehabilitation for two 30+ year old wastewater treatment plants, transmission lines, and backup power for extreme weather conditions.



REVENUES

Program revenues are derived from the program itself and reduce the cost of the function to the City. Total program revenues for both governmental and business-type activities are described below.

- **Governmental activities program revenue** for the fiscal year ended September 30, 2025 was $76.7 million. The *Charges for Services* category represents receipts primarily from development and building inspection fees, parks fees, fire billing for services and court fines. *Charges for Services de*creased $2.4 million. Other governmental program revenues included *operating and capital grants and contributions* for parks, fire and police programs, and streets. Capital grants and contributions totaled $25.2 million compared to $18.8 million last fiscal year due to donations from Garey Estate for progress on improvements to Garey Park and Interlocal Agreement with Williamson County for SE Inner Loop.

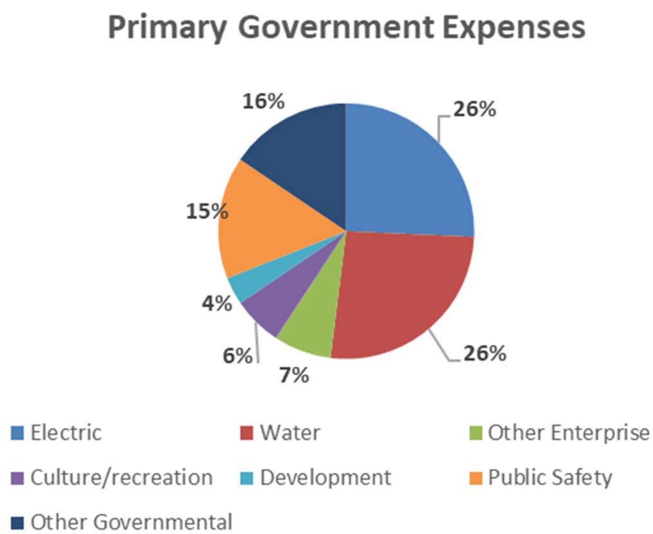
- **Business-type activities program revenue** totaled $427.8 million, 23.1% increase over prior year. Capital grants and contributions increased $15.9 million over the prior year due to increased developer contributions. *Charges for Services*, which represent receipts from utility customers for electric, water, and wastewater, and solid waste services increased $62.2 million. The Water Utility saw a rate increase in FY2025, effective October 1, 2024. One rate increase for water of 11.75%, and a wastewater rate increase of 11.25%.These rate increases were adopted by Council in order to support operations, infrastructure needs, and fees for new supply. The estimated impact on the average water (6,000 gallons per month) and wastewater customer is approximately $11.80 per month. Electric charges for services increased due to increased customer growth and some new large load customers who came online in FY2025. Additionally in FY2025, there was a rate increase for solid waste customers of 4.5% for residential, and 9.5% increase for commercial customers. Other program revenues include airport fuel sales, hangar rentals and stormwater drainage fees.

- **General revenues** are revenues from taxes levied on behalf of the general government and other revenues used for general government activities not specific to a program or service. These revenues and notable changes are described below.
- *Property taxes* totaled $62.6 million. Included in these taxes are real and personal property levies which are assessed October 1, and payable before the following January 31.

  - Certified assessed valuations in FY 2025 increased 12.5% over FY2024. The total growth in assessed valuations is $2 billion, with over $1.12 billion attributed to new value.
  - The ad valorem tax rate for fiscal year 2025 was $0.3647 per $100 of assessed valuation. This is a decrease from the prior year's rate of $0.374. The adopted tax rate is .000086 below the voter approval rate.

- *Sales taxes*, the City's second largest source of general revenue, totaled $56.3 million for fiscal year 2025, which was an increase of 4.6% compared to the prior year. This increase is primarily driven by a full-year impact of Costco, the addition of a second HEB at Wolf Lakes, and Lowes coming online in summer of FY2025. Sales tax revenues represented 34% of the general government revenue total in 2025, excluding the payment in lieu of taxes from the utility funds.

- Hotel/motel taxes totaled $2.181 million compared to $ 1.942 million in FY 2024 and are included in *other* taxes. This increase is the result of the new hotels in the City and increased tourism City events such as Two Step Inn and Red Poppy Festival.



<u>Expenses for governmental activities</u> totaled $176.6 million, versus $165.5 million in FY 2024. Total governmental expenses increased by $11.1 million compared to the prior year. Annual salary increases implemented during the fiscal year included significant increases for public safety based on new meet and confer agreements and annual merit and market increases for non-public safety employees effective January 2025. Other explanations for the changes are noted below.

- Inflation for various supplies, vehicles, and other commodities
- Increased capital project spending for parks, roads, and public safety
- Expenses for the new Ask GTX (311-like) call center – full year impact
- Increased debt service payments

<u>Expenses for business-type activities</u> totaled $256.9 million, a 11.2% increase over the prior year, which provided electric, water, and wastewater services for customers, as well as airport, solid waste services and stormwater drainage programs. Salary increases implemented during the fiscal year included annual merit and market increases for employees effective January 2025. Notable explanations for the changes are explained below.

- Electric increased 14.5%. The increase in expenses for electric is the result of growth in development and the addition of new large load customers
- Water services increased 24.7% mainly due to growth in development and increased debt related expense
- The increased costs in the Solid Waste fund is mainly due to capital expenses for the new transfer station.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds: The City's fund balance is the accumulated difference between assets and liabilities within **governmental funds**, and it allows the City to meet its contractual obligations, fund disaster or emergency costs, provide cash flow for timing purposes and fund non-recurring expenses appropriated by City Council.

For the fiscal year ended September 30, 2025, the City's governmental funds reflect a combined fund balance of $412.7 million.

The General Fund had a fund balance of $37.1 million for FY 2025, an decrease of approximately $0.9 million from FY 2024. According to the Fiscal and Budgetary Policy of the City, the use of excess fund balance is limited to non-recurring one time only expenses. Excess funds are transferred to the Council Special Revenue fund for future designation.

Along with the increases in property taxes and some sales taxes increases already mentioned above, the General Fund and other funds received the benefit of continued favorable interest rates for investment income in FY2025. Increased staffing due to rapid growth in the General Fund also contributed to some increased costs.

Debt Service fund balance increased from $4 million to $5.2 million in FY25 due to investment income of $1.1 million.

General Capital Project Fund had a fund balance of $219.4 million for FY2025 compared to $191.5 million for FY2024 mainly as a result of the additional $84 million in bond proceeds received for facility, parks, and road projects.

Non-major governmental funds include an increase in fund balance mainly due to increases in tree mitigation fees for development growth along with increased investment income.

Georgetown Transportation Enhancement Corporation (GTEC), the City's blended component unit had a 5.5% increase in fund balance due to bond proceeds of $44.6 million increased investment income and sales taxes. GTEC contributed $6.1 million in transportation improvements to facilitate economic development in 2025.

Business-type Activities: The City's **proprietary fund** statements provide the same type of information found in government-wide financial statements, but in more detail.

Total unrestricted net position as of September 30, 2025 totaled $230.8 million, which included $97.7 million for Electric, $123.3 million for Water and $9.8 million for all other Non-Major funds. The Water fund also has restricted net position of $103.5 million for funding of future plant expansions. The change in net position for FY 2025 was $194 million resulting primarily from increased investment income, continued growth in the City's utility systems, and development funded capital improvements. Development growth has greatly impacted the Utilities. Georgetown's population increased 11.6% year over year and the overall number of meters being read increased 9% in FY2025.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original and final budget of the General Fund changed due to budget amendments for increased revenues related to Winter Storm Mara, along with increased costs associated with additional public safety and Ask GTX call center staffing and equipment, and economic development agreements. The variance between the actual ending fund balance at September 30, 2024 of $38.4 million and the final budgetary fund balance of $30.6 million is attributed to increased investment income, increased sales taxes, and increased charges for services along with savings from anticipated departmental expenses.

CAPITAL ASSETS

The City's governmental activities (including the internal service funds) had invested $698.5 million in a variety of capital assets and infrastructure. The City has $1.365 billion invested in its business-type activities capital assets. The detail is reflected in the following schedule:

	Governmental Activities		Business-Type Activities		Total Primary Government	
(Dollars in thousands)	2025	2024	2025	2024	2025	2024
Land	$ 36,790	$ 27,893	$ 3,330	$ 3,329	$ 40,120	$ 31,222
Land rights	21,009	21,009	1,723	1,723	22,732	22,732
Buildings	109,037	108,901	13,364	12,873	122,401	121,774
Furniture, machinery, and equipment	53,067	46,011	4,969	4,336	58,036	50,347
Vehicles	42,799	46,427	18,877	99	61,676	46,526
Streets	422,776	382,107	1,339	821	424,115	382,928
Distribution system	15,505	15,252	1,115,878	1,019,815	1,131,383	1,035,067
Bridges	21,287	21,223	-	-	21,287	21,223
Improvements	109,613	99,388	23,361	7,337	132,974	106,725
Right-of-use-asset - leases	3,652	3,652	2,813	-	6,465	3,652
Right-of-use-asset - subscriptions	7,115	8,992	77	104	7,192	9,096
Construction in progress	121,058	85,271	515,778	335,675	636,836	420,946
Accumulated depreciation	(265,211)	(225,310)	(336,463)	(298,671)	(601,674)	(523,981)
Total capital assets	$ 698,497	$ 640,816	$ 1,365,046	$ 1,087,441	$ 2,063,543	$ 1,728,257

In FY2025, the City budgeted approximately $5.4 million of General Fund revenues for on-going street maintenance projects, along with the staff and maintenance costs of the street department. In addition, the City also budgeted $13 million of funds received in dedicated 1/4 cent sales tax for street maintenance. The maintenance funds are allocated among various projects identified by the pavement condition analysis and council goals. Total Street Maintenance expenditures for FY2025 were $16.1 million.

Utility infrastructure maintenance is budgeted within the utility funds. For fiscal year 2025, funding for electric and water services infrastructure maintenance was approximately $5.2 million.

Major capital assets added in FY 2025 are noted below:

- General Capital Projects:
  - Construction in process projects — $87,473,367
  - DB Wood (SH 29 to Oak Ridge)
  - Downtown Austin Ave Parking Garage
  - Rockride Lane
  - Austin Ave Bridges
  - Southeast Inner Loop – MB21
  - Southern Blvd
  - DB Wood (Oak Ridge to Williams Dr)
  - Leander Rd (Norwood-Swbypass)
  - FM 971 Widening (Gantt-SH130)

- Completed projects:
  - IH35 and Inner Loop — $8,894,882
  - Rabbit Hill Road — $4,183,680
  - Sam Houston Ave Ext/SE1/Wilco Corridor — $3,923,605
  - Downtown Sidewalk Improvements — $2,358,733
  - Intersection Improvements (Lakeway @ Williams Dr) — $1,737,022
  - Old Town Southeast Sidewalk Improvements — $1,065,164
  - FM 1460 @ La Conterra Traffic Signal — $550,747

- Utility Infrastructure and Capital Projects:
  - Electric distribution system expansion (including developers) — $17,890,630
  - Water and Wastewater treatment and distribution system — $497,096,462
  - Solid Waste Transfer Station — $126,642
  - Stormwater improvements — $503,127

For more detailed notes about the City's capital assets, please see Note 5 to the financial statements.

OUTSTANDING DEBT

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
General obligation bonds	$ 438,045	$ 364,879	$ 71,279	$ 77,436	$ 509,324	$ 442,315
Sales tax revenue bonds	1,580	2,320	-	-	1,580	2,320
Special assessment revenue bonds	7,219	7,423	-	-	7,219	7,423
Revenue bonds	-	-	585,780	499,085	585,780	499,085
Premiums	29,817	27,881	41,842	37,597	71,659	65,478
Arbitrage	7,007	3,613	5,618	4,533	12,625	8,146
Compensated absences payable	13,106	12,348	3,819	3,374	16,925	15,722
Net pension liability	23,321	25,593	7,774	7,645	31,095	33,238
Other post-employment benefits	5,105	4,777	1,642	-	6,747	4,777
Lease liabilities	921	1,883	57	-	978	1,883
Subscription liabilities	2,548	4,391	-	48	2,548	4,439
Total long-term liabilities	$ 528,669	$ 455,108	$ 717,811	$ 629,718	$ 1,246,480	$ 1,084,826

- As of September 30, 2025, the City had a total of $509.3 million in general obligation debt outstanding. This represents a 15.1% increase over prior year. This increase reflects $38,235,000 of 2025 General Obligation Bonds, $66,405,000 of 2025 Certificates of Obligation, and $106,495,000 in 2025 Revenue Bonds being issued.

- The state limits the legal amount of tax levy available for general obligation debt service to $1.50 per $100 valuation. The City's 2025 debt levy equaled $0.239592 per $100 assessed valuation, or 16.% of the maximum allowed.

- Other long-term debts included are compensated absence payable, net pension obligation, arbitrage liability and other post-employment benefits. These experienced an increase from FY 2025 of $3.2 million due to increased arbitrage liabilities, an increase in GASB 87 lease liabilities, and GASB101 resulting in higher compensated absences. The major driver for the decrease in the Net Pension Liability are changes in investment returns. Subscription Liabilities also increased due to an increased number and dollar amounts on IT subscriptions.

- A detailed analysis of the City's long-term debt is located in Note 9 to the financial statements.

ECONOMIC FACTORS

During FY 2025, the City continued to see some growth in the local and regional economy. Total sales tax receipts grew to $2.3 million, or 4.5% over FY2024. The growth in residential and commercial development continued in FY2025, while unemployment increased to 4.5% from 4.3% in 2024. The residential growth in the City's utility service area, which includes both the city limits and the City's extra territorial jurisdiction (ETJ), continued at a steady 5% growth rate.

DISCRETELY PRESENTED COMPONENT UNIT

The Georgetown Economic Development Corporation (GEDCO) has been included in the reporting entity as a discretely presented component unit since it provides benefits to other entities aside from the City. Separate audited financial statements are not issued for GEDCO.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This report is designed to provide City Council, citizens, customers, bond rating agencies, investors and creditors with a general overview of the City's

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GEORGETOWN
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more than welcome

Basic Financial Statements

City of Georgetown, Texas
Statement of Net Position
September 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Georgetown Economic Development Corporation
ASSETS				
Cash and cash equivalents	$ 76,033,052	$ 125,720,849	$ 201,753,901	$ 5,483,363
Cash and cash equivalents - restricted	167,143,721	175,240,353	342,384,074	-
Investments	98,755,574	163,292,601	262,048,175	10,144,131
Investments - restricted	137,319,042	116,420,088	253,739,130	-
Prepaid items	224,402	15,652,893	15,877,295	-
Accounts receivable				
Services (net of allowance for uncollectibles)	-	41,715,712	41,715,712	-
Taxes and other	26,738,124	4,831,363	31,569,487	561,642
Internal balances	(214,313)	214,313	-	-
Other assets	-	1,689,460	1,689,460	-
Inventories	3,409,982	674,606	4,084,588	-
Long-term receivables	2,012,588	6,285,818	8,298,406	-
Regulatory asset, net	-	37,200,000	37,200,000	-
Capital assets				
Land	36,790,351	3,329,683	40,120,034	-
Land rights	21,009,247	1,723,151	22,732,398	-
Buildings	109,036,899	13,363,993	122,400,892	-
Furniture, machinery, and equipment	53,065,531	4,969,217	58,034,748	-
Vehicles	42,799,104	18,877,121	61,676,225	-
Streets	422,776,303	1,339,317	424,115,620	-
Distribution system	15,504,854	1,115,878,293	1,131,383,147	-
Bridges	21,286,699	-	21,286,699	-
Improvements	109,613,280	23,359,921	132,973,201	139,740
Right-to-use asset - leases	3,652,349	2,813,173	6,465,522	-
Right-to-use asset - subscriptions	7,115,443	76,500	7,191,943	-
Construction in progress	121,057,974	515,778,421	636,836,395	-
Accumulated depreciation and amortization	(265,211,333)	(336,463,039)	(601,674,372)	-
Total assets	1,209,918,873	2,053,983,807	3,263,902,680	16,328,876
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow related to pension	14,304,724	4,768,243	19,072,967	-
Deferred outflow related to OPEB	1,391,306	-	1,391,306	-
Deferred charge on refunding	487,921	-	487,921	-
Total deferred outflows of resources	16,183,951	4,768,243	20,952,194	-
LIABILITIES				
Accounts payable	22,508,679	33,043,714	55,552,393	976,379
Unearned revenue	20,095,869	643,022	20,738,891	-
Accrued interest	3,631,956	4,499,927	8,131,883	6,867
Payable from restricted assets				
Construction contracts and retainages	3,583,373	17,950,364	21,533,737	-
Customer deposits payable from restricted assets	427,119	5,068,459	5,495,578	-
Noncurrent liabilities, due within one year	38,061,789	29,687,654	67,749,443	233,203
Noncurrent liabilities, due in more than one year				
Lease liability	351,899	702,972	1,054,871	-
Subscription liability	1,021,613	31,875	1,053,488	-
Accrued employee benefits	9,175,220	2,392,438	11,567,658	-
Net pension liability	23,321,224	7,773,742	31,094,966	-
Other post employment benefits	5,040,688	-	5,040,688	-
Arbitrage	6,996,667	5,142,145	12,138,812	-
Long-term debt	444,699,839	672,080,354	1,116,780,193	1,747,549
Total liabilities	578,915,935	779,016,666	1,357,932,601	2,963,998
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	2,188,802	729,600	2,918,402	-
Deferred inflows related to OPEB	2,069,405	-	2,069,405	-
Deferred inflows related to leases	177,067	6,580,152	6,757,219	-
Total deferred inflows of resources	4,435,274	7,309,752	11,745,026	-
NET POSITION				
Net investment in capital assets	515,173,019	938,155,295	1,453,328,314	139,740
Restricted for				
Debt service	2,306,985	-	2,306,985	-
Hotel/Motel tax	3,877,331	-	3,877,331	-
Street maintenance tax	9,074,075	-	9,074,075	-
PEG Fees	911,240	-	911,240	-
Municipal court	276,062	-	276,062	-
Police	614,470	-	614,470	-
Public improvement districts	2,207,314	-	2,207,314	-
Tax Increment zone improvements	3,852,910	-	3,852,910	-
Sidewalks	160,099	-	160,099	-
Park improvements	22,444,367	-	22,444,367	-
Streetlight maintenance	79,996	-	79,996	-
Capital Projects	-	103,464,695	103,464,695	-
Unrestricted	81,773,747	230,805,642	312,579,389	13,225,138
TOTAL NET POSITION	$ 642,751,615	$ 1,272,425,632	$ 1,915,177,247	$ 13,364,878

The Notes to the Financial Statements are an integral part of this statement.

City of Georgetown, Texas

Statement of Activities

For the Fiscal Year Ended September 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total	Georgetown Economic Development Corporation
PRIMARY GOVERNMENT								
Governmental activities								
Culture / recreation	$ 27,020,145	$ 8,042,359	$ 449,672	$ 1,346,175	$ (17,181,939)	$ -	$ (17,181,939)	
Development	15,124,445	7,493,087	67,116	-	(7,564,242)	-	(7,564,242)	
Fire	36,547,582	6,028,672	5,979,908	-	(24,539,002)	-	(24,539,002)	
General government	20,956,255	1,194,675	16,644,513	806,653	(2,310,414)	-	(2,310,414)	
Police	30,522,037	966,840	843,827	-	(28,711,370)	-	(28,711,370)	
Streets	26,638,510	485,974	2,000,000	23,025,844	(1,126,692)	-	(1,126,692)	
Environmental services	162,543	1,327,106	-	-	1,164,563	-	1,164,563	
Interest on long-term debt	19,629,830	-	-	-	(19,629,830)	-	(19,629,830)	
Total governmental activities	176,601,347	25,538,713	25,985,036	25,178,672	(99,898,926)	-	(99,898,926)	
Business-type activities								
Electric	111,462,940	114,553,215	393,467	25,998,679	-	29,482,421	29,482,421	
Water	113,864,226	181,588,685	-	56,557,158	-	124,281,617	124,281,617	
Airport	6,356,549	5,678,713	123,000	-	-	(554,836)	(554,836)	
Stormwater	8,695,087	6,455,687	-	18,638,990	-	16,399,590	16,399,590	
Solid Waste	16,595,528	17,846,651	14,042.00	-	-	1,265,165	1,265,165	
Total business-type activities	256,974,330	326,122,951	530,509	101,194,827	-	170,873,957	170,873,957	
TOTAL PRIMARY GOVERNMENT	$ 433,575,677	$ 351,661,664	$ 26,515,545	$ 126,373,499	(99,898,926)	170,873,957	70,975,031	
COMPONENT UNIT - GEORGETOWN ECONOMIC DEVELOPMENT CORPORATION	$ 2,668,116	$ -	$ -	$ -				$ (2,668,116)
General Revenues								
Property tax					62,606,779	-	62,606,779	-
Sales tax					52,786,878	-	52,786,878	3,518,820
Franchise taxes					9,765,456	299,440	10,064,896	-
Hotel occupancy tax					2,181,192	-	2,181,192	-
Mixed beverage tax					393,226	-	393,226	-
Auto inventory tax					310,741	-	310,741	-
Investment income					20,594,970	27,500,617	48,095,587	646,194
Other					5,934,128	-	5,934,128	505,767
Transfers					4,277,586	(4,277,586)	-	-
Total general revenues and transfers					158,850,956	23,522,471	182,373,427	4,670,781
Change in net position					58,952,030	194,396,428	253,348,458	2,002,665
Net position, beginning of the year					583,799,585	1,078,029,204	1,661,828,789	11,362,213
NET POSITION, END OF THE YEAR					$ 642,751,615	$ 1,272,425,632	$ 1,915,177,247	$ 13,364,878

The Notes to the Financial Statements are an integral part of this statement.

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GEORGETOWN
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Fund Financial Statements

City of Georgetown, Texas
Balance Sheet – Governmental Funds
September 30, 2025

	General	Georgetown Transportation Enhancement Corporation	Debt Service	General Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 17,142,062	$ 3,429,167	$ -	$ 10,757,498	$ 22,288,185	$ 53,616,912
Cash and cash equiv. - restricted	-	64,637,047	5,257,085	96,414,405	835,184	167,143,721
Investments	22,264,976	4,453,977	-	13,972,382	28,949,022	69,640,357
Investments - restricted	-	28,122,780	-	109,196,262	-	137,319,042
Accounts receivable, net						
Property taxes	376,899	-	593,079	-	16,868	986,846
Sales tax	5,054,781	2,246,570	-	-	1,123,285	8,424,636
Grants	5,934	-	-	4,713,167	22,395	4,741,496
Interest	4,336	-	-	-	-	4,336
EMS	4,975,978	-	-	-	-	4,975,978
Other	939,057	-	-	-	5,608,760	6,547,817
Due from other funds	1,183,349	-	-	758,824	525	1,942,698
Long-term receivables	152,588	-	-	-	-	152,588
Prepaid items	23,392	-	-	-	-	23,392
TOTAL ASSETS	$ 52,123,352	$ 102,889,541	$ 5,850,164	$235,812,538	$ 58,844,224	$ 455,519,819
LIABILITIES						
Accounts payable and accrued liabilities	$ 6,774,315	$ 1,068,367	$ -	$ 7,009,951	$ 5,331,611	$ 20,184,244
Due to other funds	-	-	-	-	1,402,758	1,402,758
Unearned revenue	7,721,039	-	-	11,104,747	1,270,083	20,095,869
Total liabilities	14,495,354	1,068,367	-	18,114,698	8,004,452	41,682,871
DEFERRED INFLOWS OF RESOURCES						
Deferred inflow leases receivables	177,067	-	-	-	-	177,067
Deferred property taxes	376,899	-	593,079	-	16,868	986,846
Total deferred inflows of resources	553,966	-	593,079	-	16,868	1,163,913
FUND BALANCE						
Nonspendable	23,392	-	-	-	-	23,392
Restricted	-	4,815,000	5,257,085	217,697,840	43,497,864	271,267,789
Committed	20,876,742	97,006,174	-	-	7,325,040	125,207,956
Unassigned	16,173,898	-	-	-	-	16,173,898
Total fund balance	37,074,032	101,821,174	5,257,085	217,697,840	50,822,904	412,673,035
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	$ 52,123,352	$ 102,889,541	$ 5,850,164	$235,812,538	$ 58,844,224	$ 455,519,819

The Notes to the Financial Statements are an integral part of this statement.

City of Georgetown, Texas
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2025

Total fund balance - total governmental funds	$ 412,673,035
Amounts reported for governmental activities in the statement of net position are different because:	
The City uses internal service funds to charge the costs of certain activities, such as capital assets, administrative services and information technology to the City's other funds. The assets and liabilities of the internal service funds are included in governmental functions in the statement of net position.	76,212,805
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	667,750,521
Long-term debt is not due and payable using available resources and is not recorded in the governmental funds balance sheet. The impact of recognizing long-term debt, and related items is as follows:	
Bonds payable	(446,844,418)
Premiums on bond issuance	(29,817,135)
Deferred charge on refunding bonds	487,921
Accrued interest	(3,543,179)
Arbitrage liability	(7,006,825)
Other long-term liabilities, and related amounts, are not due and payable using available resources and are not recorded in the governmental funds balance sheet. The impact of recognizing these items is as follows:	
Lease liability	(533,040)
Subscription liability	(28,982)
Compensated absences	(12,457,784)
Net pension liability	(23,321,224)
Deferred outflow related to pension	14,304,724
Deferred inflow related to pension	(2,188,802)
Other post-employment benefits	(5,104,749)
Deferred outflow related to other post-employment benefits	1,391,306
Deferred inflow related to other post-employment benefits	(2,069,405)
Revenues from property taxes are deferred in the governmental fund balance sheet until they are considered available to fund current expenditures, but such revenues are recognized in the government-wide statements.	986,846
Some long-term receivables are not recognized in the governmental fund balance sheet until the funds are considered available to fund current expenditures.	1,860,000
Net position of governmental activities	$ 642,751,615

The Notes to the Financial Statements are an integral part of this statement.

