This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT

Dated July 21, 2021

Ratings:
Moody's: "Aa1"
S&P: "AA+"
(See "OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

CITY OF LEAGUE CITY, TEXAS
(Galveston and Harris Counties)

$22,315,000*	**$11,275,000***
GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2021	**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021**

Interest Accrual Dated: Delivery Date **Due: February 15 as shown on page 2 hereof**

PAYMENT TERMS . . . Interest on the $22,315,000* City of League City, Texas, General Obligation Improvement Bonds, Series 2021 (the "Bonds") and $11,275,000* City of League City, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2021 (the "Certificates" and collectively with the Bonds, the "Obligations") will accrue from the date of initial delivery to the initial purchaser thereof (the "Delivery Date") and will be payable February 15 and August 15 of each year commencing February 15, 2022, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Obligations will be made to the owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "THE OBLIGATIONS - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is the Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE OBLIGATIONS - PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") including particularly Chapters 1331 and 1371, Texas Government Code, as amended, and are direct obligations of the City of League City, Texas (the "City"), payable from a continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, as provided in the ordinance authorizing the Bonds (the "Bond Ordinance") to be passed by the City Council of the City on July 27, 2021. The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1371, Texas Government Code, as amended, and constitute direct obligations of the City, payable from a combination of (i) a continuing ad valorem tax, levied within the limits prescribed by law, on all taxable property within the City, and (ii) a subordinate pledge of net revenues of the waterworks and sewer system of the City, in an amount not to exceed $1,000, as provided in the ordinance authorizing the Certificates (the "Certificate Ordinance" and together with the Bond Ordinance, the "Ordinances"). In the Ordinances, the governing body of the City will delegate to certain officials of the City the authority to complete the sale of the Obligations through the execution of a pricing certificate for each series of Obligations. For a description of the City's authority for the issuance of the Obligations and the security for the Obligations (see "THE OBLIGATIONS – AUTHORITY FOR ISSUANCE").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of providing funds for permanent public improvements including (i) planning, designing, constructing, improving, reconstructing, renovating, repairing, replacing and expanding flood protection and storm drainage facilities and improvements, and erosion control, including the acquisition of land therefor, (ii) designing, developing, constructing, improving, extending, and expanding streets, roadways, thoroughfares, sidewalks, bridges and mobility improvements including street lighting, right-of-way protection, and related storm drainage improvements and (iii) paying the costs of issuing the Bonds.

Proceeds from the sale of the Certificates will be used to fund all or any part of the costs associated with providing all or part of the funds to pay contractual obligations to be incurred for the construction of any public work, purchase of materials, supplies, equipment, machinery, buildings, land, and rights-of-way for authorized needs and purposes, to wit: (i) acquisition, construction, extension and improvement of the waterworks and sewer system and (ii) payment of costs of professional services related thereto.

MATURITY SCHEDULE
See page 2

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2031, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2030, or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption (see "THE OBLIGATIONS - OPTIONAL REDEMPTION").

MANDATORY SINKING FUND REDEMPTION . . . In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule on the inside cover page hereof are combined to create Term Obligations, each such Term Obligation shall be subject to mandatory sinking fund redemption commencing on February 15 of the first year which has been combined to form such Term Obligation and continuing on February 15 in each year thereafter until the stated maturity date of that Term Obligation, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule on the inside cover page hereof. Term Obligations to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from and among the Term Obligations then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Obligations of the maturity then subject to redemption which have been purchased and canceled by the City or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

LEGALITY . . . The Obligations are offered for delivery when, as and if issued and received by the initial purchaser (the "Initial Purchaser") and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Bond Counsel, Houston, Texas (see APPENDIX C -"FORM OF BOND COUNSEL'S OPINION").

DELIVERY . . . It is expected that the Obligations will be available for delivery through The Depository Trust Company on August 26, 2021.

BIDS DUE ON BONDS THURSDAY, JULY 29, 2021, AT 10:15 A.M. CDT
BIDS DUE ON THE CERTIFICATES THURSDAY, JULY 29, 2021, AT 10:45 A.M. CDT

* Preliminary, subject to change.