City of Georgetown, Texas

Statement of Revenues, Expenditures, and
Changes in Fund Balance – Governmental Funds
For the Fiscal Year Ended September 30, 2025

	General Fund	Georgetown Transportation Enhancement Corporation	Debt Service	General Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	$ 21,650,945	$ -	$ 38,585,752	$ -	$ 2,334,135	$ 62,570,832
Sales tax	31,673,955	14,075,282	-	-	7,037,641	52,786,878
Franchise taxes	9,669,369	-	-	-	96,087	9,765,456
Other taxes	703,967	-	-	-	2,778,299	3,482,266
Charges for service	17,214,270	-	-	746,832	6,729,035	24,690,137
Fines and forfeitures	654,997	-	-	-	193,579	848,576
Donations and grants	7,217,121	-	-	6,713,167	14,095,139	28,025,427
Investment income	1,793,270	2,842,114	1,110,885	9,720,048	2,369,215	17,835,532
Other revenue	1,189,236	-	922	835,846	1,031,593	3,057,597
Total revenues	91,767,130	16,917,396	39,697,559	18,015,893	36,664,723	203,062,701
EXPENDITURES						
Current						
Culture / recreation	16,437,516	-	-	-	2,804,767	19,242,283
Development	7,195,532	1,376,732	-	-	130,406	8,702,670
Fire services	33,644,309	-	-	-	181,043	33,825,352
General government	15,718,666	-	-	-	2,037,935	17,756,601
Highways and streets	7,471,848	-	-	234,614	40,190	7,746,652
Police	28,911,949	-	-	-	191,825	29,103,774
Environmental services	-	-	-	-	162,543	162,543
Capital outlay	473,593	6,127,844	-	55,777,498	22,751,407	85,130,342
Debt service						
Principal retirement	-	740,000	27,048,256	-	151,333	27,939,589
Interest and fiscal charges	-	305,090	15,477,904	677,926	355,333	16,816,253
Total expenditures	109,853,413	8,549,666	42,526,160	56,690,038	28,806,782	246,426,059
Excess (deficiency) of revenues over (under) expenditures	(18,086,283)	8,367,730	(2,828,601)	(38,674,145)	7,857,941	(43,363,358)
OTHER FINANCING SOURCES (USES)						
Transfers in	20,669,394	-	4,032,901	9,396,426	1,090,000	35,188,721
Transfers out	(3,685,501)	(3,309,149)	-	(4,281,710)	(4,334,462)	(15,610,822)
Issuance of bonds	-	42,735,000	-	57,620,000	-	100,355,000
Premiums	-	1,864,020	-	2,123,203	-	3,987,223
Total other financing sources (uses)	16,983,893	41,289,871	4,032,901	64,857,919	(3,244,462)	123,920,122
Net change in fund balances	(1,102,390)	49,657,601	1,204,300	26,183,774	4,613,479	80,556,764
Fund balances, beginning of year	38,176,422	52,163,573	4,052,785	191,514,066	46,209,425	332,116,271
FUND BALANCES, end of year	$ 37,074,032	$ 101,821,174	$ 5,257,085	$ 217,697,840	$ 50,822,904	$412,673,035

The Notes to the Financial Statements are an integral part of this statement.

City of Georgetown, Texas

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance
to the Statement of Activities – Governmental Funds
For the Fiscal Year Ended September 30, 2025

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	$ 80,556,764
Amounts reported for governmental activities in the statement of activities are different because:	
The City uses internal service funds to charge the costs of certain activities, such as fleet management and information technology to appropriate functions in other funds. The change in net position of internal service funds is recognized in governmental activities in the statement of activities.	(7,334,228)
Current year capital outlays are expenditures in the fund statements, but are shown as increases in capital assets in the government-wide financial statements. The effect of removing the current year capital outlays is to increase net position. Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources.	
Capital outlay	85,130,342
Depreciation	(41,738,766)
Net book value of current year disposals	(57,921)
Capital assets contributed or donated to the City are not recognized in governmental funds since they do not provide current financial resources, but are recognized in the statement of activities as program revenues	23,025,844
Proceeds from issuance of long-term debt are recognized as other financing sources in the governmental funds, but are treated as an increase in liabilities in the governmental activities. Principal payments on long-term debt are recognized as expenditures in the governmental funds, but are treated as reductions of liabilities in the governmental activities. Deferred charges on refunding bonds are recognized in the governmental activities, and amortized with the related long-term debt. Premiums on long-term debt issuances are recognized as other financing sources in the governmental funds, but are presented as a component of long-term debt and amortized in the governmental activities.	
Bond payments	28,132,256
Issuance of bonds	(100,355,000)
Premium on bond issuance	(3,987,223)
Amortization of bond premiums, net	2,050,590
Amortization of deferred charge on refunding, net	(226,009)
Increase in arbitrage liability	(3,393,981)
Interest is accrued on outstanding debt in the governmental activities statement of net position, but in the governmental fund financial statements the expenditure is reported when due.	(1,341,640)
Compensated absences, other post-employment benefit obligations, pension liability, lease liabilities, subscription liabilities, and related deferred inflows and outflows of resources are not recognized in the governmental funds as they will not be settled with current financial resources; however these obligations are recognized in the governmental activities statement of net position. The change in these amounts for the current year is:	
Net pension liability	2,272,160
Deferred outflow related to pension	(820,451)
Deferred inflow related to pension	(2,058,992)
Other post employment benefits	(327,393)
Deferred outflow related to other post-employment benefits	(257,727)
Deferred inflow related to other post-employment benefits	76,370
Compensated absences	(639,645)
Lease liability	322,420
Subscription liability	28,313
Changes to revenue deferred in the governmental funds but recognized in the governmental activities and to long-term note receivables not recorded in the governmental funds for the current year are:	
Long-term receivable	(140,000)
Unavailable property taxes	35,947
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 58,952,030

The Notes to the Financial Statements are an integral part of this statement.

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City of Georgetown, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund
For the Fiscal Year Ended September 30, 2025

	Budgeted Amounts		Actual	Variance to
	Original	Final	Budgetary Basis	Final Budget
REVENUES				
Property taxes	$ 22,813,842	$ 22,813,842	$ 21,650,945	$ (1,162,897)
Sales tax	30,304,757	30,304,757	31,673,955	1,369,198
Franchise taxes	9,668,215	9,668,215	9,669,369	1,154
Other taxes	750,000	750,000	703,967	(46,033)
Charges for services	18,847,704	19,012,704	19,440,721	428,017
Fines and forfeitures	522,650	522,650	654,997	132,347
Donations and grants	6,541,657	6,551,657	7,217,121	665,464
Investment income	1,800,000	1,800,000	1,793,270	(6,730)
Miscellaneous	386,136	387,636	1,189,236	801,600
Total revenues	91,634,961	91,811,461	93,993,581	2,182,120
EXPENDITURES				
Culture / recreation	16,697,257	16,731,484	16,437,516	293,968
Development	6,723,480	8,765,636	7,210,290	1,555,346
Fire services	33,449,387	33,956,377	33,801,909	154,468
General government	17,516,439	17,356,450	18,106,608	(750,158)
Highways and streets	7,702,932	8,147,263	7,471,848	675,415
Police services	29,863,778	30,087,068	29,051,693	1,035,375
Total expenditures	111,953,273	115,044,278	112,079,864	2,964,414
Excess (Deficiencies) of revenues over expenditures	(20,318,312)	(23,232,817)	(18,086,283)	5,146,534
OTHER FINANCING SOURCES (USES)				
Transfers in	19,345,950	20,561,167	20,669,394	(108,227)
Transfers out	(2,490,000)	(3,685,501)	(3,685,501)	-
Total other financing sources (uses)	16,855,950	16,875,666	16,983,893	(108,227)
Net change in fund balance	(3,462,362)	(6,357,151)	(1,102,390)	5,254,761
Fund balances, beginning of year	32,219,275	38,427,314	38,176,422	(250,892)
FUND BALANCES, end of year	$ 28,756,913	$ 32,070,163	$ 37,074,032	$ 5,003,869

The Notes to the Financial Statements are an integral part of this statement.

City of Georgetown, Texas
Statement of Net Position
Proprietary Funds
September 30, 2025

	Electric Fund	Water Services Fund	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
ASSETS					
Current assets					
Cash and cash equivalents	$ 21,412,090	$ 100,628,631	3,680,128	$ 125,720,849	$ 22,416,140
Cash and cash equivalents - restricted	20,750,725	151,904,177	2,585,451	175,240,353	-
Investments	27,811,106	130,701,559	4,779,936	163,292,601	29,115,217
Investments - restricted	5,088,649	111,331,439	-	116,420,088	-
Prepaid expenses	11,517,812	4,135,081	-	15,652,893	201,010
Accounts receivable, net					
Services	17,454,874	20,865,887	3,394,951	41,715,712	1,057,015
Grants	393,467	-	100,000	493,467	-
Interest receivable	-	-	7,231	7,231	-
Other	888,244	2,613,698	828,723	4,330,665	-
Other assets	1,689,460	-	-	1,689,460	-
Due from other funds	279,576	-	20,005	299,581	14,037
Inventories	603,248	9,743	61,615	674,606	3,409,982
Total current assets	107,889,251	522,190,215	15,458,040	645,537,506	56,213,401
Noncurrent assets					
Long-term receivables	-	120,752	6,165,066	6,285,818	-
Regulatory asset, net	37,200,000	-	-	37,200,000	-
Capital assets					
Land	635,073	1,559,074	1,135,536	3,329,683	695,992
Land rights	153,607	66,006	1,503,538	1,723,151	-
Buildings	24,637	9,483,138	3,856,218	13,363,993	510,121
Furniture, machinery, and equipment	1,866,271	2,463,174	639,772	4,969,217	19,235,488
Vehicles	6,505,412	9,195,448	3,176,261	18,877,121	42,441,001
Streets	-	-	1,339,317	1,339,317	-
Distribution system	276,242,498	690,248,844	149,386,951	1,115,878,293	3,281,970
Improvements	173,421	802,666	22,383,834	23,359,921	1,194,203
Construction in progress	17,890,630	497,096,462	791,329	515,778,421	1,075
Right-to-use asset - leases	-	2,813,173	-	2,813,173	2,072,696
Right-to-use asset - subscriptions	76,500	-	-	76,500	7,000,816
Less accumulated depreciation and amortization	(102,697,682)	(190,566,422)	(43,198,935)	(336,463,039)	(45,687,182)
Total capital assets (net of accumulated depreciation and amortization)	200,870,367	1,023,161,563	141,013,821	1,365,045,751	30,746,180
Total noncurrent assets	238,070,367	1,023,282,315	147,178,887	1,408,531,569	30,746,180
TOTAL ASSETS	345,959,618	1,545,472,530	162,636,927	2,054,069,075	86,959,581
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflow related to pension	2,098,027	2,288,756	381,460	4,768,243	-
Total deferred outflows of resources	2,098,027	2,288,756	381,460	4,768,243	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 348,057,645	$ 1,547,761,286	$ 163,018,387	$ 2,058,837,318	$ 86,959,581

The Notes to the Financial Statements are an integral part of this statement.

City of Georgetown, Texas
Statement of Net Position – Continued
Proprietary Funds
September 30, 2025

	Electric Fund	Water Services Fund	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
CURRENT LIABILITIES					
Accounts payable	$ 12,600,983	$ 18,700,868	$ 1,741,863	$ 33,043,714	$ 5,907,808
Accrued employee benefits	612,117	700,165	114,682	1,426,964	232,689
Due to other funds	-	85,268	-	85,268	768,290
Unearned revenue	133,222	366,482	143,318	643,022	-
Current portion of long-term debt	10,065,168	15,506,213	1,249,622	26,821,003	-
Arbitrage	-	475,358	-	475,358	-
Accrued interest	701,530	3,689,565	108,832	4,499,927	88,777
Current portion of lease liability	-	938,829	-	938,829	387,964
Current portion of subscription liability	25,500	-	-	25,500	1,496,839
Total	24,138,520	40,462,748	3,358,317	67,959,585	8,882,367
Construction contracts and retainages payable	2,712	17,929,872	17,780	17,950,364	-
Customer deposits	4,803,143	251,881	13,435	5,068,459	427,119
Total current liabilities payable from restricted assets	4,805,855	18,181,753	31,215	23,018,823	427,119
Total current liabilities	28,944,375	58,644,501	3,389,532	90,978,408	9,309,486
NONCURRENT LIABILITIES					
Accrued employee benefits	1,057,164	1,139,160	196,114	2,392,438	415,677
Long-term debt	116,169,911	535,597,329	20,313,114	672,080,354	-
Arbitrage	-	5,142,145	-	5,142,145	-
Net pension liability	3,420,446	3,731,396	621,900	7,773,742	-
Lease liability	-	702,972	-	702,972	-
Subscription liability	31,875	-	-	31,875	1,021,613
Total noncurrent liabilities	120,679,396	546,313,002	21,131,128	688,123,526	1,437,290
TOTAL LIABILITIES	149,623,771	604,957,503	24,520,660	779,101,934	10,746,776
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pension	321,024	350,208	58,368	729,600	-
Deferred inflow related to leases	-	-	6,580,152	6,580,152	-
TOTAL DEFERRED INFLOWS OF RESOURCES	321,024	350,208	6,638,520	7,309,752	-
NET POSITION					
Net investment in capital assets	100,414,575	715,721,964	122,018,756	938,155,295	27,839,764
Restricted for capital projects	-	103,464,695	-	103,464,695	-
Unrestricted	97,698,275	123,266,916	9,840,451	230,805,642	48,373,041
Total net position	198,112,850	942,453,575	131,859,207	1,272,425,632	76,212,805
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 348,057,645	$ 1,547,761,286	$ 163,018,387	$ 2,058,837,318	$ 86,959,581

The Notes to the Financial Statements are an integral part of this statement.

City of Georgetown, Texas
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2025

	Electric Fund	Water Services Fund	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
OPERATING REVENUES					
Service charges					
Electric	$ 105,834,126	$ -	$ -	$ 105,834,126	$ -
Water	-	88,804,861	-	88,804,861	-
Wastewater	-	34,975,307	-	34,975,307	-
Other	5,527,095	9,381,957	29,482,717	44,391,769	73,475,529
Total operating revenues	111,361,221	133,162,125	29,482,717	274,006,063	73,475,529
OPERATING EXPENSES					
Electric	24,222,990	-	-	24,222,990	-
Water	-	39,946,273	-	39,946,273	-
Wastewater	-	2,935,790	-	2,935,790	-
Depreciation and amortization	8,205,517	17,744,833	4,544,680	30,495,030	9,444,410
Utility contracts	75,007,759	13,666,865	-	88,674,624	-
Plant management	-	11,410,519	-	11,410,519	-
Other	-	3,900,553	26,609,910	30,510,463	61,121,129
Total operating expenses	107,436,266	89,604,833	31,154,590	228,195,689	70,565,539
Net operating income (loss)	3,924,955	43,557,292	(1,671,873)	45,810,374	2,909,990
NONOPERATING REVENUES (EXPENSES)					
Investment income	3,792,336	22,603,739	1,104,542	27,500,617	2,759,438
Donations and grants	393,467	-	137,042	530,509	-
Interest and fiscal charges	(4,040,222)	(24,270,329)	(498,494)	(28,809,045)	(95,204)
Gain(loss) on disposed assets	13,548	10,936	5,920	30,404	(13,905)
Franchise taxes	-	-	299,440	299,440	-
Other	3,191,994	48,426,560	498,334	52,116,888	2,293,329
Total nonoperating revenues (expenses)	3,351,123	46,770,906	1,546,784	51,668,813	4,943,658
Income (loss) before contributions and transfers	7,276,078	90,328,198	(125,089)	97,479,187	7,853,648
CONTRIBUTIONS AND TRANSFERS					
Capital contributions	25,998,679	56,557,158	18,638,990	101,194,827	112,437
Transfers in	7,122,164	9,703,753	3,564,949	20,390,866	6,723,952
Transfers out	(6,920,917)	(11,207,137)	(6,540,398)	(24,668,452)	(22,024,265)
Total contributions and transfers	26,199,926	55,053,774	15,663,541	96,917,241	(15,187,876)
Change in net position	33,476,004	145,381,972	15,538,452	194,396,428	(7,334,228)
Net position, beginning of period	164,636,846	797,071,603	116,320,755	1,078,029,204	83,547,033
TOTAL NET POSITION, end of period	$ 198,112,850	$ 942,453,575	$ 131,859,207	$1,272,425,632	$ 76,212,805

The Notes to the Financial Statements are an integral part of this statement.

City of Georgetown, Texas
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2025

	Electric Fund	Water Services Fund	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 118,721,833	$ 175,237,073	$ 26,178,839	$ 320,137,745	$ 76,658,819
Payments to suppliers	(91,916,154)	(69,015,192)	(24,798,348)	(185,729,694)	(43,232,626)
Payments to employees for services	(5,746,589)	(10,940,500)	2,327,204	(14,359,885)	(16,157,750)
Net cash provided by (used in) operating activities	21,059,090	95,281,381	3,707,695	120,048,166	17,268,443
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers out	(6,920,917)	(11,207,137)	(6,540,398)	(24,668,452)	(22,024,265)
Transfers in	7,122,164	4,298,640	2,186,577	13,607,381	6,723,952
Net cash provided by (used in) noncapital financing activities	201,247	(6,908,497)	(4,353,821)	(11,061,071)	(15,300,313)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(5,723,282)	(184,964,889)	(1,555,758)	(192,243,929)	(158,906)
Sale of capital assets	-	-	-	-	(19,868)
Donations and grants	393,467	-	137,042	530,509	-
Proceeds from issuance of long-term debt	17,490,000	83,870,000	1,000,000	102,360,000	-
Principal paid on revenue and certificates of obligation bonds	(9,280,397)	(11,423,487)	(1,152,819)	(21,856,703)	-
Interest paid on revenue and certificates of obligation bonds	(3,914,603)	(17,360,978)	(1,133,789)	(22,409,370)	-
Principal paid on leases	-	(924,551)	-	(924,551)	(639,446)
Interest paid on leases	-	(34,368)	-	(34,368)	-
Principal paid on subscriptions	(67,557)	-	-	(67,557)	(2,290,340)
Interest paid on subscriptions	(6,375)	-	-	(6,375)	(93,003)
Net cash used in capital and related financing activities	(1,108,747)	(130,838,273)	(2,705,324)	(134,652,344)	(3,201,563)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	3,842,309	22,511,650	1,081,849	27,435,808	2,759,438
Change in temporary investments	(6,409,242)	80,770,290	1,814,069	76,175,117	1,388,047
Net cash provided by (used in) investing activities	(2,566,933)	103,281,940	2,895,918	103,610,925	4,147,485
Net change in cash and cash equivalents	17,584,657	60,816,551	(455,532)	77,945,676	2,914,052
CASH AND CASH EQUIVALENTS, beginning of year	24,578,158	191,716,257	6,721,111	223,015,526	19,502,088
CASH AND CASH EQUIVALENTS, end of year	$ 42,162,815	$ 252,532,808	$ 6,265,579	$ 300,961,202	$ 22,416,140
CLASSIFIED AS					
Current assets	$ 21,412,090	$ 100,628,631	$ 3,680,128	$ 125,720,849	$ 22,416,140
Restricted assets	20,750,725	151,904,177	2,585,451	175,240,353	-
TOTAL	$ 42,162,815	$ 252,532,808	$ 6,265,579	$ 300,961,202	$ 22,416,140
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital asset purchases on account (accrued but not paid)	$ 2,712	$ 17,929,872	$ 1,965	$ 17,934,549	$ -
Capital asset acquisitions under subscriptions (SBITAs)	76,500	2,574,803	-	2,651,303	474,880
Developer contributions	25,998,679	56,557,158	18,638,990	101,194,827	112,437
OPERATING INCOME (LOSS)	$ 3,924,955	$ 43,557,292	$ (1,671,873)	$ 45,810,374	$ 2,909,990
Adjustments to reconcile operating income (loss) to cash provided by operating activities					
Depreciation and Amortization	8,205,517	17,744,833	4,544,680	30,495,030	9,444,410
Regulatory asset	2,400,000	-	-	2,400,000	-
Gain/loss on disposal of asset	13,548	10,936	5,920	30,404	(13,905)
Other income	3,191,994	48,426,560	797,774	52,416,328	2,293,329
Decrease (increase) in prepaid expenses	(2,031,187)	(322,337)	-	(2,353,524)	(1,010)
Decrease (increase) in inventories	-	(7,314)	1,374	(5,940)	(1,092,576)
Decrease (increase) in accounts receivable	4,089,739	(6,362,148)	(4,089,697)	(6,362,106)	476,747
Decrease (increase) in other assets	(47,423)	-	-	(47,423)	-
Increase (decrease) in due to/from other funds	(279,576)	85,268	(20,005)	(214,313)	718,643
Increase (decrease) in accounts payable	990,669	(8,316,123)	251,241	(7,074,213)	1,987,278
Increase (decrease) in customer deposits	255,504	(400)	7,430	262,534	427,119
Increase (decrease) in unearned revenue	(142,750)	-	(25,305)	(168,055)	-
Increase (decrease) in net pension liability	267,078	278,845	3,867,940	4,413,863	-
Increase (decrease) in accrued employee benefits	221,022	185,969	38,216	445,207	118,418
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 21,059,090	$ 95,281,381	$ 3,707,695	$ 120,048,166	$ 17,268,443

The Notes to the Financial Statements are an integral part of this statement.

City of Georgetown, Texas
Statement of Fiduciary Net Position
Custodial Fund
September 30, 2025

	Custodial Fund
ASSETS	
Investments	$ 659,623
Total assets	659,623
LIABILITIES	
Accounts payable	362,767
Total liabilities	362,767
NET POSITION	
Restricted for:	
PID development	296,856
Total net position	296,856
TOTAL LIABILITIES AND NET POSITION	$ 659,623

The Notes to the Financial Statements are an integral part of this statement.

City of Georgetown, Texas
Statement of Changes in Fiduciary Net Position
Custodial Fund
For the Fiscal Year Ended September 30, 2025

	Custodial Fund
ADDITIONS	
Property taxes	$ 293,616
Total additions	293,616
DEDUCTIONS	
Administrative expenses	336,145
Total deductions	336,145
Net increase (decrease) in fiduciary net position	(42,529)
Net position, beginning of period	339,385
NET POSITION, END OF PERIOD	$ 296,856

The Notes to the Financial Statements are an integral part of this statement.

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Notes Section

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Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of the City of Georgetown, Texas, (the City), included in the accompanying basic financial statements conform to the generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the City's Annual Comprehensive Financial Report.

A. Reporting Entity

The City of Georgetown was incorporated under the laws of the State of Texas in 1848 and operates under a Council-Manager form of government. The City's financial statements include the accounts of all City operations. Generally accepted accounting principles require all funds that are controlled by or are dependent on the City Council to be included in the City's financial statements. The reporting entity is the primary government, or the City, and those component units for which the primary government is financially accountable. Financial accountability is defined as the appointment of a voting majority of the potential component unit's board and either the ability to impose its will by the primary government or the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with the data of the primary government. Based upon these considerations, the City's financial statements include the Georgetown Transportation Enhancement Corporation (GTEC) as a blended component unit. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the primary government, and whose exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based upon these considerations, the City's financial statements include the Georgetown Economic Development Corporation (GEDCO) as a discretely presented component unit.

Blended Component Units
GTEC, the City's 4B economic development corporation, is a legally separate entity from the City that was created in May 2001 by voters approving an additional sales tax. GTEC is governed by a seven-member board appointed by City Council, of which two are Council members. The City Council maintains budgetary control over the corporation. The City Manager serves as the General Manager of the corporation and the City's Finance Director acts as the Financial Manager. For financial reporting purposes, GTEC is presented as a blended component unit within City operations because its sole purpose is to utilize sales tax revenues for the improvement of the City's transportation system. The revenues and expenditures for GTEC are accounted for in a general capital projects fund. The City issues debt on behalf of GTEC in exchange for pledged sales tax revenue that is transferred to the City to reimburse for debt service related to the bonds. GTEC's debt is shown in the Governmental Activities in the Statement of Net Position. Separately issued financial statements are not available.

The Parks at Westhaven Public Improvement District (Westhaven PID) was created in March 2021 for the purpose of financing the development and constructions costs for improvements made within or related to the Parks at Westhaven Development Project. The Westhaven PID meets the financial accountability tests and is considered to be a blended component unit. Specifically, the government body is made up of City Council members and management of the primary government has operational responsibility for the Westhaven PID. Separately issued financial statements are not available.

Discretely Presented Component Unit
GEDCO has been included in the reporting entity as a discretely presented component unit. GEDCO cannot be considered a blended component unit because the revenues are not only for the benefit of the City. GEDCO was created by the City in May 2005, under the Texas Development Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. It is funded through voter authorized sales tax. The seven member Board, which includes two City Council members, is appointed by and serves at the discretion of the City Council. City Council approval is required for annual budgets and bonded debt issuance, therefore the City can impose its will on GEDCO. In the event of dissolution, net position of GEDCO shall be converted to the City. Accordingly, the City accounts for GEDCO as a discretely presented component unit on the government-wide financial statements. GEDCO is audited as part of the City of Georgetown. Separately issued financial statements are not available.

Related Organizations
The Mayor and City Council are responsible for appointing a voting majority of the members of some local boards and commissions, but the City's accountability for these organizations does not extend beyond making the appointments. This entity is the Georgetown Housing Authority.

B. Basis of Presentation

Basic Financial Statements
The basic financial statements include both government-wide financial statements (based on the City as a whole) and fund financial statements. Both sets of financial statements classify activities as either governmental, which are supported by taxes and intergovernmental revenues, or business-type activities, which rely on fees and charges for support.

Government-Wide Financial Statements
The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given program or function is offset by the program's revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. The effect of interfund activity within the governmental and business-type activities columns has been removed from these statements.

Fund Financial Statements
The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Each fund is considered a separate accounting entity and the operations of e ach fund are accounted for using a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Separate statements are presented for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

The government-wide focus is on the sustainability of the City as an entity and the change in net financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides a different focus, which allows the reader to compare and analyze the information to enhance the usefulness of the statements.

Governmental Fund Types

Governmental Funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds (in the fund financial statements) is on the sources, uses, and balance of current financial resources and include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund. The individual funds are described as follows:

Major Governmental Funds
General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Georgetown Transportation Enhancement Corporation – This capital projects fund is used to account for the City's 4B Corporation activities, created to administer the voter approved half-cent sales tax for transportation improvements that aid in economic development efforts.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

General Capital Projects Fund – This capital projects fund is used to account for financial resources to be used for the acquisition or construction of parks, buildings, and other facilities. Such resources are derived from proceeds of general obligation bonds or other sources of revenue specifically set aside for capital projects.

Nonmajor Governmental Funds
Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are restricted to expenditures for specified purposes.

Proprietary Fund Types
The Proprietary Fund Types are used to account for the City's organization and activities which are similar to those often found in the private sector. These funds are financed and operated in a manner similar to private business enterprises – where the intent of the City is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered mainly through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal on-going operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Major Proprietary Funds
Electric Fund – This fund accounts for the City's electric utility, including operations, maintenance of the infrastructure and expansion of the system within the City's service territory.

Water Services Fund – This fund accounts for the City's water, sewer and water reuse systems, including operations, contracted maintenance, internal maintenance, expansion of the system within the City's service territory and the costs of environmental mandates that arise.

Non-Major Proprietary Funds
Enterprise Funds – The funds that are operated as enterprise funds within the City but are not considered major funds are the Stormwater Drainage, Airport, and Solid Waste Funds.

Internal Service Funds – The Internal Service Funds, which provide services primarily to other funds of the government, are presented in the summary form as part of the proprietary fund financial statements. The financial statements of the internal service funds are allocated in the governmental column when presented at the government-wide level. Various operations are accounted for as internal service funds, such as operational costs associated with automobile and heavy equipment owned by the City and made available to various departments, costs related to maintaining and repairing City owned facilities, operational costs associated with the City's computer equipment within various departments, as well as jointly shared administrative departments.

Fiduciary Fund Type – Custodial Fund
The City's fiduciary fund is presented in total in the fund financial statements. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, this fund is not incorporated in the government-wide statements. The City's fiduciary fund accounts for the operations of Cimarron Hills Public Improvement District in which taxes are received from the taxable value in Cimarron Hills and subsequently disbursed to the developer.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Measurement focus refers to what is being measured and basis of accounting refers to timing of revenue and expenditure recognition in the financial statements.

The government-wide statements and fund financial statements for proprietary and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled utility services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues available if they are collected within sixty (60) days after year-end. Expenditures are recognized when the related fund liability is incurred, if measurable, except for principal and interest on general long-term debt, which are recorded when due, and compensated absences, which are recorded when payable from current available financial resources.

Ad valorem, sales, hotel, and franchise tax revenues recorded in the Governmental Fund Types are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

D. Budgets

At least 30 days prior to the end of each fiscal year, the City Manager submits a proposed budget presenting a complete financial plan for the ensuing fiscal year to the City Council (the Council). Public hearings are conducted, at which time all interested persons' comments concerning the budget are heard. The budget must be legally adopted by the Council through passage of an ordinance no later than the 27th day of the last month of the fiscal year.

Formal budgetary integration is employed as a management control device during the year for all Governmental and Proprietary Fund Types. Budgets for all funds were legally adopted for the period. Budgetary control is exercised at the department level. All budgets are prepared on the budgetary basis, recognizing encumbrances outstanding at year-end as expenditures against that year's appropriation. These encumbrances are reconciled to generally accepted accounting principles where appropriate.

The Council may transfer any unencumbered appropriation balance or portion thereof from one department, office, department, or agency to another at any time. The City Manager has authority, without Council approval, to transfer appropriation balances from one expenditure account to another within a single department, office, department, or agency of the City; however, unbudgeted transfers between funds are prohibited.

The Council may authorize by a majority plus one vote, an emergency expenditure as an amendment to the original budget, but only in a case of grave public necessity, to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonable, diligent thought and attention. The governing body may make changes to the budget for other municipal purposes.

Budget amounts are as originally adopted, or as transferred pursuant to authorization of the City Manager or amended by the City Council. Individual amendments were not material in relation to the original appropriations, with the exception of amendments related to capital projects and grant expenditures, whose actual costs were unknown when the budget was adopted. Unencumbered appropriations lapse each year at September 30.

The Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results, except for the effect of encumbrances and unrealized investment gains and losses, which are reconciled to the actual results for this comparison.

E. Encumbrances

Encumbrance account is employed as an extension of formal budgetary control in all governmental and proprietary funds. Encumbrance account is a process whereby purchase orders, contracts, and other commitments for the expending of monies are recorded in order to reserve that portion of the applicable appropriation.

F. Cash and Investments

For cash flow purposes, cash and cash equivalents consist of demand deposits, certificates of deposits and deposits in authorized investment pools.

The operating cash balances from all funds are consolidated in pooled cash and investment accounts. Excess pooled balances are invested in U.S. Treasury securities, U.S. Government agency securities, fully collateralized money market funds and local government investment pools. Maturities on all investments are consistent with the City's cash flow requirements. Investments, except for the investment pools, for the City are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Interest earnings are then allocated to each fund based on average monthly pooled equity balances. Separate cash and investment accounts are maintained for restricted cash such as debt service and bond proceeds reserved for future construction.

G. Restricted Assets

Certain cash and investments are restricted by various legal and contractual obligations. Included in the restricted assets are capital recovery fees (impact fees) restricted by law for future capital improvements, customer deposits, and specific bond proceeds restricted for use.

H. Inventories and Prepaid Items

Inventories consist of electric materials, jet fuel, office and other supplies valued at the weighted average cost method and are recognized as expenditures or expenses when used. The prepaid items consist of required payments made to a vendor for a contract in the following fiscal year. These items are accounted for using the consumption method.

I. Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts.

J. Note Receivable

Long-term note receivable, which consists of the principal amount of the loan, is reported in the governmental fund statements with an offset to non-spendable fund balance as resources are not available for expenditure. Long-term note receivable reported in the governmental activities on the government-wide statement of net position is not offset by unavailable revenue as it is recorded on an accrual basis at its net realizable value.

K. Interfund Transactions

All legally authorized transfers have been appropriately presented as interfund transfers and are included in the fund financial statements of both Governmental and Proprietary Fund types. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

L. Intergovernmental Revenues

Intergovernmental revenues represent entitlements and shared revenues which are accounted for within the fund financed. Such revenues, received for purposes normally financed through the general government, are accounted for within the Special Revenue Funds.

M. Accrued Employee Benefits

All employees, with the exception of firefighters, may accumulate a maximum of two times their annual vacation, up to a cap of 240 hours, or 30 days paid upon separation. Firefighters who work shift roles may accrue up to a maximum cap of 360 hours and firefighter administration may accrue up to a maximum of 257 hours that can be paid out upon separation.

Full-time employees earn a maximum of 96 hours of sick leave each year. Upon termination, non-Civil Service employees will not receive payment of sick leave, unless they have a balance that originated prior to October 1, 2004. These employees were grandfathered under the old policy of receiving payment for one-half of their balance of sick leave up to 60 days at the rate of pay when the hours were banked. Upon termination, Civil Service employees are paid for the balance of their Civil Service sick leave earned after July 30, 2003 or October 31, 2005 (the effective date of the regulations in the City for fire civil service and police civil service employees, respectively), up to a maximum of 720 hours or 1,080 hours for those Firefighters on a 56 hour a week schedule on an annual basis. Civil Service employees hired prior to the effective date of the adoption of Civil Service regulations are also eligible under city policy to receive payment for one-half of their sick leave up to 60 days at the rate of pay when the hours were banked.

Accumulated vacation leave which is expected to be liquidated with expendable available financial resources, is reported as expenditure and a fund liability of the governmental fund that will pay it. Accumulated sick leave which is more likely than not to be used by employees and expected to be liquidated with expendable available financial resources, is reported as expenditure and a fund liability of the governmental fund that will pay it. Amounts of accumulated vacation and sick leave within governmental funds that are not expected to be liquidated with expendable available financial resources are reported as a long-term liability on the statement of net position. No expenditure is reported for these amounts in the fund financial statements unless the benefits have matured, i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement. Accumulated vacation and sick leave of proprietary fund types are recorded as an expense and liability of those funds as the benefits accrue to employees.

N. Capital Assets

Capital Assets
Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at their historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized, have an original cost of $5,000 or more and an expected useful life of over one year.

Depreciation for assets is computed using the straight-line method on the composite assets based upon the estimated useful lives as follows:

Distribution systems	25 to 50 years
Buildings and improvements	10 to 20 years
Furniture, fixtures, and equipment	3 to 10 years
Streets and drainage	20 to 30 years

The City records capital contributions to proprietary funds as revenue. Total capital contributions to the enterprise funds in fiscal year 2025 totaled $101,194,827. Contributed capital is not recorded for governmental type funds but is recognized on the government-wide statements and totaled $23,025,844 for the year ended September 30, 2025.

O. Leases

Lessee
The City is a lessee for a non-cancelable lease of equipment and a facility. The City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of $5,000 or more. At the commencement of the a lease, the City initially measures the lease liability at the present value of the payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amounts of the lease liability, adjusted for least payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, (3) lease payments.

- The City uses the interest rate charges by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancelable period of the lease. Lease payments included in the measurement of the lease liability are composes of fixed payments and purchase option price the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor
The City is a lessor for non-callable leases of facilities and land. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Lease receivables are reported with other accounts receivable and deferred inflow related to leases are reported with deferred inflows on the statement of net position.

P. Subscription-Based Information Technology Arrangements (SBITAs)

The City has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The City recognizes a subscription liability, reported with long-term debt, and a right-of-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide and proprietary fund financial statements.

At the commencement of an SBITA, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of SBITA payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets.

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the City is reasonably certain to exercise such options, subscription contract incentives receivable from the SBITA vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The City monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Q. Regulatory Asset

Recognizing a regulatory asset is consistent with GASB 62 Regulatory Asset Treatment due to the extraordinary expenses related to Winter Storm Uri in February 2021. This treatment allows for the capitalization of the $48 million in purchase power costs in the Electric Fund associated with the storm rather than expensing these costs all in one year. This regulatory asset is set up with an amortization schedule to match the expected cost recovery of the capitalized costs, which has been approved by the City Council. The financial impacts of the amortization are included in the electric cost of service study. The council has the flexibility to expedite the amortization of the regulatory asset based on future financial conditions. Fiscal Year 2025 contained purchase power amortization costs of $2.4 million on the Statement of Revenues, Expenses and Changes in Net Position with a net asset value as of September 30, 2025 of $37.2 million on the statement of net position for the proprietary funds.

R. Long-term Obligations

The portion of long-term general obligation debt used to finance proprietary fund operations and payable from the revenues of the Enterprise Funds is recorded in such funds. General obligation bonds and other forms of long-term debt supported by general revenues are obligations of the City as a whole and not its individual funds. Accordingly, such unmatured obligations of the City are accounted for on the statement of net position and payments of principal and interest relating to the general obligation bonds are recorded as expenditures when they are paid in the fund statements. Self-supporting general obligation debt, which will be repaid from non-general revenue sources, is recorded in the appropriate proprietary fund.

S. Pensions and Other Post-employment Benefits

For purposes of measuring the net pension liability and net OPEB liability, related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the applicable plans and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability and OPEB liability for life insurance benefits is obtained from TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with applicable Governmental Accounting Standards Board (GASB) standards. Information regarding the City's OPEB liability for retiree healthcare benefits is obtained through reports prepared for the City by its consulting actuary, Gabriel Roeder Smith & Company, in compliance with applicable GASB standards.

T. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Specifically, the actuarial calculations used to determine the annual required contributions and related liabilities of the City's retirement plan and post-employment obligations are based on assumptions about the possibility of events far into the future. Accordingly, actual results could differ from those estimates.

U. Risk Financing Activity

The City of Georgetown is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. During fiscal year 2025, the City purchased general liability and property insurance from Texas Municipal League Intergovernmental Risk Pool (TML-IRP). The City pays an annual premium to TML-IRP for such coverage. TML-IRP purchases reinsurance and the City does not retain risks of loss exceeding deductibles. Settled claims have not exceeded insurance coverage in the past three years.

The workers compensation plan is administered and paid through the Texas Municipal League- Intergovernmental Risk Pool (TML-IRP). Under this plan, the City does not retain risks of loss exceeding the deductibles. TML-IRP also brokers the City's Aviation and Underground Storage Tank Pollution liability insurance, as well as the canine and surgical vet coverage. The City does not retain the risks of loss exceeding the deductibles.

V. Credit Risk

Financial investments which potentially subject the City to concentrations of credit risk consist principally of cash, investments and accounts receivable. At September 30, 2025, there was not a significant risk arising from cash, investments, or accounts receivable.

W. Nature and Purpose of Reservations and Designation of Fund Balance

The City's Fund Balance is the accumulated difference between assets and liabilities within governmental funds, and it allows the City to meet its contractual obligations, fund disaster, or emergency costs, provide cash flow for timing purposes and fund non-recurring expenses appropriated by City Council. The City Council has adopted a financial standard to maintain a General Fund minimum balance of 90 days of budgeted on-going expenditures and 75 days citywide. This policy establishes limitations on the purposes for which Fund Balances can be used in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54.

Five Components of Fund Balance
Non-spendable Fund Balance – includes inherently non-spendable assets that will never convert to cash, as well as assets that will not convert to cash soon enough to affect the current financial period. Assets included in this category are prepaid items, inventory, and non-financial assets held for resale.

Restricted Fund Balance – represents the portion of fund balance that is restricted to specific purposes that are externally imposed by creditors, grantors, contributors, laws or regulations of other governments, such as hotel/motel tax and bond proceeds.

Committed Fund Balance – describes the portion of fund balance that can only be used for specific purposes with constraints imposed by the formal action of the City Council's adoption of an ordinance and remains binding unless the City Council removes the limitation.

Assigned Fund Balance – is that portion of fund balance that reflects the City's *intended* use for a specific purpose but is neither restricted nor committed. Assigned fund balances are determined by City management based on Council direction, in accordance with our financial policies adopted by resolution.

Unassigned Fund Balance – represents funds that have not been assigned to any other fund and cannot be properly classified in one of the other four categories within the general fund.

Below is the fund balance classification for the governmental funds:

	General	Georgetown Transportation Enhancement Corporation	Debt Service	General Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Inventory/prepaids	$ 23,392	$ -	$ -	$ -	$ -	$ 23,392
Restricted for						
Debt service	-	-	5,257,085	-	-	5,257,085
Bond funds	-	-	-	217,697,840	-	217,697,840
Hotel/motel tax	-	-	-	-	3,877,331	3,877,331
Street maintenance tax	-	-	-	-	9,074,075	9,074,075
Municpal court	-	-	-	-	276,062	276,062
Police	-	-	-	-	614,470	614,470
Public Education & Government	-	-	-	-	911,240	911,240
Sidewalk maintenance	-	-	-	-	160,099	160,099
Tax increment zone improvements	-	-	-	-	3,852,910	3,852,910
Public improvement districts	-	-	-	-	2,207,314	2,207,314
Transportation enhancement	-	4,815,000	-	-	-	4,815,000
Park improvements	-	-	-	-	22,444,367	22,444,367
Streetlight maintenance	-	-	-	-	79,996	79,996
Committed for						
Contingency	20,876,742	3,243,057	-	-	-	24,119,799
Other capital projects	-	93,763,117	-	-	-	93,763,117
Nonmajor funds	-	-	-	-	7,325,040	7,325,040
Unassigned	16,173,898	-	-	-	-	16,173,898
Total fund balance	$ 37,074,032	$ 101,821,174	$ 5,257,085	$217,697,840	$ 50,822,904	$ 412,673,035

When both restricted and unrestricted fund balance amounts are available for use, it is the City's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for which amounts in any of those unrestricted fund balance classifications are available. Amounts assigned to encumbrances relate to purchase commitments for future periods that do not yet meet expenditure recognition criteria.

X. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The City has the following items that qualify for reporting in this category:

- Deferred charges on refundings
- Pension and OPEB items:
    - Differences between expected and actual economic experience
    - Changes in actuarial assumptions
    - Difference between projected and actual investment earnings
    - Contributions to pension plan subsequent to the measurement date

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Property taxes levied, but not expected to be available to fund obligations in the current period, are recorded as deferred inflows of resources on the balance sheet. Additionally, deferred inflows of resources are recognized related to lease receivable, pension and OPEB changes during the year.

Y. Net Position

Net position represents the difference between assets, liabilities and respective deferred outflow or inflows of resources. A portion of net position represents net investments in capital assets which is the total balance of the City's investment in capital assets less accumulated depreciation and the outstanding balances of any borrowing spent for that acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through (1) the enabling legislation adopted by the City, (2) through external restrictions imposed by grantors, or (3) laws or regulations of other governments.

Note 2. Cash and Investments

For cash flow purposes, cash and temporary investments consist of demand deposits, certificates of deposits, and authorized investment pools. The operating cash balance from all funds is consolidated in pooled cash and investment accounts. Excess pooled balances are invested in U.S. Treasury securities, U.S. Government agency securities, fully collateralized money market funds and local government investment pools. Maturities on all investments are consistent with the City's cash flow requirements. Investments are recorded at cost. Interest earnings are allocated to each fund based on average monthly pooled equity balances. Separate cash and investment accounts are maintained for restricted cash such as debt service, utility debt reserves, and bond proceeds reserved for future construction.

The investment policies of the City are governed by State statutes and a City Council adopted Investment Policy. Major provisions of the City's investment policy include: responsibility for investments, authorized investments, security dealer selection and qualifying procedures, safekeeping and custodial procedures, statement of investment objectives, and investment reporting requirements.

A. Deposits

Texas Statutes require that all bank deposits be insured or fully collateralized by the U.S. government obligations or obligations of the State of Texas and its agencies. Fair value of the collateral pledged must equal at least 102% of the bank deposits not covered by federal deposit insurance.

At year-end, the carrying amount of the City's bank deposits was $713,550 and the bank balances were $748,551, all of which were entirely covered by Federal depository insurance or by collateral held by the City's agent bank in the City's name.

In order to maximize interest earnings, the City utilizes a controlled disbursement account, which allows the City to deposit only as much money as needed to fund checks presented each day.

B. Investments

The City is authorized to invest in certificates of deposit, direct obligations of the U.S. government, U.S. government agency securities, fully collateralized direct repurchase agreements, no-load money market funds whose portfolios meet the City's investment requirements, and in qualified local government investment pools as approved by the City Council. Non-participating interest earning contracts, including certificates of deposit, and money market accounts are reported at cost. Investments in external investment pools are reported at amortized cost.

Interest rate risk is the potential for a decline in market value due to rising interest rates. In compliance with the City's Investment Policy, as of September 30, 2025, the City minimized the interest rate risk in the portfolio by limiting the weighted average maturity of security types to no longer than two years; structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations and capital improvement projects; monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act; and investing operating funds primarily in shorter-term securities and similar government investment pools.

The City evaluated all of its cash and investment positions, and determined that it had none subject to recurring fair value recognition or disclosures. The City's investment balances and weighted average maturity of such investments as of September 30, 2025 are:

	Primary Government	
	September 30, 2025	Weighted Average Maturity (Days)
Investment pools (at amortized cost)		
Texas local government investment pool (TexPool)	$ 55,169,094	25
Texas local government investment pool (Texas Range)	-	
Texas short-term asset reserve program (TexSTAR)	339,279,486	26
Investments (at cost)		
Money market accounts	79,691,144	1
Certificates of deposit	460,299,052	221
Securities	121,911,793	137
Total investments	1,056,350,569	
Portfolio weighted average maturity		126
Carrying amount - cash	3,574,711	
Total cash and investments	$ 1,059,925,280	

C. Credit Risk

Credit risk is the possibility that the issuer of a security will fail to make timely payments of interest or principal. In general, the lower the credit quality of a security, the higher the yield, with all other factors being equal. In compliance with the City's Investment Policy, as of September 30, 2025, the City minimized credit risk losses due to default of security issuer or backer by limiting investments to the safest types of securities; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business; and diversifying the investment portfolio so that potential losses on individual securities were minimized.

For short-term liquidity requirements, the City primarily utilizes the Texas Short-Term Asset Reserve Program (TexSTAR). JPMorgan Fleming Asset Management, Inc. and First Southwest Asset Management, Inc. serve as co-administrators under an agreement with the TexSTAR board of directors to provide investment and participant services for this pool. JPMorgan Chase Bank or its subsidiary J.P. Morgan Investor Services Co. provides the custodial, transfer agency, fund accounting, and depository services for this pool.

The City also maintains an account with the Texas Local Government Investment Pool (TexPool). Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State of Texas Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool.

At year end, balances in TexSTAR and TexPool were rated AAAm by Standard & Poor's. All pools operate on a $1 net asset value basis. In order to maintain a stable $1 price of the fund, the pools will sell portfolio holdings if the ratio of the fair value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005. The pools are stated at their measured amortized cost, which is assumed to approximate fair value.

Note 3. Taxes

A. Property Taxes

Property is appraised and a lien on such property becomes enforceable as of January 1 of each year. Taxes are levied on and payable the following October 1. Taxes become delinquent February 1 of the following year and are subject to interest and penalty charges. Under an agreement which began August 1, 2000, Williamson County Tax Office collects the City's taxes. In the fund financial statements, City property tax revenues are recognized when levied to the extent that they are collected in the current year. Taxes collected prior to the levy date to which they apply are recorded as unearned revenues and recognized as revenue of the period to which they apply.

All collections from prior year levies are considered delinquent tax revenue for reporting purposes in the year collected. The allowance for uncollectible taxes at September 30, 2025 was $17,207.

The City is permitted by the State of Texas to levy taxes up to $2.50 per $100 of assessed valuation for general government services and for the payment of principal and interest on general long-term debt. The combined current tax rate to finance general government services, including debt service for the fiscal year ended September 30, 2025, was $0.365 per $100 of assessed valuation.

The Williamson Central Appraisal District (Appraisal District) is responsible for the recording and appraisal of property for all taxing units in Williamson County. The Appraisal District is required to assess property at 100% of its appraised value. Real property must be reappraised at least every four years. The City may, at its own expense, require annual reviews by the Appraisal District through various appeals and, if necessary, legal action. Under this system, if the rate, excluding tax rates for bonds and other contractual obligations adjusted for new improvements, exceeds the rate for the previous year by more than 3.5%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to an increase of no more than 3.5%.

In September 2004, voters approved an initiative to freeze property taxes for homeowners over the age of 65 or disabled. This measure mirrors the State of Texas Constitutional Amendment Proposition 13, which passed overwhelmingly statewide in 2003. Prop 13 gives local governments the option of "freezing" taxes for the elderly and disabled.

B. Sales Taxes

The City has adopted the provisions of Article 1066C, Vernon's Texas Civil Statutes, as amended, which grant the City the power to impose and levy a 1% Local Sales and Use Tax within the City. Proceeds of the tax are credited to the General Fund except for sales taxes generated at the airport which are credited to the Airport (Enterprise) Fund. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits to the City monthly the proceeds of the tax, after deduction of a 2% service fee.

On October 1, 2001, the City began collecting an additional half-cent sales tax for its component unit, GTEC, to fund transportation improvements that promote economic development. These funds are reported in the GTEC General Capital Projects Fund, a blended component unit of the City.

On April 1, 2003, the City began collecting an additional quarter-cent sales tax in accordance with Texas House Bill 445 to fund maintenance on streets that were in existence at the time the sales tax was adopted by the voters. In November 2014, 2018, and 2022, the citizens readopted this quarter-cent sales tax option. The sunset provision will expire in March 2027. These funds are reported in the Streets Special Revenue Fund.

On October 1, 2005, the City began collecting an additional eighth-cent sales tax in accordance with the Texas Development Corporation Act of 1979, Article 5190.6, Section 4A Texas Revised Civil Statues for the promotion and development of new and expanded business enterprises. This sales tax is administered through GEDCO.

On October 1, 2005, the City began collecting an additional eighth-cent sales tax to be used toward the reduction of ad valorem property taxes. Proceeds are credited to the City's General Fund.

Note 4. Transfers

	Transfers In								
	Governmental Funds					Enterprise Funds			
	Major Funds					Major Funds			
Transfers Out	General Fund	Debt Service	General Capital Projects	Nonmajor Special Revenue	Internal Services	Electric	Water	Nonmajor Enterprise Funds	Total Transfers Out
Governmental funds									
Major funds									
General fund	$ -	$ -	$ 2,517,555	$1,090,000	$ 77,946	$ -	$ -	$ -	$ 3,685,501
GTEC	-	3,309,149	-	-	-	-	-	-	3,309,149
General capital projects	-	-	-	-	4,281,710	-	-	-	4,281,710
Nonmajor funds	1,820,261	723,752	1,566,371	-	135,572	88,506	-	-	4,334,462
Internal service funds	1,482,055	-	-	-	239,850	7,033,658	9,703,753	3,564,949	22,024,265
Enterprise funds									
Major funds									
Electric	6,890,917	-	-	-	30,000	-	-	-	6,920,917
Water services	9,307,013	-	-	-	1,900,124	-	-	-	11,207,137
Nonmajor funds	1,169,148	-	5,312,500	-	58,750	-	-	-	6,540,398
	$20,669,394	$ 4,032,901	$ 9,396,426	$1,090,000	$ 6,723,952	$ 7,122,164	$ 9,703,753	$ 3,564,949	62,303,539
	Transfers eliminated in government-wide statements								(58,025,953)
	Net transfers - statement of activities								$ 4,277,586

The net transfers between the governmental types and business types total $1,240,846. Per the City's fiscal and budgetary policy, utility operations transfer seven percent of gross billings for utility services to the General fund as a payment in lieu of taxes. Other types of transfers include grant matching, fire hydrant testing, equipment purchases, and capital project funding.