$22,315,000*
GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2021

MATURITY SCHEDULE* **CUSIP PREFIX: 521769** [2]

Principal Amount*	Maturity Feb 15	Interest Rate	Price or Yield [1]	CUSIP Suffix[2]	Principal Amount*	Maturity Feb 15	Interest Rate	Price or Yield [1]	CUSIP Suffix[2]
$ 725,000	2022				$ 1,135,000	2032 [3]			
735,000	2023				1,180,000	2033 [3]			
770,000	2024				1,230,000	2034 [3]			
810,000	2025				1,280,000	2035 [3]			
850,000	2026				1,330,000	2036 [3]			
895,000	2027				1,375,000	2037 [3]			
940,000	2028				1,420,000	2038 [3]			
990,000	2029				1,460,000	2039 [3]			
1,040,000	2030 [3]				1,505,000	2040 [3]			
1,090,000	2031 [3]				1,555,000	2041 [3]			

$11,275,000*
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2021

MATURITY SCHEDULE* **CUSIP PREFIX: 521769** [2]

Principal Amount*	Maturity Feb 15	Interest Rate	Price or Yield [1]	CUSIP Suffix[2]	Principal Amount*	Maturity Feb 15	Interest Rate	Price or Yield [1]	CUSIP Suffix[2]
$ 360,000	2022				$ 575,000	2032 [3]			
370,000	2023				595,000	2033 [3]			
390,000	2024				620,000	2034 [3]			
410,000	2025				645,000	2035 [3]			
430,000	2026				675,000	2036 [3]			
455,000	2027				695,000	2037 [3]			
475,000	2028				720,000	2038 [3]			
500,000	2029				740,000	2039 [3]			
525,000	2030 [3]				760,000	2040 [3]			
550,000	2031 [3]				785,000	2041 [3]			

(1) The initial price or yield is furnished by the Initial Purchaser and represents the initial offering price or yield to the public, which may be changed by the Initial Purchaser at any time.
(2) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the City, the Financial Advisor or the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
(3) The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2031, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2030, or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption.

* Preliminary, subject to change.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), this document as the same may be supplemented or corrected by the City from time-to-time, may be treated as an Official Statement with respect to the Obligations described herein "deemed final" by the City as of the date hereof (or of any such supplement or correction) except for the omission of no more than the information provided by subsection (b)(1) of the Rule.

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

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described.

None of the City, the Financial Advisors, or the Initial Purchasers make any representation or warranty with respect to the information contained in the Official Statement regarding the Depository Trust Company ("DTC") or its Book-Entry-Only System as described under "THE OBLIGATIONS- BOOK-ENTRY-ONLY SYSTEM" as such information has been provided by DTC.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

THE OBLIGATIONS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE OBLIGATIONS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE OBLIGATIONS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

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

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

References to web site 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 web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, Rule 15c2-12.

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

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Obligations 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 League City, Texas, is a political subdivision and municipal corporation of the State, located in Galveston County and Harris County, Texas. The City covers approximately 53 square miles (see "INTRODUCTION - DESCRIPTION OF CITY").

THE BONDS .... The Bond are issued as $22,315,000* General Obligation Improvement Bonds, Series 2021. The Bonds are issued as serial bonds maturing February 15, 2022 through February 15, 2041, unless the Initial Purchaser of the Bonds designates two or more maturities as a Term Bond (see "The OBLIGATIONS – DESCRIPTION OF THE OBLIGATIONS").

THE CERTIFICATES .... The Certificates are issued as $11,275,000* Combination Tax and Revenue Certificates of Obligation, Series 2021. The Certificates are issued as serial certificates maturing February 15, 2022, through February 15, 2041, unless the Initial Purchaser of the Certificates designates two or more maturities as a Term Certificate (see "THE OBLIGATIONS -DESCRIPTION OF THE OBLIGATIONS").

PAYMENT OF INTEREST .... Interest on the Obligations accrues from the Delivery Date, and is payable February 15, 2022, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE OBLIGATIONS - DESCRIPTION OF THE OBLIGATIONS").