Note 5. Capital Assets

Capital asset activity for the year ended September 30, 2025 was as follows:

	Balance September 30, 2024	Additions	Deletions and Transfers	Balance September 30, 2025
Governmental activities				
Capital assets not being depreciated or amortized				
Land	$ 27,892,664	$ 8,897,687	$ -	$ 36,790,351
Land rights	21,009,247	-	-	21,009,247
Construction in progress	85,271,471	86,481,758	(50,695,255)	121,057,974
Total capital assets not being depreciated or amortized	134,173,382	95,379,445	(50,695,255)	178,857,572
Capital assets being depreciated or amortized				
Buildings	108,900,564	136,335	-	109,036,899
Furniture, machinery, and equipment	46,010,359	7,260,122	(204,950)	53,065,531
Vehicles	46,426,743	15,872,505	(19,500,144)	42,799,104
Streets	382,107,358	40,668,945	-	422,776,303
Distribution system	15,252,116	252,738	-	15,504,854
Bridges	21,223,299	63,400	-	21,286,699
Right-to-use asset - buildings	3,280,071	-	-	3,280,071
Right-to-use asset - equipment	372,278	-	-	372,278
Right-to-use asset - operational software	8,992,061	605,462	(2,482,080)	7,115,443
Improvements	99,387,519	10,225,761	-	109,613,280
Total capital assets being depreciated or amortized	731,952,368	75,085,268	(22,187,174)	784,850,462
Less accumulated depreciation and amortization for				
Buildings	(30,816,862)	(2,307,490)	-	(33,124,352)
Furniture, machinery, and equipment	(34,709,001)	(4,181,239)	192,950	(38,697,290)
Vehicles	(26,849,451)	(4,614,848)	8,858,801	(22,605,498)
Streets	(74,823,064)	(27,784,864)	-	(102,607,928)
Distribution system	(1,597,694)	(388,739)	-	(1,986,433)
Bridges	(5,709,773)	(485,955)	-	(6,195,728)
Right-to-use asset - buildings	(1,583,731)	(940,100)	-	(2,523,831)
Right-to-use asset - equipment	(199,493)	-	-	(199,493)
Right-to-use asset - operational software	(3,448,535)	(2,815,250)	2,230,321	(4,033,464)
Improvements	(45,572,625)	(7,664,691)	-	(53,237,316)
Total accumulated depreciation and amortization	(225,310,229)	(51,183,176)	11,282,072	(265,211,333)
Total capital assets being depreciated or amortized, net	506,642,139	23,902,092	(10,905,102)	519,639,129
Governmental activities capital assets, net	$ 640,815,521	$ 119,281,537	$(61,600,357)	$ 698,496,701
Electric activities				
Capital assets not being depreciated or amortized				
Land	$ 635,073	$ -	$ -	$ 635,073
Land rights	153,607	-	-	153,607
Construction in progress	8,828,333	21,789,841	(12,727,544)	17,890,630
Total capital assets not being depreciated or amortized	9,617,013	21,789,841	(12,727,544)	18,679,310
Capital assets being depreciated or amortized				
Buildings	24,637	-	-	24,637
Furniture, machinery, and equipment	1,643,981	45,435	176,855	1,866,271
Vehicles	13,346	730,460	5,761,606	6,505,412
Distribution system	257,796,579	18,445,919	-	276,242,498
Right-to-use asset - operational software	104,230	76,500	(104,230)	76,500
Improvements	173,421	-	-	173,421
Total capital assets being depreciated or amortized	259,756,194	19,298,314	5,834,231	284,888,739
Less accumulated depreciation and amortization for				
Buildings	(24,637)	-	-	(24,637)
Furniture, machinery, and equipment	(1,622,526)	(18,110)	(176,855)	(1,817,491)
Vehicles	(13,346)	(155,764)	(2,259,111)	(2,428,221)
Distribution system	(90,222,269)	(8,012,518)	-	(98,234,787)
Right-to-use asset - operational software	(39,585)	(19,125)	39,585	(19,125)
Improvements	(173,421)	-	-	(173,421)
Total accumulated depreciation and amortization	(92,095,784)	(8,205,517)	(2,396,381)	(102,697,682)
Total capital assets being depreciated or amortized, net	167,660,410	11,092,797	3,437,850	182,191,057
Electric activities capital assets, net	$ 177,277,423	$ 32,882,638	$ (9,289,694)	$ 200,870,367

	Balance September 30, 2024	Additions	Deletions and Transfers	Balance September 30, 2025
Water services activities				
Capital assets not being depreciated or amortized				
Land	$ 1,559,074	$ -	$ -	$ 1,559,074
Land rights	66,006	-	-	66,006
Construction in progress	310,387,146	189,159,611	(2,450,295)	497,096,462
Total capital assets not being depreciated or amortized	312,012,226	189,159,611	(2,450,295)	498,721,542
Capital assets being depreciated or amortized				
Buildings	8,992,038	491,100	-	9,483,138
Furniture, machinery, and equipment	2,112,248	381,206	(30,280)	2,463,174
Vehicles	77,592	579,733	8,538,123	9,195,448
Distribution system	631,270,819	58,978,025	-	690,248,844
Right-to-Use Asset - equipment	-	651,600	-	651,600
Right-to-Use Asset - building	-	1,923,203	238,370	2,161,573
Improvements	802,666	-	-	802,666
Total capital assets being depreciated or amortized	643,255,363	63,004,867	8,746,213	715,006,443
Less accumulated depreciation and amortization for				
Buildings	(3,780,521)	(703,277)	-	(4,483,798)
Furniture, machinery, and equipment	(1,724,495)	(124,540)	30,280	(1,818,755)
Vehicles	(37,499)	(244,274)	(3,133,010)	(3,414,783)
Distribution system	(163,610,448)	(15,674,532)	-	(179,284,980)
Right-to-Use Asset - equipment	-	(341,487)	-	(341,487)
Right-to-Use Asset - building	-	(596,237)	(238,370)	(834,607)
Improvements	(327,526)	(60,486)	-	(388,012)
Total accumulated depreciation and amortization	(169,480,489)	(17,744,833)	(3,341,100)	(190,566,422)
Total capital assets being depreciated or amortized, net	473,774,874	45,260,034	5,405,113	524,440,021
Water services activities capital assets, net	$ 785,787,100	$ 234,419,645	$ 2,954,818	$ 1,023,161,563
Other nonmajor business-type activities				
Capital assets not being depreciated or amortized				
Land	$ 1,135,536	$ -	$ -	$ 1,135,536
Land rights	1,503,538	-	-	1,503,538
Construction in progress	16,459,046	832,411	(16,500,128)	791,329
Total capital assets not being depreciated or amortized	19,098,120	832,411	(16,500,128)	3,430,403
Capital assets being depreciated or amortized				
Buildings	3,856,218	-	-	3,856,218
Furniture, machinery, and equipment	579,795	53,477	6,500	639,772
Vehicles	8,350	-	3,167,911	3,176,261
Streets	820,671	518,646	-	1,339,317
Distribution system	130,747,961	18,638,990	-	149,386,951
Improvements	6,360,228	16,023,606	-	22,383,834
Total capital assets being depreciated or amortized	142,373,223	35,234,719	3,174,411	180,782,353
Less accumulated depreciation and amortization for				
Buildings	(2,537,054)	(49,160)	-	(2,586,214)
Furniture, machinery, and equipment	(284,025)	(34,808)	(6,500)	(325,333)
Vehicles	(8,350)	(71,434)	(1,552,678)	(1,632,462)
Streets	(53,592)	(43,865)	-	(97,457)
Distribution system	(28,421,272)	(4,196,837)	-	(32,618,109)
Improvements	(5,790,784)	(148,576)	-	(5,939,360)
Total accumulated depreciation and amortization	(37,095,077)	(4,544,680)	(1,559,178)	(43,198,935)
Total capital assets being depreciated or amortized, net	105,278,146	30,690,039	1,615,233	137,583,418
Other nonmajor business-type activities capital assets, net	$ 124,376,266	$ 31,522,450	$ (14,884,895)	$ 141,013,821

	Balance September 30, 2024	Additions	Deletions and Transfers	Balance September 30, 2025
Total business-type activities				
Capital assets not being depreciated or amortized				
Land	$ 3,329,683	$ -	$ -	$ 3,329,683
Land rights	1,723,151	-	-	1,723,151
Construction in progress	335,674,525	211,781,863	(31,677,967)	515,778,421
Total capital assets not being depreciated or amortized	340,727,359	211,781,863	(31,677,967)	520,831,255
Capital assets being depreciated or amortized				
Buildings	12,872,893	491,100	-	13,363,993
Furniture, machinery, and equipment	4,336,024	480,118	153,075	4,969,217
Vehicles	99,288	1,310,193	17,467,640	18,877,121
Streets	820,671	518,646	-	1,339,317
Distribution system	1,019,815,359	96,062,934	-	1,115,878,293
Right-to-use asset - operational software	104,230	76,500	(104,230)	76,500
Right-to-Use Asset - equipment	-	651,600	-	651,600
Right-to-Use Asset - building	-	1,923,203	238,370	2,161,573
Improvements	7,336,315	16,023,606	-	23,359,921
Total capital assets being depreciated or amortized	1,045,384,780	117,537,900	17,754,855	1,180,677,535
Less accumulated depreciation and amortization for				
Buildings	(6,342,212)	(752,437)	-	(7,094,649)
Furniture, machinery, and equipment	(3,631,046)	(177,458)	(153,075)	(3,961,579)
Vehicles	(59,195)	(471,472)	(6,944,799)	(7,475,466)
Streets	(53,592)	(43,865)	-	(97,457)
Distribution system	(282,253,989)	(27,883,887)	-	(310,137,876)
Right-to-use asset - operational software	(39,585)	(19,125)	39,585	(19,125)
Right-to-Use Asset - equipment	-	(341,487)	-	(341,487)
Right-to-Use Asset - building	-	(596,237)	(238,370)	(834,607)
Improvements	(6,291,731)	(209,062)	-	(6,500,793)
Total accumulated depreciation and amortization	(298,671,350)	(30,495,030)	(7,296,659)	(336,463,039)
Total capital assets being depreciated or amortized, net	746,713,430	87,042,870	10,458,196	844,214,496
Total business-type activities capital assets, net	$1,087,440,789	$ 298,824,733	$ (21,219,771)	$ 1,365,045,751

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities	
Culture / recreation	$ 7,512,978
Development	6,260,815
Fire	2,086,938
General government	6,260,815
Highways and streets	18,782,445
Police	834,775
Internal service funds	9,444,410
Total depreciation and amortization expense governmental activities	$ 51,183,176
Business-type activities	
Electric	$ 8,205,517
Water services	17,744,833
Nonmajor	4,544,680
Total depreciation and amortization expense business-type activities	$ 30,495,030

	Governmental Activities	Business-type Activities	Total
Net investment in capital assets			
Total capital assets (net of accumulated depreciation)	$ 698,496,701	$1,365,045,751	$2,063,542,452
Less: capital-related liabilities	(8,144,375)	(17,950,364)	(26,094,739)
Less long-term debt and related charges	(479,642,069)	(700,600,533)	(1,180,242,602)
Add unspent bond proceeds	304,462,762	291,660,441	596,123,203
Net long-term debt	(175,179,307)	(408,940,092)	(584,119,399)
Net investment in capital assets	$ 515,173,019	$ 938,155,295	$1,453,328,314

Note 6. Leases

A. Lease Receivable

During the fiscal year 2022, the City began leasing a portion of the public library to a third party. The lease is for 8 years and the City will receive monthly payments of $1,624. The City recognized $16,709 in lease revenue and $4,177 in interest revenue during the current fiscal year related to this lease. As of September 30, 2025, the City's receivable for lease payments was $80,135. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of September 30, 2025, the balance of the deferred inflow of resources was $75,843.

The City leases a facility to a third party at the solid waste collection station. The lease is for 10 years and the City will receive annual payments of $20,000. The City recognized $16,871 in lease revenue and $5,386 in interest revenue during the current fiscal year related to this lease. As of September 30, 2025, the City's receivable for lease payments was $104,843. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of September 30, 2025, the balance of the deferred inflow of resources was $101,224.

The Airport leases hangar space to various lessees. These leases are non-cancellable and terminate no later than October 2033. These leases are being presented in aggregate. The City recognized $292,117 in lease revenue and $32,140 in interest revenue during the current fiscal year related to these leases. As of September 30, 2025, the City's receivable for lease payments was $2,459,474. Also, the City has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of September 30, 2025, the balance of the deferred inflow of resources was $2,420,612.

The Airport leases land to various lessees. These leases are non-cancellable and terminate no later than February 2050. These leases are being presented in aggregate. The City recognized $259,293 in lease revenue and $63,191 in interest revenue during the current fiscal year related to these leases. As of September 30, 2025, the City's receivable for lease payments was $4,277,270. Also, the City has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of September 30, 2025, the balance of the deferred inflow of resources was $4,159,540.

Lease receivables are reported with other accounts receivables on the statement of net positions. And deferred inflow related to leases are reported with deferred inflows on the statement of net position.

Principal and interest requirements to maturity for the lease receivable at September 30, 2025, are as follows:

Fiscal Years Ending September 30,	General Governmental Principal	Interest	Total
2026	$ 32,390	$ 7,097	$ 39,487
2027	33,699	5,789	39,488
2028	35,059	4,429	39,488
2029	36,475	3,013	39,488
2030	28,122	1,622	29,744
2031 - 2035	19,233	769	20,002
	$ 184,978	$ 22,719	$ 207,697

Fiscal Years Ending September 30,	Airport Fund Principal	Interest	Total
2026	$ 571,678	$ 80,079	$ 651,757
2027	558,778	66,649	625,427
2028	555,526	53,249	608,775
2029	488,649	40,754	529,403
2030	356,699	32,594	389,293
2031 - 2035	1,347,278	107,717	1,454,995
2036 - 2040	1,148,972	54,465	1,203,437
2041 - 2045	911,404	8,509	919,913
2046 - 2050	447,210	1,660	448,870
2051 - 2055	350,550	-	350,550
	$6,736,744	$ 445,676	$ 7,182,420

Fiscal Years Ending September 30,	Total Principal	Interest	Total
2025	$ 604,068	$ 87,176	$ 691,244
2026	592,477	72,438	664,915
2027	590,585	57,678	648,263
2028	525,124	43,767	568,891
2029	384,821	34,216	419,037
2030 - 2034	1,366,511	108,486	1,474,997
2035 - 2039	1,148,972	54,465	1,203,437
2040 - 2044	911,404	8,509	919,913
2045 - 2049	447,210	1,660	448,870
2050	350,550	-	350,550
	$6,921,722	$ 468,395	$ 7,390,117

B. Lease Liabilities

The City has entered into multiple lease agreements as lessee. The leases allow the right-to-use equipment and buildings over the term of the lease. The City is required to make both monthly and annual payments at its incremental borrowing rate or interest rate stated or implied within the leases. The City recorded right-of-use assets for Governmental Activities of $3,652,349, which are recorded in capital assets on the statement of net position. These assets had $2,723,324 in accumulated amortization for the fiscal year of 2025. The City recorded right-of-use assets for Business Activities of $2,813,713, which are recorded in capital assets on the statement of net position. These assets has $1,176,094 in accumulated amortization for the fiscal year of 2025.

The lease payables are reported with other long-term liabilities on the statement of net position. In the fiscal year 2025, the City reduced these payables by $961,866. At the ending balance of these payables at September 30, 2025 was $921,004.

The lease payables for business activities are reported with other long-term liabilities on the statement of net position. In the fiscal year 2025, the City reduced these payables by $924,552. At the ending balance of these payables at September 30, 2025 was $1,641,801.

The lease rate, term and ending lease liability are as follows:

Governmental activities	Interest Rate	Lease term years	Balance at year end
Buildings	1.6% - 2.7%	3-10	$ 892,897
Equipment	0.13 - 3.33%	4-6	28,107
Total governmental activities			$ 921,004

Business-type activities	Interest Rate	Lease term years	Balance at year end
Equipment	0.13 - 3.33%	3-10	$ 307,700
Infrastructure	0.13 - 3.33%	4-6	1,334,101
Business-type activities			$ 1,641,801

Principal and interest requirements to maturity for the lease payables at September 30, 2025, are as follows

Fiscal Years Ending September 30,2025	Governmental activities Principal	Interest	Total
2026	$ 569,105	$ 11,239	$ 580,344
2027	85,662	5,402	91,064
2028	87,204	3,860	91,064
2029	78,776	2,288	81,064
2030	80,045	1,019	81,064
2031	20,212	54	20,266
	$ 921,004	$ 23,862	$ 944,866

Fiscal Years Ending September 30, 2025	Business-type Activities Principal	Interest	Total
2026	$ 938,829	$ 20,091	$ 958,920
2027	702,972	5,628	708,600
	$ 1,641,801	$ 25,719	$ 1,667,520

Note 7. Subscription Based Information Technology Arrangements (SBITA)

The City has entered into multiple SBITAs that allow the right-to-use the SBITA vendor's information technology software over the subscription term. The City is required to make monthly payments at its incremental borrowing rate or the interest rate stated or implied within the SBITAs. The SBITA rate, term and ending subscription liability are as follows:

Governmental activities	Interest Rate	Lease term years	Balance at year end
Operational Software	2.36 - 3.31%	1-4	$ 2,547,434
Total governmental activities			$ 2,547,434

Business-type activities	Interest Rate	Lease term years	Balance at year end
Operational Software	3.24%	2	$ 57,375
Total Business-type activities			$ 57,375

The future principal and interest SBITA payments as of fiscal year end are as follows:

Fiscal Years Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2026	$ 1,525,821	$ 7,363	$ 1,533,184
2027	1,021,613	2,325	1,023,938
	$ 2,547,434	$ 9,688	$ 2,557,122

Fiscal Years Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2026	$ 25,500	$ -	$ 25,500
2027	25,500	-	25,500
2028	6,375	-	6,375
	$ 57,375	$ -	$ 57,375

The value of the subscription assets for governmental activities as of the end of the current fiscal year was $7,115,443 and had accumulated amortization of $4,033,464 The value of the subscription assets for business-type activities as of the end of the current fiscal year was $76,500 and had accumulated amortization of $19,125.

Note 8. Regulatory Asset

The City is amortizing its regulatory asset over the period which future rates are expected to recover the cost which is through 2042. Future amortization is expected to be:

Year Ending September 30,	
2026	$ 2,400,000
2027	2,400,000
2028	2,400,000
2029	2,400,000
2030	2,400,000
Thereafter	25,200,000
	$ 37,200,000

Note 9. Long-Term Liabilities

A. Overview

The following is a summary of long-term debt transactions of the City for the fiscal year ended September 30, 2025:

	Balance as of September 30, 2024	Additions	Retirements	Balance as of September 30, 2025	Due within One Year
Governmental activities					
General obligation bonds	$ 364,878,674	$ 100,355,000	$(27,188,256)	$ 438,045,418	$28,940,237
Sales tax revenue bonds	2,320,000	-	(740,000)	1,580,000	775,000
Special assessment revenue bonds	7,423,000	-	(204,000)	7,219,000	212,000
Premiums	27,880,502	3,987,223	(2,050,590)	29,817,135	2,034,477
Arbitrage	3,612,844	3,532,138	(138,157)	7,006,825	10,158
Compensated absences	12,348,087	758,063	-	13,106,150	3,930,930
Net pension liability	25,593,384	26,473,646	(28,745,806)	23,321,224	-
Other post employment benefits	4,777,356	644,009	(316,616)	5,104,749	64,061
Subscription liability	4,391,207	474,880	(2,318,653)	2,547,434	1,525,821
Lease liability	1,882,870	-	(961,866)	921,004	569,105
Total governmental activities	455,107,924	136,224,959	(62,663,944)	528,668,939	38,061,789
Business-type activities					
Revenue bonds	499,085,000	101,360,000	(14,665,000)	585,780,000	17,760,000
General obligation bonds	77,435,854	1,000,000	(7,156,276)	71,279,578	7,329,763
Premiums	37,597,454	6,213,973	(1,969,648)	41,841,779	1,731,240
Arbitrage	4,532,623	2,191,948	(1,107,068)	5,617,503	475,358
Compensated absences	3,374,195	2,238,213	(1,793,006)	3,819,402	1,426,964
Subscription liability	48,432	76,500	(67,557)	57,375	25,500
Net pension liability	7,644,778	9,710,899	(9,581,935)	7,773,742	-
Lease liability	-	2,566,352	(924,551)	1,641,801	938,829
Total business-type activities	629,718,336	125,357,885	(37,265,041)	717,811,180	29,687,654
Total long-term debt	$ 1,084,826,260	$ 261,582,844	$(99,928,985)	$ 1,246,480,119	$67,749,443

Liabilities for compensated absences, net pension liability, and other post-employment benefits that are included in governmental activities are expended primarily in the General Fund as benefits are used by the employees.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed or are not performed correctly, a liability could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the Internal Revenue Service's rules and regulations. The City recognized an arbitrage liability of $12,624,330 as of September 30, 2025.

At September 30, 2025, there was $122,025,000 of authorized but unissued general obligation bonds. There are no authorized but unissued revenue bonds. The City is in compliance with all bond ordinances.

Fiscal Years Ending September 30,	Governmental		Business-type		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 29,927,237	$ 48,804,202	$ 25,089,763	$ 30,426,064	$ 55,017,000	$ 79,230,266
2027	27,291,974	43,633,987	26,528,025	28,755,100	53,819,999	72,389,087
2028	25,701,186	41,488,047	27,346,810	27,733,868	53,047,996	69,221,915
2029	26,286,021	40,988,159	28,364,980	26,665,135	54,651,001	67,653,294
2030	25,506,000	39,106,872	29,050,000	25,546,414	54,556,000	64,653,286
2031-2035	128,701,000	52,256,696	136,805,000	110,414,209	265,506,000	162,670,905
2036-2040	107,745,000	28,541,564	142,655,000	78,941,108	250,400,000	107,482,672
2040 - 2044	74,827,000	12,069,935	136,030,000	43,551,019	210,857,000	55,620,954
2045 - 2049	859,000	52,530	65,980,000	19,769,106	66,839,000	19,821,636
2050 - 2054	-	-	39,210,000	3,632,062	39,210,000	3,632,062
	$ 446,844,418	$ 306,941,992	$657,059,578	$ 395,434,085	$ 1,103,903,996	$ 702,376,077

During the year ended September 30, 2025, the City issued $63,790,000 in Combination Tax & Revenue Certificates of Obligation, $37,565,000 in General Obligation bonds and $101,360,000 in Utility System Revenue bonds.

General Obligation Debt

A summary of tax-supported general obligation debt outstanding at September 30, 2025:

General Obligation - Tax Supporting	Maturity Date	Interest Rates	Original Issue Amount	Outstanding Amount
Series 2012 General Obligation Refunding Bonds	08/15/2029	3.000% - 4.000%	$ 1,016,532	$ 190,260
Series 2013 General Obligation Bonds	08/15/2032	3.000% - 3.375%	9,500,000	2,985,000
Series 2014 Combination Tax and Revenue Certificates of Obligation	08/15/2026	3.000% - 3.625%	1,825,450	96,048
Series 2014 General Obligation Bonds	08/15/2034	3.000% - 3.600%	4,800,000	2,685,000
Series 2014A General Obligation Refunding Bonds	08/15/2027	4.000%	9,709,525	1,459,395
Series 2015 Combination Tax and Revenue Certificates of Obligation - Rivery TIRZ	08/15/2035	3.000% - 4.150%	6,470,000	4,140,000
Series 2015 General Obligation Bonds	08/15/2035	3.000% - 4.000%	4,345,000	2,555,000
Series 2015A Combination Tax and Revenue Certificates of Obligation	08/15/2035	3.000% - 5.000%	3,170,000	970,000
Series 2015A General Obligation Bonds	08/15/2035	3.000% - 3.300%	11,785,000	6,820,000
Series 2015B General Obligation Refunding Bonds	08/15/2028	3.000% - 3.125%	4,042,416	311,444
Series 2016 Combination Tax and Revenue Certificates of Obligation	08/15/2036	2.000% - 5.000%	3,495,000	1,405,000
Series 2016 Combination Tax and Revenue Certificates of Obligation	08/15/2036	2.000% - 5.000%	2,980,000	1,860,000
Series 2016 General Obligation Bonds	08/15/2036	2.000% - 4.000%	12,585,000	7,885,000
Series 2016-1 Combination Tax and Revenue Certificates of Obligation - Rivery TIRZ	08/15/2036	2.000% - 5.000%	1,255,000	1,030,000
Series 2016A General Obligation Refunding Bonds	08/15/2027	2.500% - 3.000%	4,014,846	224,532
Series 2017 Combination Tax and Revenue Certificates of Obligation	08/15/2037	3.000% - 5.000%	8,655,000	4,745,000
Series 2017 General Obligation Bonds	08/15/2037	3.125% - 5.000%	8,555,000	6,090,000
Series 2017A General Obligation Refunding Bonds	08/15/2030	2.125% - 5.000%	12,375,000	6,190,000
Series 2018 Combination Tax and Revenue Certificates of Obligation	08/15/2038	3.000% - 4.000%	10,695,000	2,700,000
Series 2018 General Obligation Bonds	08/15/2038	3.000% - 5.000%	23,555,000	17,635,000
Series 2019 Combination Tax and Revenue Certificates of Obligation	08/15/2039	3.000% - 5.000%	13,785,000	9,655,000
Series 2019 General Obligation Bonds	08/15/2039	3.000% - 5.000%	4,920,000	3,910,000
Series 2020 Combination Tax and Revenue Certificates of Obligation	08/15/2035	2.240%	5,815,000	2,085,000
Series 2020 General Obligation Bonds	08/15/2035	2.290%	9,080,000	6,420,000
Series 2020A General Obligation Refunding Bonds	08/15/2031	1.200%	5,385,000	3,025,000
Series 2021 Combination Tax and Revenue Certificates of Obligation	08/15/2041	2.000% - 4.000%	9,485,000	6,880,000
Series 2021 General Obligation Bonds	08/15/2041	1.500% - 4.000%	7,520,000	6,325,000
Series 2021A General Obligation Bonds	08/15/2041	2.000% - 5.000%	25,295,000	19,545,000
Series 2021B General Obligation Refunding Bonds	08/15/2037	2.000% - 5.000%	16,437,500	13,340,000
Series 2022 Combination Tax and Revenue Certificates of Obligation	08/15/2042	3.125% - 5.000%	5,685,000	4,935,000
Series 2022 General Obligation Bonds	08/15/2042	3.600% - 5.000%	42,625,000	33,935,000
Series 2022 Limited Tax Notes	08/15/2029	3.010%	4,055,000	2,410,000
Series 2023 Combination Tax and Revenue Certificates of Obligation	08/15/2043	4.000% - 5.000%	20,680,000	18,020,000
Series 2023 General Obligation Bonds	08/15/2043	4.000% - 5.000%	30,530,000	25,095,000
Series 2024 Combination Tax and Revenue Certificates of Obligation	08/15/2044	4.000% - 5.000%	56,140,000	54,710,000
Series 2024 General Obligation Bonds	08/15/2044	4.000% - 5.000%	29,205,000	24,655,000
Series 2025 Certificates of Obligation (Appropriation)	08/15/2045	4.500% - 5.000%	20,055,000.00	20,055,000
Series 2025 General Obligation	08/15/2045	4.000% - 5.250%	34,680,000.00	34,680,000
Series 2025A General Obligation	08/15/2044	5.000%	2,885,000.00	2,885,000
Total tax supported debt				$ 364,541,679

A summary of self-supporting general obligation debt outstanding at September 30, 2025:

General obligation - self-supporting	Maturity Date	Interest Rates	Original Issue Amount	Outstanding Amount
Series 2012 General Obligation Refunding Bonds	08/15/2029	3.000% - 4.000%	$ 7,398,468	$ 1,384,740
Series 2013 Combination Tax and Revenue Certificates of Obligation	08/15/2033	3.000% - 3.250%	4,065,000	1,945,000
Series 2014 Combination Tax and Revenue Certificates of Obligation	08/15/2034	3.000% - 3.625%	474,550	273,948
Series 2014A General Obligation Refunding Bonds	08/15/2027	4.000%	2,565,475	385,605
Series 2015A Combination Tax and Revenue Certificates of Obligation	08/15/2035	3.000% - 5.000%	3,820,000	2,250,000
Series 2015B General Obligation Refunding Bonds	08/15/2028	3.000% - 3.125%	2,317,584	178,556
Series 2016 Combination Tax and Revenue Certificates of Obligation	08/15/2036	2.000% - 5.000%	10,960,000	6,870,000
Series 2016A General Obligation Refunding Bonds	08/15/2027	2.500% - 3.000%	3,495,154	195,468
Series 2017 Combination Tax and Revenue Certificates of Obligation	08/15/2037	3.000% - 5.000%	5,750,000	4,000,000
Series 2017A General Obligation Refunding Bonds	08/15/2029	2.125% - 5.000%	565,000	260,000
Series 2018 Combination Tax and Revenue Certificates of Obligation	08/15/2038	3.000% - 4.000%	145,000	110,000
Series 2019 Combination Tax and Revenue Certificates of Obligation	08/15/2039	3.000% - 5.000%	6,530,000	5,155,000
Series 2020 Combination Tax and Revenue Certificates of Obligation	08/15/2035	2.240%	5,395,000	3,815,000
Series 2021 Combination Tax and Revenue Certificates of Obligation	08/15/2041	2.000% - 4.000%	12,915,000	11,035,000
Series 2021A Combination Tax and Revenue Certificates of Obligation	08/15/2041	2.000% - 5.000%	21,015,000	17,895,000
Series 2021A Combination Tax and Surplus Revenue Public Property Finance Contractual Obligation	02/15/2031	1.730%	48,025,000	29,990,000
Series 2021B General Obligation Refunding Bonds	08/15/2032	2.000% - 5.000%	537,500	345,000
Series 2022 Combination Tax and Revenue Certificates of Obligation	08/15/2042	3.125% - 5.000%	4,765,000	4,560,000
Series 2023 Combination Tax and Revenue Certificates of Obligation	08/15/2043	4.000% - 5.000%	5,135,000	4,805,000
Series 2024 Combination Tax and Revenue Certificates of Obligation	08/15/2044	4.000% - 5.000%	5,715,000	5,595,000
Series 2025 Certificates of Obligation (Appropriation)	08/15/2045	4.500% - 5.000%	43,735,000	43,735,000
Total self-supported debt				144,783,317
Grand total outstanding general obligation debt as of September 30, 2025				$ 509,324,996

This amount is reported in the government-wide statements of activities as:	
Governmental activities	$ 438,045,418
Business-type activities	71,279,578
	$ 509,324,996

B. Sales Tax Revenue Debt – Georgetown Transportation Enhancement Corporation

A summary of sales tax revenue debt outstanding at September 30, 2025 follows:

	Maturity Date	Interest Rates	Original Issue Amount	Outstanding Amount
Sales tax revenue debt				
Series 2015 Senior Lien Sales Tax Revenue Refunding Bonds	08/15/2027	4.000% - 5.000%	7,755,000	$ 1,580,000
Total outstanding sales tax revenue debt				$ 1,580,000

C. Special Assessment Revenue Debt – Parks at Westhaven Public Improvement District

	Maturity Date	Interest Rates	Original Issue Amount	Outstanding Amount
Special assessment revenue debt				
Series 2022 Special Assessment Revenue Bonds	09/15/2047	3.625% - 4.250%	7,681,000	$ 7,219,000
Total special assessment revenue debt				$ 7,219,000

D. Discretely Presented Component Unit

Georgetown Economic Development Corporation (GEDCO) participated in the City's issuance of $18,690,000 Combination Tax and Revenue Certificates of Obligation, Series 2016 and is obligated to pay the City its portion of the principal and interest for the certificates, through 2036. Additionally, GEDCO has received a loan from the Water Services Fund as part of a tri-party agreement for economic development.

Repayment of GEDCO's outstanding long-term liabilities is as follows at September 30, 2025:

Fiscal Years Ending September 30,	GEDCO Principal	GEDCO Interest
2026	$ 221,392	$ 58,736
2027	199,360	52,728
2028	155,000	47,581
2029	160,000	43,900
2030	160,000	39,900
2031-2035	890,000	116,350
2036	195,000	5,850
	$ 1,980,752	$ 365,045

E. Revenue Debt

A summary of revenue bonds outstanding at September 30, 2025:

	Maturity Date	Interest Rates	Original Issue Amount	Outstanding Amount
Utility revenue debt				
Series 2014 Utility System Revenue Refunding Bonds	08/15/2027	3.000% - 4.000%	$ 11,855,000	$ 1,185,000
Series 2014A Utility System Revenue Bonds	08/15/2031	3.000% - 3.200%	5,350,000	2,250,000
Series 2014B Utility System Revenue Bonds	08/15/2023	2.750% - 4.000%	13,000,000	4,070,000
Series 2015 Utility System Revenue Bonds	08/15/2035	3.000% - 3.750%	10,920,000	6,425,000
Series 2016 Utility System Revenue Bonds	08/15/2036	2.000% - 4.000%	9,620,000	6,045,000
Series 2016A Utility System Revenue Refunding Bonds	08/15/2028	4.000%	6,925,000	1,460,000
Series 2017 Utility System Revenue and Refunding Bonds	08/15/2037	3.000% - 5.000%	27,915,000	17,735,000
Series 2018 Utility System Revenue Bonds	08/15/2038	3.000% - 4.000%	6,510,000	4,780,000
Series 2020 Utility System Revenue Bonds	08/15/2035	1.950%	14,430,000	10,120,000
Series 2020A Utility System Revenue Refunding Bonds	08/15/2029	1.350%	6,225,000	2,930,000
Series 2022A Utility System Revenue Bonds	08/15/2052	4.250% - 5.250%	220,380,000	210,330,000
Series 2023 Utility System Revenue Bonds	08/15/2053	5.000% - 5.250%	105,195,000	100,145,000
Series 2024 Utility System Revenue Bonds	08/15/2054	4.000% - 5.000%	117,450,000	116,945,000
Series 2025 Utility System Revenue Bonds	08/15/2055	5.000% - 5.250%	101,360,000	101,360,000
		Total	$ 657,135,000	$ 585,780,000

All net revenues of the electric and water services system are pledged for the payment of debt service for the revenue bonds. Net revenues, as defined by the various bond ordinances, include income and revenues derived from the operation of the system, after deduction of the amount necessary to pay all operating, maintenance, replacement, and betterment charges of the system.

These bond ordinances require that the net revenues, as defined, equal at least 1.35 times the average annual debt service on all revenue bonds. The City complied with this requirement at September 30, 2025.

Note 10. Defined Benefit Pension Plan

A. Plan Description

The City participates as one of 934 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Credit	100% Repeating
Annuity Increase to retirees	30% of CPU Repeating

C. Employees Covered by Benefit Terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	322
Inactive employees entitled to but not yet receiving benefits	420
Active employees	927
	1,669

D. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Georgetown were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Georgetown were 13.2% and 12.47% calendar years 2025 and 2024 respectively. The City's contributions to TMRS for the year ended September 30, 2025 were $11,671,683 and were equal to the required contributions.

E. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions
The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.60% to 11.85% including inflation
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global public equity	35.0%	7.10%
Core fixed income	6.0%	5.00%
Non-core fixed income	6.0%	6.80%
Hedge funds	5.0%	6.40%
Private equity	13.0%	8.50%
Private debt	13.0%	8.20%
Real estate	12.0%	6.70%
Hedge funds	6.0%	6.00%
Other public and private markets	4.0%	7.30%
Total	100.0%	

<u>*Discount Rate*</u>
The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2023	$ 246,394,103	$ 213,155,941	$ 33,238,162
Changes for the year			
Service cost	13,850,310	-	13,850,310
Interest	16,855,698	-	16,855,698
Difference between expected and actual experience	5,333,174	-	5,333,174
Contributions - employer	-	10,323,478	(10,323,478)
Contributions - employee	-	5,795,109	(5,795,109)
Net investment income	-	22,209,156	(22,209,156)
Benefit payments, including refund of employee contributions	(7,210,432)	(7,210,432)	-
Administrative expense	-	(142,043)	142,043
Other changes	-	(3,322)	3,322
Net changes	28,828,750	30,971,946	(2,143,196)
Balance at December 31, 2024	$ 275,222,853	$ 244,127,887	$ 31,094,966

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.75%) or one-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 73,040,115	$ 31,094,966	$ (3,262,328)

F. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

G. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized pension expense of $12,848,535.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 9,796,368	$ 58,744
Changes in actuarial assumptions	164,184	-
Difference in projected and actual investment earnings	-	2,859,658
Contributions subsequent to the measurement date	9,112,415	-
Total	$ 19,072,967	$ 2,918,402

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $9,112,415 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2025 (i.e., recognized in the city's financial statements September 30, 2025). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Years Ended December 31,	
2025	$ 2,473,107
2026	4,539,157
2027	(902,799)
2028	319,136
2029	613,549
	$ 7,042,150

Note 11. Other Post-Employment Benefits (OPEB)

A. Post-Employment Healthcare Plan

Plan Description and Benefits Provided

In addition to the pension benefits described in the previous note, the City has established a medical insurance benefit plan for retirees, which is a single employer defined benefit medical plan (the Retiree Medical Plan). The Retiree Medical Plan does not issue a publicly available financial report. Eligible retirees will be provided medical insurance benefits at a set premium rate annually. Eligible retirees may also cover their eligible dependents. Retirees are responsible for paying the premiums. A retiree is defined as someone who retires from the City and receives benefit payments. The City will stop insurance coverage on the retiree and dependent on the last day of the month when one of the following occurs:

1. The retiree reaches age 65; or
2. The retiree fails to submit the required set premium rate.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

The following employees were covered by the benefit terms as of December 31, 2024.

Retirees or beneficiaries	6
Inactive employees, nonretired members	-
Active members	857
	863

Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2024 and was determined by an actuarial valuation as of December 31, 2024.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2024 actuarial valuation, measured as of December 31, 2024, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Individual entry-age normal
Discount rate	4.08%
Inflation	2.5% per year
Salary increases	3.6% to 11.85%, including inflation
Demographic assumptions	Based on the December 31, 2022 experience study conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the
Health care trend rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years.
Participation rates	25% for retirees with age at least 50 at retirement;0% for retirees with age less than 50 at retirement;20% of retirees were assumed to elect two-person coverage.

Changes in the Total OPEB Liability

		Increase (Decrease) Total OPEB Liability
Balance at December 31, 2023	$	3,183,573
Changes for the year		
Service cost		357,160
Interest		126,170
Difference between expected and actual experience		(27,793)
Changes of assumptions		(106,377)
Benefit payments		(30,946)
Net changes		318,214
Balance at December 31, 2024	$	3,501,787

Changes of Assumptions
Changes of assumptions reflect a change in the discount rate from 3.77% as of December 31, 2023 to 4.08% as of December 31, 2024.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates
The following presents the total OPEB liability of the City, calculated using the discount rate of 4.08%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
Total OPEB liability	$ 3,855,865	$ 3,501,787	$ 3,181,205

The following presents the total OPEB liability of the City, calculated using the current healthcare cost trend rates as well as what the City's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease in Healthcare Cost Rate	Healthcare Cost Rate	1% Increase in Healthcare Cost Rate
Total OPEB liability	$ 3,042,060	$ 3,501,787	$ 4,049,851

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense	Fiscal Year Ended September 30, 2025
Service cost	$ 357,160
Interest	126,170
Recognition of Current Year Inflow	(13,435)
Amortization of Prior Year Inflow	(18,696)
Expense	$ 451,199

As of September 30, 2025, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 455,556	$ 473,766
Changes in actuarial assumptions	473,764	927,537
Contributions subsequent to the measurement date	51,504	-
Total	$ 980,824	$ 1,401,303

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year Ending September 30,	
2026	$ (32,131)
2027	(32,131)
2028	(35,663)
2029	(39,269)
2030	(44,148)
Thereafter	(288,641)
	$ (471,983)

B. Life Insurance Benefits

Plan Description and Benefits Provided
TMRS administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. It is considered to be a single-employer plan. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (Calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Inactive employees currently receiving benefits	242
Inactive employees entitled to but not yet receiving benefits	132
Active employees	927
	1,301

Contributions
Valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employee's entire careers. The contribution rates for the City of Georgetown were 0.21% in calendar year 2024 and 0.17% in calendar year 2025 respectively. The City's contributions to the TMRS SDBF for the year ended September 30, 2025 were $161,172, which equaled the required contributions.

Total OPEB Liability
The City's total OPEB liability was measured as of December 31, 2024 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions
The City's total OPEB liability in the December 31, 2024 valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary increases	3.60% to 11.85%, including inflation
Discount rate	4.08%
Retirees' share of benefit related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2024.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period December 31, 2018 to December 31, 2022.

Changes in the Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
Balance at December 31, 2023	$ 1,593,783
Changes for the year	
Service cost	99,345
Interest	61,334
Difference between expected and actual experience	(19,050)
Changes of assumptions	(99,335)
Benefit payments	(33,115)
Net changes	9,179
Balance at December 31, 2024	$ 1,602,962

Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees. Changes in assumptions are a result of the change in municipal bond index rate from the previous year.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the City, calculated using the discount rate of 4.08%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower (3.08%) or one percentage-point higher (5.08%) than the current rate:

	1% Decrease in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
Total OPEB liability	$ 1,955,292	$ 1,602,962	$ 1,331,779

OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources
For the year ended September 30, 2025, the City recognized OPEB expense of $116,769.

At September 30, 2025, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 12,361	$ 41,134
Changes in actuarial assumptions	280,049	626,968
Contributions subsequent to the measurement date	118,072	-
Total	$ 410,482	$ 668,102

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of $118,072 will be recognized as a reduction of the OPEB liability for the measurement year ending December 31, 2024 (i.e., recognized in the County's financial statements September 30, 2025). Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ending September 30,	
2025	$ (52,918)
2026	(45,349)
2027	(68,880)
2028	(98,756)
2029	(94,932)
Thereafter	(14,857)
	$ (375,692)

The City's total OPEB liability, expense, and related deferred outflows of resources and deferred inflows of resources for both plans for the year ended September 30, 2025 were as follows:

OPEB liability	$ 5,104,749
Deferred outflows of resources	1,391,306
Deferred inflows of resources	2,069,405
OPEB expense	567,968

Note 12. Tax Abatements

The City of Georgetown has two programs for property tax abatements – a Property Tax Abatement Program and a Historic Tax Exemption Program.

Property Tax Abatement Program

Effective in December 2021, the City council approved a Property Tax Abatement Policy to negotiate certain tax abatements for Economic Development purposes as allowable under Texas Property Redevelopment and Tax Abatement Act, Texas Tax Code 312 as amended.

This act allows certain jurisdictions to provide property tax abatements for economic purposes including business relocation, retention, and expansion. The City must designate the property project area as a reinvestment zone by ordinance following the notice and public hearing required by law. The City Council will adopt an ordinance to designate the required reinvestment zone and a resolution to approve terms and conditions of a tax abatement. The City Council will then enter into a tax abatement agreement with the owner and/or tenant of the applicable property pursuant to Chapter 312 of the Texas Tax Code. The agreement shall contain the terms and conditions required by law and will provide for the repayment or recapture of abated taxes in the event of termination by the City for an uncured breach or default of the tax abatement agreement. No tax abatement agreement shall exceed ten (10) years. For the fiscal year ended September 30, 2025, $412,143 in taxes were abated under this program.

Historic Tax Exemption Program

Effective Sept. 26, 2023, the City Council approved this program by authority under Article 8, Section 1-f of the Texas Constitution and Section 11.24 of the Texas Tax Code as amended. The City Council has designated the Downtown Overlay District and Old Town Overlay District as historically significant sites for this program. The Program is effective beginning Jan. 1, 2024 and expires Jan. 1, 2027 unless extended by ordinance by the City Council. This tax exemption only applies to the City's portion of property taxes by reducing the value of the historic property.

This Program is to encourage preservation of historically significant structures as part of the City of Georgetown's stewardship of the Historic Overlay Districts, provide a link to the past through preservation of the built environment and maintain the look and feel that makes the City of Georgetown an attractive place to live, and recognize the investments made by historic homeowners in the City of Georgetown, who have additional design requirements for home improvement projects under the Historic District Design Guidelines to preserve the unique character of these neighborhoods.

Properties must meet the eligibility criteria and follow all procedures outlined in the ordinance in order to receive the property tax exemption. This includes completing the application process, submitting the completed Williamson Central Appraisal District (WCAD) exemption application, demonstrating completion of the project and compliance with program requirements, and receiving a final inspection of the historic property by authorized City staff. City staff will take a list of recommended eligible properties to the City Council for approval in June each year. Upon approval by Council, City staff will provide the list to the WCAD by the July 1 deadline and notify property owners of the approval. Property owners must then enter into an agreement with the City that sets out the terms and conditions of the exemption. Thereafter, the property owner must complete the appropriate documentation and make the annual exemption application to the WCAD in order to be entitled to the exemption for that tax year.

For the fiscal year ended September 30, 2025, $1,246 were abated under this program.

Note 13. Risk Management

Health Benefits – On January 1, 2014, the City began a self-funded insurance program for provision of employee health insurance. In fiscal year 2019, the City made contributions to cover 83% of the employees' costs for medical plan premiums. The employees authorized payroll withholdings to pay the remainder contributions for themselves, and their family members, if elected.

In accordance with state statute, the City maintains a catastrophic loss insurance policy (stop-loss policy), which reimburses the City for annual claims totaling over $150,000 per covered individual. For the fiscal year ended 2025, $1,218,799 in stop-loss payments were received by the City. The City made no significant reductions in insurance coverage and no settlements have exceeded insurance coverage for the 2025 fiscal year. The City's contributions for the self-insurance during the year totaled $13,554,808. Estimates of claims payable and of claims incurred but not reported at September 30, 2025 are reflected as accrued expenses of the fund. The liabilities include an amount for claims that have been incurred but were not reported until after September 30, 2025. Because actual claims liabilities depend on such complex factors such as inflation, changes in legal requirements, and damage awards, the process used in computing claims liability is an estimate that could materially change when the claims are ultimately finalized.

Analysis of claims liability for the fiscal year 2025 is as follows:

Unpaid claims, beginning of year	$	744,276
Incurred claims		12,550,287
Claim payments		(12,249,563)
Unpaid claims, end of year	$	1,045,000

Note 14. Deferred Compensation Plan

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

Note 15. Commitments and Contingencies

A. Wholesale Power Agreements

The City of Georgetown currently has the following Wholesale Power Purchase Agreements with the following counter parties:

- American Electric Power (AEP), through January 7, 2029
- Boralex US Energy/Spinning Spur Three LLC, through 2035
- Clearway Energy, Inc /Buckthorn Westex LLC, through 2043

B. Brazos River Authority (BRA) Water Contracts

Effective September 1, 2001, the City revised its previous water availability agreements with the BRA to further plan for future water needs and to standardize the pricing to a system-wide rate. The effective system-wide rate for Lake Georgetown Water and Lake Stillhouse Hollow Water fiscal year beginning September 1, 2025, is $106.00 per acre-foot and for Colorado River Basin for fiscal year beginning September 1, 2025, is $103.13 per acre-foot. The City paid a total of $4,968,698 for water during the fiscal year. The City has three separate agreements with the BRA as follows:

Lake Georgetown Water – This agreement, effective September 1, 2001, and expiring August 31, 2050, requires BRA to make available to the City 6,720 acre-feet of water per year at BRA's system wide rate. The City paid $712,320 for water under this agreement in fiscal year 2025.

Lake Stillhouse Hollow Water – This agreement, effective September 1, 2001, and expiring August 31, 2040, requires BRA to make available to the City 38,987 acre-feet of water per year at BRA's system wide rate. The City paid $4,132,622 for water under this agreement in fiscal year 2025.

Colorado River Basin – This agreement, effective July 1, 2020, and expiring August 31, 2030, requires BRA to make available to the City 1,200 acre-feet of water per calendar year based on the Total LCRA Water Rate under the LCRA contract with the BRA. The City paid $123,756 for water under this agreement in fiscal year 2025.

C. Brazos River Authority – Williamson County Regional Raw Water Line Agreement

The City is a party to an agreement dated June 30, 1986, with the Brazos River Authority (BRA), City of Round Rock, Jonah Water Special Utility District, and Chisholm Trail Special Utility District (CTSUD). The Brazos River Authority designed, constructed, owns, and operates a pipeline to transport water from Lake Stillhouse Hollow to Lake Georgetown to benefit the parties in the agreement. Total project construction cost for the raw water line was approximately $40,000,000. In 2007, BRA refunded a portion of the original $89,000,000 in debt, leaving approximately $69,000,000 outstanding debt, including principal and interest. Each participant agreed to pay for the annual cost of debt and operations of the line. The City's obligation is $50,500,000, including principal and interest, to be repaid annually through 2032. The amount for fiscal year 2025 was $2,038,489.

The following schedule reflects the principal and interest portion of the City's obligation:

Years Ending September 30,	
2026	$ 2,030,105
2027	2,015,618
2028	2,011,450
2029	2,016,185
2030	2,010,597
2031-2032	1,014,564
	$ 11,098,519

As part of the CTSUD acquisition that occurred on September 12, 2014, the City assumed the ownership interest and related obligations of CTSUD's portion of this project.

D. EPCOR Groundwater Reservation Agreement

In August of 2023, the City of Georgetown entered into an agreement with EPCOR to reserve 39,399 acre-feet per year of EPCOR's existing permitted groundwater rights. The City also contracted to secure rights for up to an additional 30,601 acre-feet per year of groundwater. The reservation fee rate is $155 per acre-feet. While this agreement expired during fiscal year 2025, the City paid $3 million under this agreement.

E. Georgetown Village Public Improvement District

In 1999, the City of Georgetown created the Georgetown Village Public Improvement District No. 1, pursuant to Chapter 372 of the Texas Local Government Code. The City is required to construct and provide operation, repair, and maintenance of parks, recreational facilities, alleyways, lighting, landscaping and related improvements to the district that are above the standards that are met elsewhere in the City. Property owners are assessed an annual maintenance assessment of $0.12 per $100 valuation. Assessment revenue of $558,801 was recognized for 2025. As of September 30, 2025, $528,594 of costs associated with the Georgetown Village Public Improvement District have been reimbursed.

F. Cimarron Hills Public Improvement District

In May 2000, the City and Paloma Cimarron Hills, L.P. entered into a development agreement for a 606 home, 813-acre subdivision within the City's Extraterritorial Jurisdiction (ETJ). As part of this agreement, the City created the Cimarron Hills PID to reimburse the developer for costs of certain infrastructure improvements. Each lot within the development is assessed an annual fee based on its type of usage. The City also collects a per unit transportation fee which will be used to fund necessary roadway improvements and bridge crossings in the area. PID assessment collection began in 2002. In 2025, PID assessments were $293,616. Administrative expenses related to the collection of assessments were $9,900 and paid from current year collections. The assessments and related disbursements are recorded in the Custodial Fund.