AUTHORITY FOR ISSUANCE .... The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Texas Government Code Chapters 1331 and 1371, as amended, and an ordinance to be passed by the governing body of the City on July 27, 2021, which will delegate to certain officials of the City the authority to complete the sale of the Bonds through the execution of a pricing certificate (the ordinance and the pricing certificate are collectively referred to as the "Bond Ordinance" (see "The OBLIGATIONS – AUTHORITY FOR ISSUANCE OF THE BONDS").

The Certificates are issued pursuant to the constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code ("Chapter 271"), as amended, Chapter 1371, Texas Government Code, as amended, and an ordinance to be passed by the governing body of the City on July 27, 2021, which will delegate to certain officials of the City the authority to complete the sale of the Certificates through the execution of a pricing certificate (the ordinance and the pricing certificate are collectively referred to as the " Certificate Ordinance" and together with the Bond Ordinance, the "Ordinances") (see "THE OBLIGATIONS – AUTHORITY FOR ISSUANCE OF THE CERTIFICATES").

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the City, payable from an annual, continuing ad valorem tax levied, within the limit prescribed by law, on all taxable property located within the City (see "The OBLIGATIONS – AUTHORITY FOR ISSUANCE" and "SECURITY AND SOURCE OF PAYMENT").

SECURITY FOR THE CERTIFICATES............................ The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a subordinate pledge of net revenues of the City's Waterworks and Sewer System in an amount not to exceed $1,000, as provided in the Certificate Ordinance (see "THE OBLIGATIONS - AUTHORITY FOR ISSUANCE" and "SECURITY AND SOURCE OF PAYMENT").

REDEMPTION .... The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2031, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – OPTIONAL REDEMPTION").

TAX EXEMPTION.......................... In the opinion of Bond Counsel, under existing law, interest on the Obligations is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

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* ... Preliminary, subject to change.

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used for the purpose of providing funds for permanent public improvements including (i) planning, designing, constructing, improving, reconstructing, renovating, repairing, replacing and expanding flood protection and storm drainage facilities and improvements, and erosion control, including the acquisition of land therefor, (ii) designing, developing, constructing, improving, extending, and expanding streets, roadways, thoroughfares, sidewalks, bridges and mobility improvements including street lighting, right-of-way protection, and related storm drainage improvements and (iii) paying the costs of issuing the Bonds.

Proceeds from the sale of the Certificates will be used to fund all or any part of the costs associated with providing all or part of the funds to pay contractual obligations to be incurred for the construction of any public work, purchase of materials, supplies, equipment, machinery, buildings, land, and rights-of-way for authorized needs and purposes, to wit: (i) acquisition, construction, extension and improvement of the waterworks and sewer system and (ii) payment of costs of professional services related thereto.

RATINGS .... The Obligations and presently outstanding general obligation debt of the City are rated "Aa1" by Moody's Investors Service, Inc. ("Moody's") and "AA+" by S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") (see "OTHER INFORMATION - RATINGS").

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

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

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population [(1)]	Net Taxable Assessed Valuation [(2)]	Per Capita Taxable Assessed Valuation	G.O. Tax Debt Outstanding at End of Year [(3)]	Per Capita G.O. Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	Total Tax Collections as a Percent of Total Levy
2017	102,635	$ 6,890,096,439	$ 67,132	$ 232,765,000	$ 2,268	3.38%	99.82%
2018	104,857	7,388,310,812	70,461	218,570,000	2,084	2.96%	99.78%
2019	106,803	7,840,328,522	73,409	215,920,000	2,022	2.75%	99.74%
2020	109,087	8,581,712,336	78,669	250,660,000	2,298	2.92%	99.67%
2021	110,467	9,608,759,286	86,983	261,030,000 [(4)]	2,363 [(4)]	2.72% [(4)]	98.13% [(5)]