G. Parks at Westhaven Public Improvement District

In March 2021, the City of Georgetown created the Parks at Westhaven PID, pursuant to Chapter 372 of the Texas Local Government Code, and concurrently approved a Financing and Reimbursement Agreement relating to the construction of authorized improvements, the levy of assessments, the reimbursement of Landowner for the actual costs of the authorized improvements directly from the assessments or from proceeds of special revenue bonds secured by the assessments. A Service and Assessment Plan was also approved which includes the "Assessment Roll" outlining the annual installment for each assessment to begin being collected in fiscal year 2022. For the year ending September 30, 2025, total revenues were $649,314 primarily made up of PID assessments of $597,107. Total expenditures were $550,825 primarily made up of administrative fees of $44,160 and debt service costs of $506,665.

H. Bluffview Public Improvement District (PID)

On March 22, 2022, the City of Georgetown created the Bluffview PID, pursuant to Chapter 372 of the Texas Local Government Code. For the year ending September 30, 2025, total revenues were $0.00 primarily made up of PID assessments. Total expenditures were $0.00 primarily made up of administration fees.

I. Gateway Tax Increment Reinvestment Zone (TIRZ)

This was established in November 2006 to fund improvements needed for redevelopment of the Williams Drive gateway area. A master plan for the area was developed in 2006, with implementation planned for future years. For the year ending September 30, 2025, total revenues were $141,852 with total expenditures of $467,051.

J. Downtown Tax Increment Reinvestment Zone (TIRZ)

This was established in 2004 to fund improvements in the downtown overlay district to assist in funding the downtown master plan. For the year ending September 30, 2025, total revenues were $739,777 with total expenditures of $320,068.

K. Rivery Park Tax Increment Reinvestment Zone (TIRZ)

This was established in 2008 to fund a convention center/hotel complex, as well as an expansion to Rivery Park. In January 2014, the City entered into agreements for a 220-room Sheraton hotel and conference center at the 32-acre Rivery site for the development of the Summit at Rivery Park (Rivery) project. This project includes a 16,000 square-foot conference center that can accommodate up to 4,500 people and a public parking garage. The project includes retail stores, restaurant sites, single-family homes, and multifamily residences for a total project investment of $150,000,000 including $65,000,000 for the hotel, conference center, and parking garage. Private investors funded most of the project costs.

A total of $16,800,000 in future City and County property taxes generated at the site is being used to reimburse the City and the developer for the cost of the hotel and conference center, parking garage, and other public improvements. This includes $12,500,000 of investments by the City and its related entities including GEDCO and GTEC.

The City and Williamson County agreed to reimburse up to $25,000,000 for the project. The City will contribute 100% and Williamson County will contribute 80% of their respective incremental ad valorem tax valuation generated at the 32-acre site to fund the project. The City will remit half of the 1% City sales tax generated at the site to Williamson County as part of the agreement. The City received and verified additional improvement costs allowable for reimbursement per Section 5.4.3 of the first amended and restated master development agreement. The City has acknowledged the $3,500,000 obligation to the developer for these improvements and has included this reimbursement in future cash flows. For the year ending September 30, 2025, total revenues were $1,120,932 with total expenditures of $1,117,811.

L. Wolf Lakes Tax Increment Reinvestment Zone (TIRZ)

In December 2018, the City created the Wolf Lakes TIRZ on164 acres located at the northwest corner of Interstate 35 and University Ave (SH29), bounded by Wolf Ranch Parkway to the west and the River Hills subdivision to the north. The purpose of the TIRZ is to provide economic and qualitative benefits be facilitating a program of public improvements. The development includes a grocery store, medical facility, and apartments.

The City and Williamson County agreed to reimburse up to $130,000,000 for public improvement projects in the TIRZ. The City will contribute 70% of their respective incremental ad valorem tax valuation generated up to $100,000,000 and Williamson County will contribute 50% of their respective incremental ad valorem tax valuation generated up to $30,000,000. For the year ending September 30, 2025, total revenues were $504,826 with expenditures of $0.00.

M. North Georgetown Tax Incremental Reinvestment Zone (TIRZ)

In December 2021, the City created the North Georgetown TIRZ consisting of 224 acres located along IH35, north of the Highway 195 intersection. The purpose of the TIRZ is to finance public infrastructure needed to develop the site for industrial and commercial use in partnership with the Developer over a fifteen (15) year period. Beginning in 2024, the City will contribute 60% of the incremental tax increase in years 1-5, 55% in years 2-10, and 50% in years 11-15. The last contribution will be in 2038. The maximum reimbursement to the developer is $8.5 million or the end of the 15 year period, whichever comes first. For the year ending September 30, 2025, total revenues were $73,136 with expenditures of $0.00

N. Chapter 552 Infrastructure Financing Reimbursement Agreement

In August 2014, the City entered into a Chapter 552 Infrastructure Financing/Reimbursement Agreement for the Hillwood Wolf Ranch Development Project. This agreement is one of several associated with this project which included the City's consent to the creation of an In-City Municipal Utility District (MUD) to finance the costs of various improvements. This Chapter 552 agreement, allowable under Chapter 552 of the Local Government Code, facilitates the reimbursement of up to $25,000,000 to the MUD for construction of specified public improvements within the Hillwood Wolf Ranch development. The annual repayment amount is funded from City ad valorem tax revenues received by the City for property within the MUD at a rate of $0.15 /per $100 assessed valuation. The terms of this Chapter 552 Agreement continue until dissolution of the MUD or the date on which the City pays the maximum reimbursement amount of $25,000,000, whichever occurs first. Reimbursements were made in FY2025 totaling $1,389,204.

O. Economic Development Agreements

Citigroup
In November 2019, the City entered into a 380 economic development retention agreement with Citigroup Technology, Inc for Retention Electric Rate Grant for the retention of an all-inclusive electric rate not subject to periodic adjustments for energy used. This agreement begins November 1st, 2019 and ended November 1st, 2024.

In November 2019, the City also entered into a 380 economic development expansion agreement with Citigroup Technology, Inc to provide both Property Tax Grant and Sales Tax Grants. The Property Tax Grant provides 50% of the City's ad-valorem taxes in excess of the required $275,000,000 assessed improvement value, not to exceed 5 tax years. The Sales Tax Grant shall be equal to 25% of the general fund 1% sales tax receipts in excess of the base sales tax requirements of $1,250,000 per year. There were not any payments to Citigroup by the City in FY2025.

Costco
In December 2019, the City, GEDCO and GTEC entered into economic development agreements with Costco Wholesale Corporation to encourage the capital investment of at least $20,000,000 and to offset the costs of the development and construction of the improvements.

In December 2019, the City also entered into a 380 economic development agreement with Costco Wholesale Corporation. The Sales Tax Grant for the 380 agreement provides reimbursement of 50% of the general fund 1% sales tax generated by Costco Wholesale Corporation up to a maximum of $2,000,000 or 10 years whichever comes first. Costco was paid $187,017 in FY2025.

CelLink
In March 2022, GEDCO entered into a ten (10) year economic development agreement with CelLink Corporation for Infrastructure and employment grants. This agreement was amended in Sept. 2023 for clarification regarding certain dates in the original agreement. The Maximum Infrastructure grants shall not exceed $2,500,000 for capital investments by CelLink of $80 million by the fifth anniversary date of the Commencement date. The Maximum Employment grants shall not exceed $525,000. There were not any infrastructure grant payments in FY2025. CllLink was paid the employment grant of $47,000 in FY2025.

Also in March 2022, the City, Titan Gateway35, and CelLink entered into a ten (10) year tax abatement agreement to abate fifty percent (50%) of Titan Gateway35's taxable value of the land and improvements and seventy-five percent (75%) of CelLink's tangible personal property for the ten-year period. The tax abatement begins 2024. There were not any payments to Titan Gateway35 or CelLink in FY2025.

GAF Energy
In July 2022, GEDCO entered into a ten (10) year economic development agreement with GAF Energy LLC for employment grants. The maximum employment grants shall not exceed $395,000. No employment grants were paid in FY2025.

Also, in July 2022, the City, Longhorn Junction Owner LP, and GAF Energy LLC entered into a ten (10) year tax abatement agreement to abate fifty percent (50%) of Longhorn Junctions' taxable value of the land and improvements and seventy-five percent (75%) of GAF Energy's tangible personal property for the ten-year period. The tax abatement begins 2024. No payments were made in FY2025.

Jackson Shaw
In January 2022, GTEC and JSACQ Georgetown LP entered into an economic development agreement to extend FM972, a major arterial westward from IH35. The total capital investment by JSACQ will be $24 million. The maximum infrastructure grants shall not exceed $4,600,000. Construction shall commence on or before March 2023 and should complete within twenty-four months. No infrastructure grant installments were paid in FY2025.

In January 2022, the City and JSACQ Georgetown LP entered into an economic development agreement for infrastructure improvement grants to be located in the North Georgetown TIRZ. JSACQ intends to make capital investments of $24 million. The maximum reimbursement for the infrastructure is $8.5 million. With 2024 being the first-year incremental tax increases are to be made to the TIRZ, no payments were made in FY2025.

Loram Technologies

In March of 2021, GEDCO entered a ten (10) year economic development agreement with Loram Technologies, Inc., for employment grants. The maximum employment grants shall not exceed $300,000. The company is open for business. No employment grants were paid in FY25.

In March of 2021GEDCO entered into an economic development agreement with Loram Technologies, Inc., to encourage the capital investment of at least $12,000,000 and to offset the actual costs incurred and paid by the company for design and construction of the infrastructure and shall not exceed $500,000. Commencement of construction of the project shall occur on or before July l, 2023, to cause completion of construction of the project to occur within twenty-four (24) months thereafter. The company is open for business. Paid $500,000 Infrastructure Grant payment FY2025 for work completed in FY2025.

August 2022 GTEC entered into economic development agreements with Loram Technologies, Inc., to encourage the capital investment of at least $12,000,000 and to offset the costs of the design and construction of Austin Avenue adjacent to the Land; and (ii) right-hand and left-hand turn lanes at the driveway from Austin Avenue into the Land, as required by TXDOT, and shall not exceed $600,000. Construction shall commence on or before May 31, 2023, and should be completed within twenty-four months. The company is open for business. The City paid $520,774 Infrastructure Grant payment for work completed FY2025.

P. Garey Park Trust

In June 2014, the City entered into a memorandum of understanding (MOU) whereby Alan Jack Garey donated his 525-acre ranch and home, on the conditions that the property shall be used exclusively as a public park and recreational facility for the benefit of all residents of the City of Georgetown and surrounding areas. The Garey's deeded 321.45 acres of land to the Texas Parks and Recreation Foundation, in trust for the benefit of the City. All the land is now in the City of Georgetown's name. We have accepted operations and maintenance for the park. Garey Park opened in June 2018. With the passing of Mr. Garey in 2022, the City received an additional $1,000,000 from his estate for a Memorial Pavilion in Garey Park. Additional improvements to Garey Park in the future are also included in Mr. Garey's will and will be reimbursed by the estate in accordance with that document.

Q. Grants

Amounts received or receivable from grantor agencies, principally the federal government, are subject to audit and adjustment by the agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

R. Litigation

The City is involved in various legal actions in which claims of varying amounts are being asserted against the City. The City follows the practice of providing for these claims only when they become probable and reasonably determinable in amount.

In November 2024, the City of Georgetown and PLW Waterworks, LLC entered into a settlement agreement and general release to resolve any and all claims regarding the ongoing dispute between the two parties concerning additional compensation and schedule relief. In the settlement agreement, the parties agreed to a confidential monetary settlement which has been recorded as a liability as of September 30, 2024. Payment to PLW Waterworks, LLC pursuant to this settlement was made in December 2024.

In the opinion of City management, no other lawsuit outcomes will have a material adverse effect on the City's financial position.

S. Construction Contracts

Encumbrances on construction projects in progress as of September 30, 2025, are approximately $78,965,214 for Governmental Funds and approximately $105,944,398 for Enterprise Fund.

Note 16. Energy Risk Management

The City of Georgetown's Energy Risk Management (ERM) Policy supports the advancement of its strategic business plan and management of its energy risks. This Policy governs all energy and basis (congestion) hedging activities. The Energy Risk Management Policy, along with the supporting policies (Credit policy, Hedge policy, Trading Authority policy, and Trading Sanctions policy), outline specific responsibilities and guidelines to manage the financial risk related to volumetric and congestion exposure to spot market energy prices associated with serving its load obligations.

Consistent with the ERM, the City has entered into power supply agreements with counterparties to hedge against volumetric and congestion exposure to spot market energy prices. These contracts meet the definition of a derivative instrument as defined by GASB Statement No. 53, Accounting and Reporting for Derivative Instruments (GASB 53). However, these contracts meet the normal purchases and sales exemption of GASB 53 as the City intends to use the physical commodity in its normal utility operations to supply energy to its customers. Accordingly, these contracts are not within the scope of GASB 53 and are not recorded on the City's Statement of Net Position.

A. Risks

Credit Risk. The City's over-the-counter agreements for natural gas and energy expose the City to credit risk. In the event of default, the City's operations will not be materially affected. However, the City does not expect the counterparties to fail to meet their obligations. The City maintains contracts with contractual provisions under the EEI (Edison Electric Institute) and EPC (Energy Procurement Contract) agreements.

Termination Risk. Termination risk is the risk that a derivative will terminate prior to its scheduled maturity date due to a contractual event. Contractual events include illegality, tax and credit events upon merger and other events. The City's exposure to termination risk for over-the counter agreements is minimal due to the high credit rating of the counterparties, and the contractual provisions under the EEI and EPC agreements applied to these contracts. Termination risk is associated with all of the City's derivatives up to their fair value of the instrument.

Netting Arrangements. The City enters into netting arrangements whenever it has entered into more than one derivative transaction with counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transaction's fair values so that a single sum will be owed by or owed to the non-defaulting party.

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Required Supplementary Information

Texas Municipal Retirement System – Schedule of Changes in Net Pension Liability and Related Ratios

	Measurement 2024	Measurement 2023	Measurement 2022	Measurement 2021	Measurement 2020	Measurement 2019	Measurement 2018	Measurement 2017	Measurement 2016	Measurement 2015
Total pension liability										
Service cost	$ 13,850,310	$ 12,124,068	$ 10,257,378	$ 9,188,441	$ 8,420,259	$ 7,773,892	$ 7,418,271	$ 6,897,077	$ 6,387,917	$ 5,660,967
Interest	16,855,698	15,021,715	13,607,232	12,549,653	11,539,794	10,571,618	9,700,878	8,852,731	8,051,567	7,402,393
Difference between expected and actual experience	5,333,174	5,865,638	2,932,938	(97,013)	221,322	(273,287)	(511,751)	231,554	486,906	903,470
Changes of assumptions	-	180,454	-	-	-	529,624	-	-	-	1,980,757
Benefit payments	(7,210,432)	(6,559,330)	(6,991,840)	(6,023,584)	(5,185,596)	(3,977,775)	(3,792,957)	(3,560,669)	(3,063,090)	(2,491,010)
Net change in total pension liability	28,828,750	26,632,545	19,805,708	15,617,497	14,995,779	14,624,072	12,814,441	12,420,693	11,863,300	13,456,577
Total pension liability - beginning	246,394,103	219,761,558	199,955,850	184,338,353	169,342,574	154,718,502	141,904,061	129,483,368	117,620,068	104,163,491
Total pension liability - ending (a)	$ 275,222,853	$246,394,103	$219,761,558	$199,955,850	$184,338,353	$169,342,574	$154,718,502	$141,904,061	$129,483,368	$117,620,068
Plan fiduciary net position										
Contributions - employer	$ 10,323,478	$ 9,021,358	$ 7,800,790	$ 6,966,809	$ 6,220,242	$ 5,912,566	$ 5,725,188	$ 5,323,953	$ 4,630,015	$ 4,371,324
Contributions - employee	5,795,109	5,171,754	4,375,481	3,917,118	3,589,635	3,384,157	3,229,347	3,009,880	2,798,414	2,592,095
Net investment income	22,209,156	21,385,818	(14,133,018)	21,769,442	11,455,944	19,503,600	(3,736,957)	14,606,240	6,398,399	132,967
Benefit payments	(7,210,432)	(6,559,330)	(6,991,840)	(6,023,584)	(5,185,596)	(3,977,775)	(3,792,957)	(3,560,669)	(3,063,089)	(2,491,010)
Administrative expense	(142,043)	(135,681)	(122,037)	(100,533)	(74,002)	(110,028)	(72,138)	(75,638)	(72,218)	(80,978)
Other	(3,322)	(947)	145,626	690	(2,887)	(3,307)	(3,767)	(3,833)	(3,891)	(4,000)
Net change in plan fiduciary net position	30,971,946	28,882,972	(8,924,998)	26,529,942	16,003,336	24,709,213	1,348,716	19,299,933	10,687,630	4,520,398
Plan fiduciary net position - beginning	213,155,941	184,272,969	193,197,967	166,668,025	150,664,689	125,955,476	124,606,760	105,306,827	94,619,197	90,098,799
Plan fiduciary net position - ending (b)	244,127,887	213,155,941	184,272,969	193,197,967	166,668,025	150,664,689	125,955,476	124,606,760	105,306,827	94,619,197
Net pension liability - ending (a) - (b)	$ 31,094,966	$ 33,238,162	$ 35,488,589	$ 6,757,883	$ 17,670,328	$ 18,677,885	$ 28,763,026	$ 17,297,301	$ 24,176,541	$ 23,000,871
Plan fiduciary net position as a percentage of total pension liability	88.70%	86.51%	83.85%	96.62%	90.41%	88.97%	81.41%	87.81%	81.33%	80.44%
Covered payroll	$ 82,787,266	$ 73,882,195	$ 62,506,871	$ 55,958,835	$ 51,280,503	$ 48,345,099	$ 46,133,526	$ 42,892,268	$ 39,775,322	$ 37,121,089
Net pension liability as a percentage of covered payroll	37.56%	44.99%	56.78%	12.08%	34.46%	38.63%	62.35%	40.33%	60.78%	61.96%

City of Georgetown, Texas
Required Supplementary Information – Continued
For the Fiscal Year Ended September 30, 2025

Texas Municipal Retirement System – Schedule of Contributions

	September 30, 2025	September 30, 2024	September 30, 2023	September 30, 2022	September 30, 2021	September 30, 2020	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016
Actuarially determined contribution	$ 11,671,683	$ 10,061,635	$ 8,690,069	$ 7,816,986	$ 6,220,243	$ 5,912,566	$ 5,900,133	$ 5,682,270	$ 5,172,343	$ 4,519,980
Contributions in relation to the actuarially determined contribution	11,671,683	10,061,635	8,690,069	7,816,986	6,220,243	5,912,566	5,900,133	5,682,270	5,172,343	4,519,980
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 89,977,780	$ 81,079,056	$ 70,823,263	$ 62,674,395	$ 51,280,503	$ 48,345,099	$ 48,020,769	$ 45,293,424	$ 39,775,322	$ 37,121,089
Contributions as a percentage of covered payroll	12.97%	12.41%	12.27%	12.47%	12.13%	12.23%	12.29%	12.55%	13.00%	12.18%

City of Georgetown, Texas
Required Supplementary Information – Continued
For the Fiscal Year Ended September 30, 2025

Notes to TMRS Schedules

TMRS schedules are intended to show information for ten years, and future years' information will be displayed as it becomes available.

Valuation Date
Actuarial determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 Years (longest amortization ladder)
Asset valuation method	10 year smoothed market, 12.00% soft corridor
Inflation	2.50%
Salary increases	3.60% to 11.85%, including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.

There were no benefit changes during the year.

Post-employment Healthcare Plan – Schedule of Changes in the OPEB Liability and Related Ratios*

	Measurement 2024	Measurement 2023	Measurement 2022	Measurement 2021	Measurement 2020	Measurement 2019	Measurement 2018	Measurement 2017
Total OPEB liability								
Service cost	$ 357,160	$ 332,119	$ 359,751	$ 259,569	$ 207,540	$ 154,054	$ 144,760	$ 128,392
Interest	126,170	131,047	67,437	63,940	76,619	84,088	73,344	74,997
Difference between expected and actual experience	(27,793)	(554,506)	2,621	672,121	2,910	65,680	4,261	-
Changes of assumptions	(106,377)	251,201	(732,856)	(434,670)	223,522	286,037	(90,006)	106,325
Benefit payments	(30,946)	(91,919)	(132,958)	(153,062)	(98,425)	(95,554)	(77,104)	(63,836)
Net change in total OPEB liability	318,214	67,942	(436,005)	407,898	412,166	494,305	55,255	245,878
Total OPEB liability - beginning	3,183,573	3,115,631	3,551,636	3,143,738	2,731,572	2,237,267	2,182,012	1,936,134
Total OPEB liability - ending	$ 3,501,787	$ 3,183,573	$ 3,115,631	$ 3,551,636	$ 3,143,738	$ 2,731,572	$ 2,237,267	$ 2,182,012
Covered-employee payroll	$ 85,018,162	$ 73,882,195	$ 62,506,871	$ 60,184,157	$ 51,280,503	$ 48,345,099	$ 46,133,526	$ 40,193,300
Total OPEB liability as a percentage of covered-employee payroll	4.12%	4.31%	4.98%	5.90%	6.13%	5.65%	4.85%	5.43%

*Schedules will include 10 years of information as it becomes available.

Note: There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Life Insurance Benefits – Schedule of Changes in the OPEB Liability and Related Ratios*

	Measurement 2024	Measurement 2023	Measurement 2022	Measurement 2021	Measurement 2020	Measurement 2019	Measurement 2018	Measurement 2017
Total OPEB liability								
Service cost	$ 99,345	$ 88,659	$ 150,016	$ 134,301	$ 107,689	$ 72,518	$ 83,040	$ 64,338
Interest	61,334	57,992	39,281	38,215	41,334	41,595	37,420	34,993
Difference between expected and actual experience	(19,050)	(10,194)	20,041	(7,653)	(19,570)	(6,941)	(25,887)	-
Changes of assumptions	(99,335)	84,543	(854,304)	75,056	278,682	262,118	(93,944)	100,531
Benefit payments	(33,115)	(29,553)	(25,003)	(22,384)	(5,128)	(4,835)	(4,613)	(4,289)
Net change in total OPEB liability	9,179	191,447	(669,969)	217,535	403,007	364,455	(3,984)	195,573
Total OPEB liability - beginning	1,593,783	1,402,336	2,072,305	1,854,770	1,451,763	1,087,308	1,091,292	895,719
Total OPEB liability - ending	$ 1,602,962	$ 1,593,783	$ 1,402,336	$ 2,072,305	$ 1,854,770	$ 1,451,763	$ 1,087,308	$ 1,091,292
Covered payroll	$ 82,787,266	$ 75,762,072	$ 68,267,213	$ 55,958,835	$ 51,280,503	$ 48,345,099	$ 46,133,526	$ 42,892,268
Total OPEB liability as a percentage of covered payroll	1.94%	2.10%	2.05%	3.70%	3.62%	3.00%	2.36%	2.54%

*Schedules will include 10 years of information as it becomes available.

Note: There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75

APPENDIX E

SELECTED PROVISIONS OF THE ORDINANCE

The following are excerpts of certain provisions of the Ordinance. Such excerpts do not purport to be complete or verbatim and reference should be made to the Ordinance, for the entirety thereof. Copies of the Ordinance are available upon request to the City.

As used in this Ordinance, the following terms and expressions shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

"*Accountant*" means an independent certified public accountant or accountants or a firm of an independent certified public accountants, in either case, with demonstrated expertise and competence in public accountancy.

"*Additional Parity Obligations*" means bonds, notes, warrants, certificates of obligation, contractual obligations or other Debt which the City reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Sections 22 and 23 of this Ordinance and which obligations are equally and ratably secured solely by a first lien on and pledge of the Pledged Revenues on a parity with the outstanding Parity Obligations and the Bonds.

"*Amortization Installment*" means, with respect to any Term Bonds of any series of Parity Obligations, the amount of money which is required to be deposited into a mandatory redemption account for retirement of such Term Bonds (whether at maturity or by mandatory redemption and including redemption premium, if any) provided that the total Amortization Installments for such Term Bonds shall be sufficient to provide for retirement of the aggregate principal amount of such Term Bonds.

"*Annual Debt Service Requirements*" means, as of the date of calculation, the principal of and interest on all Parity Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the City on such Debt, or be payable in respect of any required purchase of such Debt by the City) in such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply at the election of the City:

(1) Balloon Debt. If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the City) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein and throughout this Ordinance as "Balloon Debt"), the amount of principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(2) Consent Sinking Fund. In the case of Balloon Debt, if a Designated Financial Officer shall deliver to the City a certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other debt service charges on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (2) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such Debt on or before the times required by such schedule; and provided further that this clause (2) shall not apply where the City has elected to apply the rule set forth in clause (1) above;

(3) Prepaid Debt. Principal of and interest on Bonds and Additional Parity Obligations, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Debt; and

(4) Variable Rate. As to any Parity Obligations that bear interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the City, either (A) an interest rate equal to the average rate borne by such Parity Obligations (or by comparable debt in the event that such Parity Obligations has not been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, or (B) an interest rate equal to the 30-year Revenue Bond Index (as most recently published in The Bond Buyer), shall be presumed to apply for all future dates, unless such index is no longer published in The Bond Buyer, in which case an index of revenue bonds with maturities of at least 20 years which is published in a financial newspaper or journal with national circulation may be used for this purpose (if two Series of Parity Obligations which bear interest at variable interest rate, or one or more maturities within a Series, of equal par amounts, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Parity Obligations taken as a whole, such composite fixed rate shall be used in determining the Annual Debt Service Requirement with respect to such Parity Obligations);

With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and, with respect to prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

"Average Annual Debt Service Requirements" means that average amount which, at the time of computation, will be required to pay the Annual Debt Service Requirements when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Annual Debt Service Requirements by the number of Fiscal Years then remaining before Stated Maturity of such Parity Obligations. For the purposes of this definition, a fractional period of a Fiscal Year shall be treated as an entire Fiscal Year. Capitalized interest payments provided from bond proceeds, accrued interest on any Debt, and interest earnings thereon shall be excluded in making such computation.