(1) Population estimated by the City.
(2) As reported by the Galveston Central and Harris County Appraisal District, subject to adjustments throughout the year.
(3) Includes self-supporting debt.
(4) Includes the Obligations. Preliminary, subject to change.
(5) Collections through May 31, 2021.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30				
	2021 [(1)]	2020	2019	2018	2017
Total Revenue	$78,568,149	$75,562,395	$72,152,167	$72,152,167	$64,902,711
Total Expenditures	74,051,756	65,353,258	66,637,667	61,687,186	57,853,807
Other Sources (Uses)	(4,905,626)	(10,631,000)	(5,435,089)	(6,990,431)	(11,849,068)
Beginning Fund Balance	25,743,160	26,165,023	26,085,622	23,642,003	28,442,167
Increase (decrease) in Fund Balance	(389,233)	(421,863)	79,401	2,443,619	(4,800,164)
Ending Fund Balance	$ 25,353,927	$ 25,743,160	$ 26,165,023	$ 26,085,622	$ 23,642,003

(1) Unaudited year-end estimate provided by the City.

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Title	Current Length of Service	Term Expires November	Occupation
Pat Hallisey	Mayor	5 Years	2022	Retired
Hank Dugie	Council Position 2/Mayor Pro Tem	5 Years	2022	Real Estate, Self Employed
Andy Mann	Council Position 1	2 Years	2022	IT Manager
Larry Millican	Council Position 3	4 Years	2024	Real Estate
John Bowen	Council Position 4	6 Months	2024	Retired
Justin Hicks	Council Position 5	6 Months	2024	Engineer
Chad Tressler	Council Position 6	2 Years	2022	Systems Engineer
Nick Long	Council Position 7	6 Years	2022	Benefits Consultant

SELECTED ADMINISTRATIVE STAFF

Name	Position	Service To City	Total Governmental Service
John Baumgartner	City Manager	8 Years	32 Years
Ogden "Bo" Bass	Assistant City Manager	3 Years	39 Years
Michael Kramm	Assistant City Manager	27 Years	27 Years
Angie Steelman	Executive Director Finance and Project Management	13 Years	13 Years
Deborah Jordan	Interim Director of Finance	1 Year	5 Years
Diana Stapp	City Secretary	18 Years	19 Years
Nghiem Doan	City Attorney	5 Years	21 Years

CONSULTANTS AND ADVISORS

Auditors .... Belt Harris Pechacek, LLLP
Houston, Texas

Bond Counsel .... Bracewell LLP
Houston, Texas

Financial Advisor.. Hilltop Securities Inc.
Houston, Texas

For additional information regarding the City, please contact:

Deborah Jordan City of League City Interim Director of Finance 300 West Walker League City, Texas 77573 (281)554-1000 Phone (281)554-1354 Fax	or	Joe Morrow Financial Advisor Hilltop Securities Inc. 700 Milam, Suite 500 Houston, Texas 77008 (713) 654-8690 Phone (713) 654-8658 Fax

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

CITY OF LEAGUE CITY, TEXAS
(Galveston and Harris Counties)

$22,315,000*	**$11,275,000***
GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2021	**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021**

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $22,315,000* City of League City, Texas, General Obligation Improvement Bonds, Series 2021 (the "Bonds") and $11,275,000* City of League City, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2021 (the "Certificates" and together with the Bonds, the "Obligations"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the applicable ordinances approving the Obligations, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Obligations 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 Advisors, Hilltop Securities Inc., Houston, Texas.

DESCRIPTION OF THE CITY

The City is a political subdivision and municipal corporation of the State, duly organized under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1961, and first adopted its Home Rule Charter on March 27, 1962. The City operates with a City Council comprised of the Mayor and seven Councilmembers serving four-year terms with biennial elections. By virtue of municipal elections conducted on May 8, 2010, the City's Home Rule Charter was amended so as to adopt the Council-Manager form of government. A City Manager now serves as the Chief Administrative and Executive Officer of the City, appointed by the City Council to administer all municipal affairs of the City. Some of the services that the City provides are public safety, highways and streets, water and sanitary sewer utilities, culture-recreation, planning and zoning, and general administrative services. The 2010 Census population for the City was 83,560, while the estimated 2021 population is 111,467. The City covers approximately 53 square miles.

INFECTIOUS DISEASE OUTBREAK - COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include executive orders which have, among other things, imposed limitations on social gatherings and established occupancy limits for most businesses in Texas. Additionally, such orders required every person in Texas to wear a face covering over the nose and mouth while inside a commercial entity, building, or space open to the public, or in an outdoor public space when it is not feasible to maintain six feet of social distance, subject to certain exceptions. On March 2, 2021, the Governor issued Executive Order GA 34, effective March 10, 2021, which among other things rescinds and supersedes various prior executive orders and provides that (i) in all counties not in an "area with high hospitalization" (as defined in executive Order GA 34) there are no COVID-19 related operating limits for any business or other establishment and (ii) no person may be required by any jurisdiction to wear or to mandate the wearing of a face covering. The Governor retains the authority to impose additional restrictions on activities. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

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*Preliminary, subject to change.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the City. These negative impacts may reduce or otherwise negatively affect future property values and/or the collection of sales and other excise taxes, charges, and fees within the City as well as the assets of City pension funds. The Obligations are secured by an ad valorem tax (within the limits prescribed by law), and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Obligations and the City's operations and maintenance expenses. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 taxable assessed valuation for all City purposes.

The City also collects a sales and use tax on all taxable transactions within the City's boundaries, and other fees that depend on business activity. Actions taken to slow the Pandemic are expected to continue to reduce economic activity within the City on which the City collects taxes, charges, and fees. A reduction in the collection of taxes, sales revenues and other fees and charges may negatively impact the City's operating budget and overall financial condition.

The City will continue to monitor the financial impacts from the Pandemic and adjust its operational and capital outlooks as necessary to mitigate these impacts.

The financial and operating data contained herein are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the City. The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition, and the effect could be material.

WEATHER EVENTS AND OTHER NATURAL DISASTERS

The City is located near the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by rain events, hurricanes, tropical storms, and other tropical disturbances. The City has also experienced other natural disasters in the past, such as Winter Storm Uri. If a weather-related event were to significantly damage all or part of the improvements within the City, the assessed value of property within the City could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the City's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the City will be covered by insurance (or property owners will choose to carry flood insurance), any insurance company will fulfill its obligations to provide insurance proceeds or that insurance proceeds will be used to rebuild or repair damaged improvements with in the City. Even if insurance proceeds are available and improvements are rebuilt, there could be a period of time in which assessed values within the City would be adversely affected.

THE OBLIGATIONS

DESCRIPTION OF THE CERTIFICATES

The Certificates are dated July 15, 2021 and mature on February 15 in each of the years and in the amounts shown on the inside cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing February 15, 2022. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Certificates will be made to the owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES – BOOK-ENTRY-ONLY SYSTEM" herein).

PURPOSE

Proceeds from the sale of the Bonds will be used for the purpose of providing funds for permanent public improvements including (i) planning, designing, constructing, improving, reconstructing, renovating, repairing, replacing and expanding flood protection and storm drainage facilities and improvements, and erosion control, including the acquisition of land therefor, (ii) designing, developing, constructing, improving, extending, and expanding streets, roadways, thoroughfares, sidewalks, bridges and mobility improvements including street lighting, right-of-way protection, and related storm drainage improvements and (iii) paying the costs of issuing the Bonds.

Proceeds from the sale of the Certificates will be used to fund all or any part of the costs associated with providing all or part of the funds to pay contractual obligations to be incurred for the construction of any public work, purchase of materials, supplies, equipment, machinery, buildings, land, and rights-of-way for authorized needs and purposes, to wit: (i) acquisition, construction, extension and improvement of the waterworks and sewer system and (ii) payment of costs of professional services related thereto.

SOURCES AND USES OF PROCEEDS

The proceeds from the sale of the Obligations will be applied approximately as follows:

	The Bonds	The Certificates
Sources of Funds:		
Par Amount	$ -	$ -
Premium	-	-
Total:	$ -	$ -
Uses of Funds:		
Deposit to Project Fund	$ -	$ -
Underwriter's Discount	-	-
Cost of Issuance (1)	-	-
Total:	$ -	$ -

(1) Includes legal fees of the City, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar, contingency and other costs of issuance.