"Bond Insurer" means any entity that insures or guarantees the payment of principal and interest on any Bonds or the provider of a Reserve Fund Obligation.

"*Bonds*" the "City of Georgetown, Texas Utility System Revenue Bonds, Series 2026A" authorized by this Ordinance and all substitute Bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds.

"*City*" means the City of Georgetown, Texas, and where appropriate, the City Council.

"*City Council*" means the governing body of the City.

"Debt" and *"Debt of the City payable from Pledged Revenues*" mean:

(1) all indebtedness payable from Pledged Revenues and/or Net Revenues incurred or assumed by the City for borrowed money and all other financing obligations of the System payable from Pledged Revenues and/or Net Revenues that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet; and

(2) all other indebtedness payable from Pledged Revenues and/or Net Revenues (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction or improvement of property or capitalized lease obligations pertaining to the System that is guaranteed, directly or indirectly, in any manner by the City, or that is in effect guaranteed, directly or indirectly, by the City through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise.

For the purpose of determining Debt, there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements of the System in prior Fiscal Years.

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

"Depository" means one or more official depository banks of the City.

"Designated Financial Officer" means the chief financial officer of the City, or such other financial or accounting official of the City so designated by the City Council.

"Federal Securities" as used herein means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America.

"*Financial Obligation*" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"*Fiscal Year*" means the twelve-month accounting period used by the City in connection with the operation of the System, currently ending on September 30 of each year, which may be any twelve consecutive month period established by the City, but in no event may the Fiscal Year be changed more than one time in any three-calendar year period.

"*Funded Debt*" means all Parity Obligations created or assumed by the City that mature by their terms (in the absence of the exercise of any earlier right of demand), or that are renewable at the option of the City to a date, more than one year after the original creation or assumption of such Debt by the City.

"*Gross Revenues*" and "*Gross Revenues of the City's System*" mean all revenues, income and receipts of every nature derived or received by the City from the operation and ownership of the System; including the interest income from investment or deposit of money in any Fund created by this Ordinance or maintained by the City in connection with the System; and any other revenues hereafter pledged to the payment of all Parity Obligations.

"*Holder*" or "*Holders*" means the registered owner, whose name appears in the Security Register, for any Parity Obligation.

"*Interest and Sinking Fund*" means the special Fund maintained by the provisions of Sections 8 and 11 of this Ordinance.

"*Maintenance and Operating Expenses*" means the reasonable and necessary expenses of operation and maintenance of the System as required by Section 1502.058, Texas Government Code, as amended, including all salaries, labor, materials, repairs and extensions necessary to render efficient service (but only such repairs and extensions as, in the judgment of the governing body of the City, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or conditions which would otherwise impair the Parity Obligations), and all payments under contracts now or hereafter defined as operating expenses by the Legislature of Texas. Depreciation shall never be considered as a Maintenance and Operating Expense. The definition includes a two-month reserve amount, as provided under Section 10 of this Ordinance.

"*Maturity*" means, when used with respect to any Debt, the date on which the principal of such Debt or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

"*Maximum Annual Debt Service Requirements*" means the greatest requirements of Annual Debt Service Requirements (taking into account all mandatory principal redemption requirements) scheduled to occur in any future Fiscal Year or in the then current Fiscal Year for the particular obligations for which such calculation is made. Capitalized interest payments provided from Debt proceeds, accrued interest on any Debt, and interest earnings thereon shall be excluded in making such computation.

"*Net Revenues*" and "*Net Revenues of the City's System*" mean all Gross Revenues remaining after deducting the Maintenance and Operating Expenses.

"*Ordinance*" means this ordinance finally adopted by the City Council on September 22, 2026.

"*Outstanding,*" when used with respect to Parity Obligations, means, as of the date of determination, all Parity Obligations theretofore delivered under this Ordinance and any ordinance authorizing Previously Issued Obligations or Additional Parity Obligations, except:

(1) Parity Obligations theretofore cancelled and delivered to the City or delivered to the Paying Agent/Registrar for cancellation;

(2) Parity Obligations deemed paid pursuant to the provisions of Section 29 of this Ordinance or any comparable section of any ordinance authorizing Previously Issued Obligations or Additional Parity Obligations;

(3) Parity Obligations upon transfer of or in exchange for and in lieu of which other Parity Obligations have been authenticated and delivered pursuant to this Ordinance and any ordinance authorizing Previously Issued Obligations or Additional Parity Obligations; and

(4) Parity Obligations under which the obligations of the City have been released, discharged or extinguished in accordance with the terms thereof.

"*Paying Agent/Registrar*" shall have the meaning set forth in Section 5(a) hereof.

"*Parity Obligations*" means the Bonds, the Previously Issued Parity Obligations and any Additional Parity Obligations hereafter issued by the City or obligations issued to refund any of the foregoing (as determined within the sole discretion of the

City Council in accordance with applicable law) if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured by a first lien on and pledge of the Pledged Revenues.

"Permitted Investments" means any security or obligation or combination thereof permitted under the Public Funds Investments Act, Chapter 2256, Texas Government Code, as amended or other applicable law.

"*Pledged Revenues*" means (1) the Net Revenues, plus (2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the City to the payment of the Parity Obligations, and excluding those revenues excluded from Gross Revenues.

"*Previously Issued Parity Obligations"* means the Outstanding Parity Obligations of the City entitled: "City of Georgetown, Texas Utility System Revenue Bonds, Series 2014," "City of Georgetown, Texas Utility System Revenue Refunding Bonds, Series 2014," "City of Georgetown, Texas Utility System Revenue Bonds, Series 2014A," "City of Georgetown, Texas Utility System Revenue Bonds, Series 2015," "City of Georgetown, Texas Utility System Revenue Bonds, Series 2016," "City of Georgetown, Texas Utility System Revenue Refunding Bonds, Series 2016," "City of Georgetown, Texas Utility System Revenue and Refunding Bonds, Series 2017," "City of Georgetown, Texas Utility System Revenue Bonds, Series 2018," "City of Georgetown, Texas Utility System Revenue Bond, Series 2020," "City of Georgetown, Texas Utility System Revenue Refunding Bond, Series 2020," "City of Georgetown, Texas Utility System Revenue Bonds, Series 2022," "City of Georgetown, Texas Utility System Revenue Bonds, Series 2023," "City of Georgetown, Texas Utility System Revenue Bonds, Series 2024," "City of Georgetown, Texas Utility System Revenue Bonds, Series 2025" and "City of Georgetown, Texas Utility System Revenue Bonds, Series 2026."

"*Prudent Utility Practice*" means any of the practices, methods and acts, in the exercise of reasonable judgment, in the light of the facts, including but not limited to the practices, methods and acts engaged in or previously approved by a significant portion of the public utility industry, known at the time the decision was made, that would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. In the case of any facility included in the System which is operated in common with one or more other entities, the term Prudent Utility Practice, as applied to such facility, shall have the meaning set forth in the agreement governing the operation of such facility.

"*Rating Agency*" means any nationally recognized securities rating agency which has assigned, at the request of the City, a rating to the Parity Obligations.

"Record Date" means Record Date as defined in the Form of Bonds in Exhibit "B" to this Ordinance.

"*Required Reserve Amount*" means the amount required to be maintained in the Reserve Fund pursuant to the provisions of Section 12 of this Ordinance.

"*Required Reserve Fund Deposits*" means the deposits and credits, if any, required to be made to the Reserve Fund pursuant to the provisions of Section 12 of this Ordinance.

"Reserve Fund" means the special fund created, established and maintained by the provisions of Section 12 of this Ordinance.

"*Reserve Fund Obligation*" means, to the extent permitted by law, as evidenced by an opinion of nationally recognized bond counsel, a surety bond or insurance policy deposited in the Reserve Fund to satisfy the Required Reserve Amount whereby the City is obligated to provide funds up to and including the maximum amount and under the conditions specified in such agreement or instrument.

"Reserve Fund Obligation Payment" means any subrogation payment the City is obligated to make from Pledged Revenues deposited in the Reserve Fund with respect to a Reserve Fund Obligation.

"*Special Project*" means, to the extent permitted by law, any electric, waterworks, sanitary sewer, wastewater reuse or municipal drainage system property, improvement or facility declared by the City not to be part of the System, for which the costs of acquisition, construction and installation are paid from proceeds of a financing transaction other than the issuance of bonds payable from ad valorem taxes, Pledged Revenues or Net Revenues and for which all maintenance and operation expenses are payable from sources other than ad valorem taxes, Pledged Revenues or Net Revenues, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction and installation under such financing transaction.

"Stated Maturity" means the annual principal payments of the Parity Obligations payable on the respective dates set forth in the ordinances which authorized the issuance of such Parity Obligations.

“*Subordinate Lien Obligations*” means (i) any bonds, notes, warrants, certificates of obligation, contractual obligations or other Debt issued by the City that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Net Revenues, such pledge being subordinate and inferior to the lien on and pledge of the Net Revenues that are or will be pledged to the payment of any Parity Obligations issued by the City, and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Revenues on a parity with the Subordinate Lien Obligations.

“*System*” means as currently comprised, the City’s combined electric, waterworks and sewer system, which includes all properties, facilities, plants, improvements, equipment, interests and rights currently owned, operated and maintained by the City for the (i) generation, transmission, distribution or sale of electric power and energy, (ii) supply, treatment, and transmission and distribution of treated potable water and (iii) collection and treatment of wastewater, and for water reuse, together with all future extensions, improvements, purchases, repairs, replacements and additions thereto, whether situated within or without the limits of the City, and all water (in any form) owned by the City; provided, however, that the City expressly retains the right to (i) sale or disaggregate the System as set forth in Section 18 of this Ordinance and (ii) incorporate any other utility system as provided by the laws of the State of Texas as a part of the System. The System shall not include any Special Project or any disaggregated part of the System as provided in Section 18 of this Ordinance.

“*Term Bonds*” means those Parity Obligations so designated in the ordinances authorizing such bonds which shall be subject to retirement by operation of a mandatory redemption account.

“*Term of Issue*” means with respect to any Balloon Debt, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or (ii) twenty-five years.

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Section 7. PLEDGE OF PLEDGED REVENUES. The City hereby covenants and agrees that the Pledged Revenues are hereby irrevocably pledged to the payment and security of the Parity Obligations including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, all as hereinafter provided; and it is hereby ordained that the Parity Obligations, and the interest thereon, shall constitute a lien on and pledge of the Pledged Revenues and be valid and binding without any physical delivery thereof or further act by the City, and the lien created hereby on the Pledged Revenues for the payment and security of the Parity Obligations, including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, shall be superior to the lien on and pledge of the Pledged Revenues securing payment of any Subordinate Lien Obligations hereafter issued by the City.

Section 8. SPECIAL FUNDS. The City confirms the establishment and maintenance on the books of the City, so long as any of the Parity Obligations are outstanding and unpaid, of the below limited Special Funds:

(a) City of Georgetown, Texas Utility System Revenue Fund, hereinafter called the “Revenue Fund.”

(b) City of Georgetown, Texas Utility System Revenue Bonds Interest and Sinking Fund, hereinafter called the “Interest and Sinking Fund.”

Though all of such funds may be subaccounts of the City’s General Fund held by the City’s depository, and, as such, not held in separate bank accounts, such treatment shall not constitute a commingling of the monies in such Funds or of such Funds and the City shall keep full and complete records indicating the monies and investments credited to each of such Funds.

Section 9. REVENUE FUND. The City hereby covenants, agrees and establishes that the Gross Revenues shall be deposited and credited to the Revenue Fund immediately as collected and received. All Maintenance and Operating Expenses are and shall be paid from such Gross Revenues as a first charge against same.

Section 10. FLOW OF FUNDS. All Gross Revenues deposited and credited to the Revenue Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

FIRST: to the payment of all necessary and reasonable Maintenance and Operating Expenses as defined herein or required by statute, including, but not limited to, Chapter 1502, Texas Government Code, as amended, to be a first charge on and claim against the Gross Revenues, including a two (2)-month reserve amount based upon the budgeted amount of Maintenance and Operating Expenses for the current Fiscal Year, which amount shall be retained in the Revenue Fund.

SECOND: to the payment of the amounts required to be deposited and credited to the Interest and Sinking Fund created and established for the payment of the Bonds, the Previously Issued Parity Obligations and any Additional Parity Obligations issued by the City as the same become due and payable.

THIRD: pro rata to the payment of the amounts required to be deposited and credited (i) to the Reserve Fund created and established to maintain the Required Reserve Amount in accordance with the provisions of this Ordinance, including amounts owed with respect to any Reserve Fund Obligation to restore the Required Reserve Amount and (ii) to each other reserve fund created and established to maintain a reserve in accordance with the provisions of the ordinances relating to the issuance of any Outstanding Previously Issued Parity Obligations and Additional Parity Obligations hereafter issued by the City.

FOURTH: to the payment of Subordinate Lien Obligations.

FIFTH: to the payment of the amounts required for any lawful purpose.

Section 11. INTEREST AND SINKING FUND. For purposes of providing funds to pay the principal of, premium, if any, and interest on the Parity Obligations as the same become due and payable, including any mandatory sinking fund redemption payments, the City agrees that it shall maintain the Interest and Sinking Fund. The City covenants to deposit and credit to the Interest and Sinking Fund prior to each principal, interest payment or redemption date from the available Pledged Revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the Parity Obligations then falling due and payable. The City shall make such deposits and credits to pay maturing principal, accrued interest, and mandatory sinking fund redemptions on the Parity Obligations in substantially equal semi-annual installments on or before each February 15 and August 15.

The required semi-annual deposits and credits to the Interest and Sinking Fund shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in and credited to the Interest and Sinking Fund, the Reserve Fund (excluding any Reserve Fund Obligation) and each other reserve fund created and established to maintain a reserve in accordance with the provisions of the ordinances relating to the issuance of any other then Outstanding Parity Obligations (excluding any reserve fund obligation authorized pursuant to such ordinances) is equal to the amount required to fully pay and discharge all Outstanding Parity Obligations (principal, premium, if any, and interest) or (ii) the Parity Obligations are no longer outstanding.

Accrued interest and capitalized interest, if any, received from the purchaser of any Parity Obligation shall be taken into consideration and reduce the amount of the semi-annual deposits and credits hereinabove required into the Interest and Sinking Fund.

Section 12. RESERVE FUND. (a) To accumulate and maintain a reserve for the payment of the Bonds and the Outstanding Parity Obligations secured by the Reserve Fund equal to the Average Annual Debt Service Requirements of the Bonds and the Outstanding Parity Obligations secured by the Reserve Fund (calculated by the City at the beginning of each Fiscal Year) (the "Required Reserve Amount"), the Reserve Fund has been established and shall be maintained by the City. Earnings and income derived from the investment of amounts held for the credit of the Reserve Fund shall be retained in the Reserve Fund until the Reserve Fund contains the Required Reserve Amount; thereafter, such earnings and income shall be deposited to the credit of the Revenue Fund. As provided in Section 10, the City shall deposit and credit to the Reserve Fund amounts required to maintain the balance in the Reserve Fund in an amount equal to the Required Reserve Amount. There shall be deposited into the Reserve Fund any Reserve Fund Obligations so designated by the City. All funds, investments and Reserve Fund Obligations on deposit and credited to the Reserve Fund shall be used solely for (i) the payment of the principal of and interest on the Bonds and the Outstanding Parity Obligations secured by the Reserve Fund, when and to the extent other funds available for such purposes are insufficient, (ii) to make Reserve Fund Obligation Payments and (iii) to retire the last Stated Maturity or Stated Maturities of or interest on the Bonds and the Outstanding Parity Obligations secured by the Reserve Fund.

(b) When and for so long as the cash, investments and Reserve Fund Obligations in the Reserve Fund equal the Required Reserve Amount, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve Amount, the City covenants and agrees that the City shall cure the deficiency in the Reserve Fund by resuming the Required Reserve Fund Deposits to such Fund from the Pledged Revenues in accordance with Section 10 by monthly deposits and credits in amounts equal to not less than 1/60th of the Required Reserve Amount with any such deficiency payments being made on or before each February 15 and August 15 until the Required Reserve Amount has been fully restored; provided, however, that no such deposits shall be made into the Reserve Fund during any six month period beginning on February 15 and August 15 until there has been deposited into the Interest and Sinking Fund the full amount required to be deposited therein by the next following February 15 and August 15, as the case may be. In addition, in the event that a portion of the Required Reserve Amount is represented by a Reserve Fund Obligation, the Required Reserve Amount shall be restored as soon as possible from monthly deposits of Pledged Revenues on deposit in the Revenue Fund in accordance with Section 10, but subject to making the full deposits and credits to the Interest and Sinking Fund required to be made by the next following February 15 and August 15, as the case may be. The City further covenants and agrees that, subject only to the prior deposits and credits to be made to the Interest and Sinking Fund, the Pledged Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve Amount, including by paying Reserve Fund Obligation Payments when due, and any reserve established for the benefit of any issue or series of Additional Parity Obligations and to cure any deficiency in such amounts as required by the terms of this Ordinance and any other ordinance pertaining to the issuance of Additional Parity Obligations.

During such time as the Reserve Fund contains the Required Reserve Amount, the obligation to maintain the Required Reserve Amount has been suspended pursuant to subsection (d) below or any cash is replaced with a Reserve Fund Obligation pursuant to subsection (c) below, the City may, at its option, withdraw all surplus funds in the Reserve Fund and deposit such surplus in the Interest and Sinking Fund or otherwise use such amount in any manner permitted by law.

(c) A Reserve Fund Obligation issued in an amount equal to all or part of the Required Reserve Amount for the Bonds and the Outstanding Parity Obligations secured by the Reserve Fund may be used in lieu of depositing cash into the Reserve Fund. In addition, a Reserve Fund Obligation may be substituted for monies and investments in the Reserve Fund if the substitution of the Reserve Fund Obligation will not, in and of itself, cause any ratings then assigned to the Bonds and the Outstanding Parity Obligations by any Rating Agency to be lowered and the ordinance authorizing the substitution of the Reserve Fund Obligation for all or part of the Required Reserve Amount contains a finding that such substitution is cost effective.

(d) Notwithstanding anything to the contrary contained herein, the requirement set forth in subsection (a) above to maintain the Required Reserve Amount in the Reserve Fund shall be suspended for such time as the Net Revenues for each Fiscal Year are equal to at least 1.35 times the Average Annual Debt Service Requirements of the Bonds and the Outstanding Parity Obligations secured by the Reserve Fund. In the event that the Net Revenues for any Fiscal Year are less than 1.35 times the Average Annual Debt Service Requirements of the Bonds and the Outstanding Parity Obligations secured by the Reserve Fund, the City will be required to commence making Required Reserve Fund Deposits, as provided in subsection (b) above, and to continue such Required Reserve Fund Deposits until the earlier of (i) such time as the Reserve Fund contains the Required Reserve Amount or (ii) the Net Revenues in each of two consecutive years have been equal to not less than 1.35 times the Average Annual Debt Service Requirements of the Bonds and the Outstanding Parity Obligations secured by the Reserve Fund.

(e) A Reserve Fund Obligation permitted under (a) above, must be in the form of a surety bond or insurance policy meeting the requirements described below.

(1) (i) A surety bond or insurance policy issued to a paying agent/registrar for the Parity Obligations secured by the Reserve Fund, as agent of the Holders thereof, by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Parity Obligations secured by the Reserve Fund (a "municipal bond insurer") if the claims paying ability of the issuer thereof shall be rated "AAA" or "Aaa," respectively, by S&P or Moody's, or (ii) a surety bond or insurance policy issued to a paying agent/registrar for the Parity Obligations secured by the Reserve Fund, as agent of the Holders thereof, by an entity other than a municipal bond insurer, if the form and substance of such instrument and the issuer thereof shall be approved in writing by each Bond Insurer of record.

(2) The obligation to reimburse the issuer of a Reserve Fund Obligation for any claims or draws upon such Reserve Fund Obligation in accordance with its terms, including expenses incurred in connection with such claims or draws, to the extent permitted by law, (a Reserve Fund Obligation Payment) shall be made from the deposits made to the Reserve Fund as provided in this Section and in Section 10. The Reserve Fund Obligation shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Reserve Fund Obligation to reimbursement will be subordinated to the cash replenishment of the Reserve Fund to an amount equal to the difference between the full original amount available under the Reserve Fund Obligation and the amount then available for further draws or claims. In the event (a) the issuer of a Reserve Fund Obligation becomes insolvent, or (b) the issuer of a Reserve Fund Obligation defaults in its payment obligations thereunder, or (c) the claims paying ability of the issuer of the insurance policy or surety bond falls below "AAA" or "Aaa," by S&P and Moody's, respectively, the obligation to reimburse the issuer of the Reserve Fund Obligation shall be subordinated to the cash replenishment of the Reserve Fund.

(3) In the event (a) the revolving reinstatement feature described in the preceding paragraph is suspended or terminated, or (b) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below "AAA" or "Aaa," by S&P and Moody's, respectively, the City shall either (i) deposit into the Reserve Fund, in accordance with this Section and Section 10, an amount sufficient to cause the cash or investments credited to the Reserve Fund to accumulate to the Required Reserve Amount, or (ii) replace such instrument with a surety bond or insurance policy meeting the requirements of 1 and 2 above, within six months of such occurrence. In the event (a) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below "A" by S&P and Moody's, or (b) the issuer of the Reserve Fund Obligation defaults in its payment obligations hereunder, or (c) the issuer of the Reserve Fund Obligation becomes insolvent, the City shall either (i) deposit into the Reserve Fund, in accordance with this Section, amounts sufficient to cause the cash or investments on deposit in the Reserve Fund to accumulate to the Required Reserve Amount, or (ii) replace such instrument with a surety bond or insurance policy meeting the requirements of 1 and 2 above within six months of such occurrence.

(4) The Paying Agent/Registrar shall ascertain the necessity for a claim or draw upon any Reserve Fund Obligation and provide notice to the issuer of the Reserve Fund Obligation in accordance with its terms not later than three days (or such appropriate time period as will, when combined with the timing of required payment under the Reserve Fund Obligation, ensure payment under the Reserve Fund Obligation on or before the interest payment date) prior to each date upon which the principal of or interest on the Parity Obligations secured by the Reserve Fund will be due.

It is recognized that a Reserve Fund Obligation may be issued which is payable only with respect to a part of the Bonds and the Outstanding Parity Obligations secured by the Reserve Fund with the remainder of the Required Reserve Amount being satisfied by monies and investments and in that case any draws upon the Reserve Fund will have to be made on a pro-rata basis to ensure that every Parity Obligation enjoys an equal amount of security. Therefore, (i) draws upon one or more such Reserve Fund Obligations shall be made on a pro-rata basis with cash and investments available in the Reserve Fund and (ii) deposits and credits to the Reserve Fund to restore it to the Required Reserve Amount shall be utilized on a pro-rata basis to pay Reserve Fund

Obligation Payments to reimburse the issuers of the Reserve Fund Obligations, thus restoring that part of the Required Reserve Amount, and to restore with cash and investments the balance of the Required Reserve Amount.

Section 13. EXCESS BOND PROCEEDS. Any proceeds of Parity Obligations not required to effectuate the purposes for which such Parity Obligations were issued, as provided in the respective ordinances authorizing the issuance of such Parity Obligations, or for the payment of the costs of issuance of such Parity Obligations shall be deposited and credited to the Interest and Sinking Fund and shall be taken into consideration and shall reduce the amount of semi-annual deposits and credits to the Interest and Sinking Fund from the Pledged Revenues or used to redeem or purchase the Parity Obligations from which such excess proceeds are related.

Section 14. DEFICIENCIES - EXCESS PLEDGED OR NET REVENUES. (a) If on any occasion there shall not be sufficient Pledged Revenues (after making all payments pertaining to all Parity Obligations) to make the required deposits and credits to the Interest and Sinking Fund, the Reserve Fund and each other reserve fund created and established to maintain a reserve in accordance with the provisions of the ordinances relating to the issuance of any other then Outstanding Parity Obligations, then such deficiency shall be cured as soon as possible from the next available unallocated Pledged Revenues, or from any other sources available for such purpose, and such deposits and credits shall be in addition to the amounts otherwise required to be deposited and credited to these Funds.

(b) Subject to making the deposits and credits required by this Ordinance, or any ordinances authorizing the issuance of Additional Parity Obligations, or the payments and credits required by the provisions of the ordinances authorizing the issuance of Subordinate Lien Obligations hereafter issued by the City, the excess Net Revenues may be used for any lawful purpose.

Section 15. INVESTMENT OF FUNDS - VALUATION - TRANSFER OF INVESTMENT INCOME. (a) Money in the Revenue Fund, the Interest and Sinking Fund and the Reserve Fund may, at the option of the City, be invested in Permitted Investments; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any fund will be available at the proper time or times. All such investments shall be valued in terms of current market value no less frequently than the last business day of the City's Fiscal Year, except that any direct obligations of the United States of America - State and Local Government Series shall be continuously valued at their par value or principal face amount. Any obligation in which money is so invested shall be kept and held at the Depository, except as otherwise permitted by the laws applicable to the City. For purposes of maximizing investment returns, money in such funds may be invested, together with money in other funds or with other money of the City, in common investments of the kind described above, or in a common pool of such investments held by the City or its designated agent, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such fund are held by or on behalf of each such fund. If necessary, such investments shall be promptly sold to prevent any default.

(b) All interest and income derived from such investments (other than interest and income derived from amounts credited to the Reserve Fund if the Reserve Fund does not contain the Required Reserve Amount) shall be credited to the Revenue Fund semi-annually and shall constitute Gross Revenues.