AUTHORITY FOR ISSUANCE

The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Texas Government Code Chapters 1331 and 1371, as amended, and an ordinance to be passed by the governing body of the City on July 27, 2021, which will delegate to certain officials of the City the authority to complete the sale of the Bonds through the execution of a pricing certificate (the ordinance and the pricing certificate are collectively referred to as the "Ordinance").

The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code ("Chapter 271"), as amended, Chapter 1371, Texas Government Code, as amended, and an ordinance to be passed by the governing body of the City, which will delegate to certain officials of the City the authority to complete the sale of the Certificates through the execution of a pricing certificate (the ordinance and the pricing certificate are collectively referred to as the "Certificate Ordinance" (and together with the Bond Ordinance, the "Ordinances").

SECURITY AND SOURCE OF PAYMENT

The Bonds constitute direct obligations of the City, payable from an annual, continuing ad valorem tax levied, within the limit prescribed by law, on all taxable property located within the City

The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a subordinate pledge of net revenues of the City's Waterworks and Sewer System in an amount not to exceed $1,000, as provided in the Certificate Ordinance.

TAX RATE LIMITATION

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt, within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance. Furthermore, Article VIII of the City Charter limits the City's ad valorem tax rate for maintenance and operations of the City to six-tenths (0.6) of one percent. Any levy of taxes to pay principal or interest on any tax bonds or other tax-supported debt of the City, such as the Obligations, is not subject to this limitation in the Charter.

OPTIONAL REDEMPTION

The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2031, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2030, or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption. The optional redemption of Obligations may be conditioned upon issuance on or prior to the redemption date of one or more series of refunding bonds or other obligations to pay the redemption price of the Obligations to be redeemed. If less than all of the Obligations are to be redeemed, the City may select the maturities of such Obligations to be redeemed. If less than all the Obligations of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) shall determine by lot the Obligations, or portions thereof, within such maturity to be redeemed. If a Obligation (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Obligation 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.

MANDATORY SINKING FUND REDEMPTION

In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule on the inside cover page are combined to create Term Obligations, each such Term Obligation shall be subject to mandatory sinking fund redemption commencing on February 15 of the first year which has been combined to form such Term Obligation and continuing on February 15 in each year thereafter until the stated maturity date of that Term Obligation, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule on the inside cover page. Term Obligations to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from and among the Term Obligations then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Obligations of the maturity then subject to redemption which have been purchased and canceled by the City or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

NOTICE OF REDEMPTION

Not less than 30 days prior to a Redemption Date, the City shall cause a notice of redemption to be sent by United States Mail, first-class postage prepaid, in the name of the City and at the City's expense, by the Paying Agent/Registrar to each registered owner of an Obligation to be redeemed in whole or in part at the address of the Holder appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the registered owner. All notices of redemption shall state:

(1) the redemption date,
(2) the redemption price (the "Redemption Price"),
(3) the place at which the Obligations are to be surrendered for payment and
(4) if less than all the Obligations outstanding are to be redeemed, an identification of the Obligations or portions thereof to be redeemed.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE OBLIGATIONS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE

Any Obligation is deemed paid and is no longer considered Outstanding within the meaning of the Ordinance when payment of the principal of and interest on such Obligation to the stated maturity thereof has been made or has been provided for by deposit with the Paying Agent/Registrar for such payment (or with any other bank or trust company which has agreed to hold the same for such purpose) (1) money sufficient to make such payment, (2) Governmental Obligations certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Governmental Obligations together so certified sufficient to make such payment, provided that all the expenses pertaining to the Obligations with respect to which such deposit is made have been paid or the payment thereof provided for to the satisfaction of the Paying Agent/Registrar (and to such other bank or trust company).

If such deposit is made with respect to some but not all of the Obligations then Outstanding, the City will designate the stated maturities of Obligations with respect to which such deposit is made. If such deposit is sufficient so to provide for the payment of the principal of and interest on some but not all outstanding Obligations of a particular Stated Maturity so designated, the Paying Agent/Registrar will select the outstanding Obligations of such Stated Maturity with respect to which such deposit is made by such random method as the Paying Agent/Registrar deems fair and appropriate and which may provide for the selection of portions of Obligations a denomination larger than $5,000.

When a Obligation is deemed paid it is no longer entitled to the benefits of the Ordinance, except for the purposes of any such payment from such money or Governmental Obligations and for the provisions of the Ordinance relating to exchange and tax exemption.

Upon such deposit as described above, such Obligations are no longer regarded as outstanding or unpaid. The City has the option, to be reserved when the Obligations are discharged, to call for redemption at an earlier date those Obligations which previously have been discharged to their stated maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Obligations for redemption, (ii) gives notice of the reservation of that right to the owners of the Obligations immediately following the making of the firm bank and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

"Governmental Obligations" means (1) direct obligations of (including obligations issued or held in book entry form on the books of), or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, (2) obligations authorized under Texas law at the time of deposit for discharge and final payment of governmental obligations which, at the time of deposit, have been assigned ratings in the highest ratings category by a nationally recognized investment rating firm not less than AAA or its equivalent, but in the case of each of Clauses (1) and (2), only if such obligations may not be called for redemption prior to maturity.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world's largest 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 Obligations. 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 City ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing City and Fixed Income Clearing City, 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

Redemption notices for the Obligations will be sent to DTC. If less than all of the Obligations of 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 Obligations unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar of each series, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar of each series, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Paying Agent/Registrar of each series, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The City may decide to discontinue the use of the system of BOOK-ENTRY-ONLY transfers through DTC (or a successor depository). In that event, Obligations, as appropriate, will be printed and delivered.

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

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

Effect of Termination of BOOK-ENTRY-ONLY SYSTEM. In the event that the BOOK-ENTRY-ONLY SYSTEM of the Obligations is discontinued, printed Obligations will be issued to the DTC Participants or the holder, as the case may be, and such Obligations will be subject to transfer, exchange and registration provisions as set forth in the Ordinances and summarized under "THE OBLIGATIONS – TRANSFER, EXCHANGE AND REGISTRATION" below.

PAYING AGENT/REGISTRAR

The initial Paying Agent/Registrar for the Obligations is the Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar for the Obligations. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Obligations are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the United States of America or of any other State, authorized under such laws to exercise corporate trust power, and having a combined capital and surplus of at least $10,000,000 subject to supervision or examination of a federal or state authority, registered as a transfer agent with the Securities and Exchange Commission. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations 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 Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of the Obligations to the Paying Agent/Registrar in accordance with the provisions of the Ordinance. See "THE OBLIGATIONS – BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar is required to transfer or exchange any Obligations 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 Obligations.

RECORD DATE FOR INTEREST PAYMENT

The record date ("Record Date") for the interest payable on the Obligations 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 an Obligation appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

OBLIGATION HOLDERS' REMEDIES

The Ordinances do not provide for the appointment of a trustee to represent the interests of the holders of the Obligations upon any failure of the City to perform in accordance with the terms of the Ordinances or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Ordinances. Furthermore, the Ordinances do not establish specific events of default with respect to the Obligations and, under State law, there is no right to the acceleration of maturity of the Obligations upon the failure of the City to observe any covenant under the Ordinances. A registered owner of the Obligations could seek a judgment against the City if a default occurred in the payment of principal of or interest on any such Obligation; however, such judgment could not be satisfied by execution against any property of the City and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Obligations as it becomes due or perform other material terms and covenants contained in the Ordinances. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), 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, registered owners may not be able to bring such a suit against the City for breach of the Obligations or covenants in the Ordinances. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations.