Section 16. PAYMENT OF PARITY OBLIGATIONS. While any of the Parity Obligations are outstanding, the City shall transfer to the respective paying agent/registrar therefor, from funds on deposit in and credited to the Interest and Sinking Fund, and, if necessary, in the Reserve Fund and each other reserve fund created and established to maintain a reserve in accordance with the provisions of the ordinances relating to the issuance of any other then Outstanding Parity Obligations, amounts sufficient to fully pay and discharge promptly the interest on and principal of the Parity Obligations as shall become due on each interest or principal payment date, or date of redemption of the Parity Obligations; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with each respective paying agent/registrar for the Parity Obligations not later than the business day next preceding the date such payment is due on the Parity Obligations. The Paying Agent/Registrar shall destroy all paid Parity Obligations for which it serves as paying agent/registrar and furnish the City with an appropriate certificate of cancellation or destruction.

Section 17. RATES AND CHARGES. For the benefit of the Holders of the Parity Obligations and in addition to all provisions and covenants in the laws of the State of Texas and in this Ordinance, the City hereby expressly stipulates and agrees, while any of the Parity Obligations are outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year reasonably anticipated to be sufficient:

A. to pay Maintenance and Operating Expenses;

B. to produce Pledged Revenues at least equal to the greater of 1.25 times the Average Annual Debt Service Requirements or 1.10 times the Maximum Annual Debt Service Requirements;

C. to produce Pledged Revenues in amounts sufficient to enable the City to make the deposits and credits, if any, from Pledged Revenues (i) to the Reserve Fund to restore the Required Reserve Amount in accordance with Section 12 of this Ordinance, including the payment of any Reserve Fund Obligation Payment then due, and (ii) to other reserve funds to establish or restore the reserve securing any issue or series of then Outstanding Parity Obligations;

D. to produce Pledged Revenues, together with any other lawfully available funds (including the proceeds of Debt which the City expects will be utilized to pay all or part of the principal of and/or interest on any obligations described in this subsection D), sufficient to pay the principal of and interest on any Subordinate Lien Obligations issued by the City and the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Subordinate Lien Obligations and any other obligations or evidences of indebtedness issued or incurred that are payable from, in whole or in part, a subordinate lien on and pledge of the Pledged Revenues; and

E. to pay any other Debt payable from the Pledged Revenues and/or secured by a lien on the Pledged Revenues.

Should the annual audit report required by Section 19 hereof reflect that the Pledged Revenues for the Fiscal Year covered thereby were less than necessary to meet the requirements of this Section, the City Council will review the operations of the System and the rates and charges for services provided, and the City Council will make the necessary adjustments or revisions, if any, in order that the Pledged Revenues for the succeeding year will be sufficient to satisfy the foregoing coverage requirements.

Section 18. GENERAL COVENANTS. The City further covenants and agrees that in accordance with and to the extent required or permitted by law:

(a) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in any ordinance authorizing the issuance of Parity Obligations, including this Ordinance, and in each and every Parity Obligation; it will promptly pay or cause to be paid the principal of and interest on every Parity Obligation on the dates and in the places and manner prescribed in such ordinances and obligations; and it will, at the times and in the manner prescribed, deposit and credit or cause to be deposited and credited the amounts required to be deposited and credited to the Interest and Sinking Fund, the Reserve Fund and each other reserve fund created and established to maintain a reserve in accordance with the provisions of the ordinances relating to the issuance of any other then Outstanding Parity Obligations.

(b) City's Legal Authority. It is a duly created and existing home rule city of the State of Texas, and is duly authorized under the laws of the State of Texas to create and issue the Bonds; that all action on its part for the creation and issuance of the Bonds has been duly and effectively taken, and that the Bonds in the hands of the Holders thereof are and will be valid and enforceable special obligations of the City in accordance with their terms.

(c) Title. It has or will obtain lawful title to the lands, buildings, structures and facilities constituting the System, that it warrants that it will defend the title to all the aforesaid lands, buildings, structures and facilities, and every part thereof, for the benefit of the Holders of the Bonds, the Previously Issued Parity Obligations and Additional Parity Obligations, against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Bonds, the Previously Issued Parity Obligations and Additional Parity Obligations in the manner prescribed herein, and has lawfully exercised such rights.

(d) Liens. It will from time to time and before the same become delinquent pay and discharge all taxes, assessments and governmental charges, if any, which shall be lawfully imposed upon it, or the System; it will pay all lawful claims for rents, royalties, labor, materials and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and it will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the City.

(e) Operation of System; No Free Service. It will, while the Parity Obligations are outstanding and unpaid, continuously and efficiently operate the System, and shall maintain the System in good condition, repair and working order, all at reasonable cost. No free service of the System shall be allowed, and should the City or any of its agencies or instrumentalities make use of the services and facilities of the System, payment of the reasonable value shall be made by the City out of funds from sources other than the Gross Revenues of the System, unless made from surplus or excess Pledged Revenues as permitted in Section 14.

(f) Further Encumbrance. While the Parity Obligations are outstanding and unpaid, it will not additionally encumber the Pledged Revenues in any manner, except as permitted in this Ordinance in connection with Additional Parity Obligations, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants and agreements of this Ordinance; but the right of the City to issue or incur obligations payable from a subordinate lien on the Pledged Revenues is specifically recognized and retained.

(g) Sale or Disposal of Property. While the Parity Obligations are outstanding and unpaid, it will not sell, convey, mortgage, encumber, lease or in any manner transfer title to, or otherwise dispose of the System, or any significant or substantial part thereof; provided that whenever the City deems it necessary to dispose of any other property, machinery, fixtures or equipment, it may sell or otherwise dispose of such property, machinery, fixtures or equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined that no such replacement or substitute is necessary; and, provided further, that the City retains the right to sell, convey, mortgage, encumber, lease or otherwise dispose of any significant or substantial part of the System if (i) the City Manager delivers a certificate to the City Council to the effect that, following such action by the City, the System is expected to produce Gross Revenues in amounts sufficient in each Fiscal Year while any of the Parity Obligations are to be outstanding to comply with the obligations of the City contained in this Ordinance and in the ordinances authorizing the issuance of Additional Parity Obligations; (ii) the City Council makes a finding and determination to the same effect as the certificate of the City Manager set forth in (i) above and (iii) each Rating Agency then maintaining a rating on any Parity Obligation delivers a letter to the City to the effect that such sale, conveyance, mortgage, encumbrance, lease or other disposition will not cause the Rating Agency to withdraw or lower the rating then in effect. Proceeds from any sale hereunder not used to replace or provide for substitution of such property sold, shall be used for improvements to the System or to purchase or redeem Parity Obligations.

(h) Insurance. (1) It shall cause to be insured such parts of the System as would usually be insured by municipal corporations operating like properties, with a responsible insurance company or companies, against risks, accidents or casualties against which and to the extent insurance is usually carried by municipal corporations operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance, insurance against damage by floods, and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless the City Attorney of the City gives a written opinion to the effect that the City is not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the City shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the Holders and their representatives at all reasonable times. Upon the happening of any loss or damage covered by insurance from one or more of said causes, the City shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the City. The proceeds of insurance covering such property are hereby pledged as security for the Parity Obligations and, together with any other funds necessary and available for such purpose, shall be used forthwith by the City for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be used promptly as follows:

(i) for the redemption prior to maturity of the Parity Obligations, ratably in the proportion that the Outstanding principal of each series of Parity Obligations bears to the total Outstanding principal of all Parity Obligations, provided that if on any such occasion the principal of any such series is not subject to redemption, it shall not be regarded as Outstanding in making the foregoing computation; or

(ii) if none of the Outstanding Parity Obligations is subject to redemption, then for the purchase on the open market and retirement of said Parity Obligations in the same proportion as prescribed in the foregoing clause (i), to the extent practicable; provided that the purchase price for any Parity Obligation shall not exceed the redemption price of such Parity Obligation on the first date upon which it becomes subject to redemption; or

(iii) to the extent that the foregoing clauses (i) and (ii) cannot be complied with at the time, the insurance proceeds, or the remainder thereof, shall be deposited in a special and separate trust fund, at an official depository of the City, to be designated the Insurance Account. The Insurance Account shall be held until such time as the foregoing clauses (i) and/or (ii) can be complied with, or until other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required, whichever of said events occurs first.

(2) The foregoing provisions of (1) above notwithstanding, the City shall have authority to enter into coinsurance or similar plans where risk of loss is shared in whole or in part by the City.

(3) The annual audit hereinafter required shall contain a section commenting on whether or not the City has complied with the requirements of this Section with respect to the maintenance of insurance, and listing all policies carried, and whether or not all insurance premiums upon the insurance policies to which reference is hereinbefore made have been paid.

(4) The payment of premiums for all insurance policies required under the provisions hereof and the costs associated with the maintenance of any self-insurance program shall be considered Maintenance and Operating Expenses. Nothing in this Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than the operation of the System, but nothing herein shall be construed as preventing the City from doing so.

(i) Governmental Agencies. It will comply with all of the terms and conditions of any and all franchises, permits and authorizations applicable to or necessary with respect to the System, and which have been obtained from any governmental agency; and the City has or will obtain and keep in full force and effect all franchises, permits, authorization and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation and maintenance of the System.

(j) No Competition. It will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System's facilities and, to the extent that it legally may, the City will prohibit any such competing facilities. Notwithstanding the foregoing, the City retains the right, however, to "opt in" to electric competition in accordance with State law if "opting in" will not materially adversely impact the Net Revenues of the System as evidenced by a certification of the City Manager.

(k) Disaggregation of System. The City retains the right to disaggregate the System into one or more independent resulting systems if (i) the City Manager delivers a certificate to the City Council to the effect that, following such action by the City, the remaining System is expected to produce Gross Revenues in amounts sufficient in each Fiscal Year while any of the Parity Obligations are to be outstanding to comply with the obligations of the City contained in this Ordinance and in the ordinances authorizing the Previously Issued Parity Obligations and the issuance of Additional Parity Obligations; (ii) the City Council makes a finding and determination to the same effect as the certificate of the City Manager set forth in (i) above and (iii) each Rating Agency then maintaining a rating on any Parity Obligation delivers a letter to the City to the effect that such disaggregation will not cause the Rating Agency to withdraw or lower the rating then in effect on the Outstanding Parity Obligations.

Section 19. RECORDS AND ACCOUNTS - ANNUAL AUDIT. The City covenants and agrees that so long as any of the Parity Obligations remain Outstanding, the City will keep and maintain a separate and complete system of records and accounts pertaining to the operations of the System in which full, complete, true, proper, and correct entries shall be made of all dealings, transactions, business and affairs relating thereto, or which in any way affect or pertain to the System or the Gross Revenues or the Net Revenues thereof, as provided by generally accepted accounting principles, consistently applied, and by Sections 1502.067 and 1502.068, Texas Government Code, as amended, or other applicable law. The Holders of the Parity Obligations or any duly authorized agent or agents of such Holders shall have the right to inspect the System and all properties comprising the same. The City further agrees that, following the close of each Fiscal Year, the City will cause an audit report of such records and accounts to be made by an Accountant. Copies of each annual audit shall be made available for public inspection during normal business hours at the City's principal office and the City Secretary's office and may be furnished to, upon written request, any Holder of Parity Obligations upon payment of the reasonable copying and mailing charges. Expenses incurred in making the annual audit of the operations of the System shall be considered as Maintenance and Operating Expenses.

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Section 22. ISSUANCE OF ADDITIONAL PARITY OBLIGATIONS. (a) The City shall have the right and power at any time and from time to time and in one or more series or issues, to authorize, issue and deliver additional parity revenue bonds or other obligations (herein called "Additional Parity Obligations"), in accordance with law, in any amounts, for purposes of extending, improving or repairing the System or for the purpose of refunding of any Parity Obligations, Subordinate Lien Obligations or other obligations of the City incurred in connection with the ownership or operation of the System. Such Additional Parity Obligations, if and when authorized, issued and delivered in accordance with this Ordinance, shall be secured by and made payable equally and ratably on a parity with all other Outstanding Parity Obligations, from the lien on and pledge of the Pledged Revenues herein granted.

(b) The Interest and Sinking Fund shall secure and be used to pay all Parity Obligations. Each ordinance under which Additional Parity Obligations are issued shall provide and require that, in addition to the amounts required by the provisions of this Ordinance and the provisions of any other ordinance or ordinances authorizing the Previously Issued Parity Obligations and Additional Parity Obligations to be deposited to the credit of the Interest and Sinking Fund, the City shall deposit to the credit of the Interest and Sinking Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Parity Obligations then being issued, as the same come due.

(c) The City may create and establish a reserve fund pursuant to the provisions of any ordinance authorizing the issuance of Additional Parity Obligations for the purpose of securing that particular issue or series of Parity Obligations or any specific group of issues or series of Parity Obligations and the amounts once deposited or credited to said reserve funds shall no longer constitute Net Revenues and shall be held solely for the benefit of the Holders of the particular Parity Obligations for which such reserve fund was established. Each such reserve fund shall be designated in such manner as is necessary to identify the Parity Obligations it secures and to distinguish such reserve fund from the Reserve Fund and the reserve funds created for the benefit of other Parity Obligations.

Section 23. FURTHER REQUIREMENTS FOR ADDITIONAL PARITY OBLIGATIONS. That Additional Parity Obligations shall be issued only in accordance with this Ordinance, but notwithstanding any provisions of this Ordinance to the contrary, no installment, Series or issue of Additional Parity Obligations shall be issued or delivered unless:

(a) The City Manager and the City Secretary of the City sign a written certificate to the effect that the City is not in default as to any covenant, condition or obligation in connection with all Outstanding Parity Obligations, and the ordinances authorizing same, and that the Interest and Sinking Fund, the Reserve Fund and any reserve fund securing any other series or issue of Parity Obligations each contains the amount then required to be therein.

(b) An Accountant signs and delivers to the City a written certificate to the effect that, during either the next preceding Fiscal Year, or any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Additional Parity Obligations, the Net Earnings were, in the opinion thereof, at least equal to the sum of 1.25 times the Average Annual Debt Service Requirements (computed on a Fiscal Year basis), including Amortization Installments, of the Parity Obligations and the Additional Parity Obligations to be outstanding after the issuance of the then proposed Additional Parity Obligations and 1.10 times the average annual debt service requirement (computed in the same manner as for Parity Obligations) of the Subordinate Lien Obligations to be outstanding after the issuance of the then proposed Additional Parity Obligations.

(c) In making a determination of Net Earnings for any of the purposes described in this Section, the Accountant may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least 60 days prior to the last day of the period for which Net Earnings are determined and, for purposes of satisfying the Net Earnings tests described above, make a pro forma determination of the Net Earnings of the System for the period of time covered by said Accountant's certification or opinion based on such change in rates and charges being in effect for the entire period covered by said Accountant's certificate or opinion.

As used in this Section, the term "Net Earnings" shall mean the Gross Revenues of the System after deducting the Maintenance and Operating Expenses of the System but not expenditures which, under standard accounting practice, should be charged to capital expenditures.

Section 24. ISSUANCE OF SUBORDINATE LIEN OBLIGATIONS. The City hereby reserves the right to issue, at any time, obligations including, but not limited to, Subordinate Lien Obligations, payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Revenues, subordinate and inferior in rank and dignity to the lien on and pledge of such Net Revenues securing the payment of the Parity Obligations, as may be authorized by the laws of the State of Texas.

Section 25. ISSUANCE OF SPECIAL PROJECT OBLIGATIONS. Nothing in this Ordinance shall be construed to deny the City the right and it shall retain, and hereby reserves unto itself, the right to issue Special Project obligations secured by liens on and pledges of revenues and proceeds derived from Special Projects.

Section 26. LIMITED OBLIGATIONS OF THE CITY. The Parity Obligations are limited, special obligations of the City payable from and equally and ratably secured solely by a first lien on and pledge of the Pledged Revenues, and the Holders thereof shall never have the right to demand payment of the principal or interest on the Parity Obligations from any funds raised or to be raised through taxation by the City.

Section 27. SECURITY FOR FUNDS. All money on deposit in the Funds for which this Ordinance makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of Texas for the security of public funds, and money on deposit in such Funds shall be used only for the purposes permitted by this Ordinance.

Section 28. DEFAULT AND REMEDIES. (a) Events of Default. Each of the following occurrences or events for the purpose of this Ordinance is hereby declared to be an "Event of Default"

(i) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable; or

(ii) default in the performance or observance of any other covenant, agreement or obligation of the City, the failure to perform which materially, adversely affects the rights of the Registered Owners of the Bonds, including, but not limited to, their prospect or ability to be repaid in accordance with this Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any Registered Owner to the City.

(b) Remedies for Default.

(i) Upon the happening of any Event of Default, then and in every case, any Registered Owner or an authorized representative thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the City, or any official, officer or employee of the City in their official capacity, for the purpose of protecting and enforcing the rights of the Registered Owners under this Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Registered Owners hereunder or any combination of such remedies.

(ii) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Bonds then outstanding.

(c) Remedies Not Exclusive.

(i) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Ordinance.

(ii) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

(iii) By accepting the delivery of a Bond authorized under this Ordinance, such Registered Owner agrees that the certifications required to effectuate any covenants or representations contained in this Ordinance do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the officers, employees or trustees of the City or the City Council.

(iv) None of the members of the City Council, nor any other official or officer, agent, or employee of the City, shall be charged personally by the Registered Owners with any liability, or be held personally liable to the Registered Owners under any term or provision of this Ordinance, or because of any Event of Default or alleged Event of Default under this Ordinance.

Section 29. **DEFEASANCE OF BONDS.** (a) Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of this Ordinance, except to the extent provided in subsections (c) and (e) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption or the establishment of irrevocable provisions for the giving of such notice) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the City with the Paying Agent/Registrar or an eligible trust company or commercial bank for the payment of its services until all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Revenues as provided in this Ordinance, and such principal and interest shall be payable solely from such money or Defeasance Securities and thereafter the City will have no further responsibility with respect to amounts available to such Paying Agent/Registrar (or other financial institution permitted by applicable law) for the payment of such Defeased Bond, including any insufficiency therein caused by the failure of the Paying Agent/Registrar (or other financial institution permitted by law) to receive payment when due on the Defeasance Securities.

(b) The deposit under clause (ii) of subsection (a) shall be deemed a payment of a Bond as aforesaid when proper notice of redemption of such Bonds shall have been given or upon the establishment of irrevocable provisions for the giving of such notice, in accordance with this Ordinance. Any money so deposited with the Paying Agent/Registrar or an eligible trust company or commercial bank as provided in this Section may at the discretion of the City also be invested in Defeasance Securities, maturing in the amounts and at the times as hereinbefore set forth, and all income from all Defeasance Securities in possession of the Paying Agent/Registrar or an eligible trust company or commercial bank pursuant to this Section which is not required for the payment of such Bond and premium, if any, and interest thereon with respect to which such money has been so deposited, shall be remitted to the City.

(c) Notwithstanding any provision of any other Section of this Ordinance which may be contrary to the provisions of this Section, all money or Defeasance Securities set aside and held in trust pursuant to the provisions of this Section for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the City shall make proper arrangements to provide and pay for such services as required by this Ordinance.

(d) Notwithstanding anything elsewhere in this Ordinance, if money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or an eligible trust company or commercial bank pursuant to this Section for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the provisions of this Section shall be made without the consent of the registered owner of each Bond affected thereby.

(e) Notwithstanding the provisions of subsection (a) immediately above, to the extent that, upon the defeasance of any Defeased Bond to be paid at its maturity, the City retains the right under Texas law to later call that Defeased Bond for redemption in accordance with the provisions of this Ordinance, the City may call such Defeased Bond for redemption upon complying with the provisions of Texas law and upon the satisfaction of the provisions of subsection (a) immediately above with respect to such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

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Section 31. **AMENDMENT OF ORDINANCE**. (a) The Bond Insurer, if any, and the Holders of the Parity Obligations aggregating a majority in principal amount of the aggregate principal amount of then Outstanding Parity Obligations shall have the right from time to time to approve any amendment to this Ordinance which may be deemed necessary or desirable by the City, provided, however, that without the consent of the Bond Insurer and the Holders of all of the effected Parity Obligations at the time outstanding, nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in this Ordinance or in the Parity Obligations so as to:

(1) Make any change in the maturity of the Outstanding Parity Obligations;

(2) Reduce the rate of interest borne by any of the Outstanding Parity Obligations;

(3) Reduce the amount of the principal payable on the Outstanding Parity Obligations;

(4) Modify the terms of payment of principal of or interest on the Outstanding Parity Obligations or impose any conditions with respect to such payment;

(5) Affect the rights of the Holders of less than all of the Parity Obligations then Outstanding;

(6) Change the minimum percentage of the principal amount of Parity Obligations necessary for consent to such amendment.

(b) If at any time the City shall desire to amend this Ordinance under this Section, the City shall cause notice of the proposed amendment to be delivered to the Bond Insurer and published in a financial newspaper or journal of general circulation in The City of New York, New York, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file for inspection by all Holders of Parity Obligations at the designated trust office of the registrar for such Parity Obligations. Such publication is not required, however, if notice in writing is given to each Holder of the Parity Obligations.

(c) Whenever at any time not less than thirty days, and within one year, from the date of the first publication of said notice or other service of written notice the City shall receive an instrument or instruments executed by the Holders of at least a majority in aggregate principal amount of all Parity Obligations then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file with the Paying Agent/Registrar, the City Council may pass the amendatory ordinance in substantially the same form.

(d) Upon the passage of any amendatory ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be amended in accordance with such amendatory ordinance, and the respective rights, duties and obligations under this Ordinance of the City and all the Holders of then outstanding Parity Obligations shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such amendments.

(e) Any consent given by the registered owner of a Parity Obligation pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication of the notice provided for in this Section, and shall be conclusive and binding upon all future Holders of the same Parity Obligation during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the Holder who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent and the City, but such revocation shall not be effective if the Holders of at least a majority in aggregate principal amount of the then outstanding Parity Obligations as in this Section defined have, prior to the attempted revocation, consented to and approve the amendment.

(f) For the purpose of this Section, the fact of the holding of Parity Obligations issued in registered form without coupons and the amounts and numbers of such Parity Obligations and the date of their holding same shall be proved by the Security Register of the paying agent/registrar for such Parity Obligations. For purposes of this Section, the holder of a Parity Obligation in such registered form shall be the owner thereof as shown on such Security Register. The City may conclusively assume that such ownership continues until written notice to the contrary is served upon the City.

(g) The foregoing provisions of this Section notwithstanding, the City by action of the City Council may amend this Ordinance for any one or more of the following purposes:

(1) To add to the covenants and agreements of the City in this Ordinance contained, other covenants and agreements thereafter to be observed, grant additional rights or remedies to bondholders or to surrender, restrict or limit any right or power herein reserved to or conferred upon the City;

(2) To make such provisions for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision contained in this Ordinance, or in regard to clarifying matters or questions arising under this Ordinance, as are necessary or desirable and not contrary to or inconsistent with this Ordinance and which shall not adversely affect the interests of the Holders of the Parity Obligations;

(3) To make any changes or amendments requested by any Rating Agency, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the City, materially adversely affect the interests of the owners of the outstanding Parity Obligations;

(4) To make such changes, modifications or amendments as may be necessary or desirable, which shall not adversely affect the interests of the owners of the outstanding Parity Obligations, in order, to the extent permitted by law, to facilitate the economic and practical utilization of credit agreements with respect to the Parity Obligations including, without limitation, supplementing the definition of “Annual Debt Service Requirements” to address the amortization of payments due and owing under a credit agreement;

(5) To modify any of the provisions of this Ordinance in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Parity Obligations outstanding at the date of the adoption of such modification shall cease to be outstanding, and (ii) such modification shall be specifically referred to in the text of all Additional Parity Obligations issued after the date of the adoption of such modification.

Notice of any such amendment may be published or given by the City in the manner described in subsection (b) of this Section; provided, however, that the publication of such notice shall not constitute a condition precedent to the adoption of such amendatory ordinance and the failure to publish such notice shall not adversely affect the implementation of such amendment as adopted pursuant to such amendatory ordinance.

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Section 42. PERFECTION. Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of revenues granted by the City under Section 7 of this Ordinance, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of revenues granted by the City under Section 7 of this Ordinance is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the registered owners of the Bonds 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, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

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APPENDIX F

FORM OF BOND COUNSEL'S OPINION

McCALL
PARKHURST & HORTON
Focused on Public Finance since 1919.

[*An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law*.]

CITY OF GEORGETOWN, TEXAS
UTILITY SYSTEM REVENUE BONDS, SERIES 2026A
IN THE AGGREGATE PRINCIPAL AMOUNT OF $50,000,000*

AS BOND COUNSEL FOR THE CITY OF GEORGETOWN, TEXAS (the "City") in connection with the issuance of the bonds described above (the "Bonds"), we have examined the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds and in the ordinance of the City adopted on September 22, 2026 (the "Ordinance"). Terms not defined in this opinion shall have the meanings given to such terms in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, certified copies of the pertinent proceedings of the City, and other pertinent documents authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered in accordance with law; and that the Bonds, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the City, together with the Previously Issued Parity Obligations and all other outstanding Parity Obligations, are payable from and secured by a lien on and pledge of the "Pledged Revenues" of the "System" (which is generally described as the City's combined electric, waterworks and sewer system), all as provided in the Ordinance.

THE CITY has reserved the right, subject to the restrictions stated in the Ordinance to amend the Ordinance. The City also has reserved the right, subject to the restrictions stated in the Ordinance, to issue additional Parity Obligations which also may be secured by and payable from a lien on and pledge of the Pledged Revenues on parity with the lien securing the Bonds.

NO OWNER of the Bonds shall ever have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than specified in the Ordinance.

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* Preliminary, Subject to Change.

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IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item 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 Bonds 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 if the City fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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 Bonds, including the amount, accrual or receipt of interest on, the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain 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 a result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of the City and the sufficiency of Pledged Revenues. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

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.

Respectfully,