In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers municipalities and relates to contracts entered into by municipalities for providing goods or services to municipalities. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings by local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to restrict the waiver of immunity when a city performs a proprietary function. The Court remanded the case so that the appellate court could rule on whether the contract at issue was proprietary or governmental. *Wasson Interests, Ltd. v. City of Jacksonville,* 559 S.W.3d 142 (Tex. 2018). On remand, the appellate court found for the City of Jacksonville by holding the contract claim arose from the City's performance of a governmental function, and thus the claim was barred by immunity. After granting Wasson's petition for review of the appellate decision, the Court held that to determine if the City was engaged in a proprietary or governmental function, the focus of the inquiry is on the nature of the contract at the time of execution, not the nature of the breach at the time of the breach.

The City is also 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 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 Obligation holders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court), and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Obligations are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Harris County Appraisal District and Chambers County Appraisal District (each, an "Appraisal District"). Except as generally described below, each Appraisal District is required to appraise all property within the respective Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised. See "TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT" for the reduction in taxable valuation attributable to the 10% Homestead Cap.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See "TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT" for the reduction in taxable valuation attributable to valuation by Productivity Value".

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See "AD VALOREM PROPERTY TAXATION – ISSUER AND TAXPAYER REMEDIES".

State Mandated Homestead Exemptions

State law grants, with respect to each city in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See "Table 1 – Valuation, Exemptions and General Obligation Debt" for the reduction in taxable valuation attributable to exemptions state mandated homestead.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. See "Table 1 – Valuation, Exemptions and General Obligation Debt" for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

Local Option Freeze for the Elderly and Disabled

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded. See "Table 1 – Valuation, Exemptions and General Obligation Debt" for the reduction in taxable valuation attributable to the freeze on taxes for the elderly and disabled.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport Exemptions

Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. See "Table 1 – Valuation, Exemptions and General Obligation Debt" for the reduction in taxable valuation, if any, attributable to Goods-in- Transit or Freeport Property Exemptions.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Financing Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, generally located within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

The City has four tax increment reinvestment zones that are currently in existence. Tax increments have been used to finance the development of major infrastructure within the City.

The Tax Increment Reinvestment Zone No. 2 – Victory Lakes ("TIRZ No. 2") was created with a base year of January 1, 1999 and encompasses an area of approximately 540 acres. The zone was enlarged in 2006 to include an additional 102 acres. Tax increments generated within the zone are used for public improvements including streets, drainage, and water and sewer infrastructure.

The Tax Increment Reinvestment Zone No. 3 – Centerpointe ("TIRZ No. 3") was created with a base year of January 1, 2000 and encompasses an area of approximately 352 acres. Tax increments generated within the zone are used for public improvements including streets, drainage, and water and sewer infrastructure. TIRZ expired February 2020. Remaining funds are to be used by the City to complete certain infrastructure projects.

The Tax Increment Reinvestment Zone No. 4 – Westwood ("TIRZ No. 4") was created with a base year of January 1, 2003 and encompasses an area of approximately 493 acres. Tax increments generated within the zone are used for public improvements including streets, drainage, and water and sewer infrastructure.

The Tax Increment Reinvestment Zone No. 5 – Downtown ("TIRZ No. 5") was created with a base year of January 1, 2017 and encompasses an area of approximately 51.47 acres. The increments generated within the zone are used for public improvements including streets, drainage and water and sewer infrastructure.

The City participates at 100% for all TIRZ.

Incremental value created within the tax increment financing zones produces tax revenues which are not pledged to the repayment of the Obligations. The 2020 Taxable Assessed Value within the four existing zones is equal to approximately $1,151,679,704. See "TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT."

TAX ABATEMENT AGREEMENTS

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. The City does not currently have any tax abatement agreements. See "AD VALOREM PROPERTY TAXATION – TAX ABATEMENT POLICY" for descriptions of the City's tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the City, see "AD VALOREM PROPERTY TAXATION – CITY APPLICATION OF PROPERTY TAX CODE" herein.

380 AGREEMENTS

On October 28, 2014, the City entered into a Chapter 380 Economic Development Agreement with 101 League City I45/646, L.P. and Cabela's Wholesale, Inc. in order to encourage economic development within the City. The City will make annual sales tax and property tax rebates associated with the development through December 31, 2031 or totaling $9,346,000, whichever occurs first. The remaining amount to be paid to 101 League City I45/646, L.P., if and only if the company meets the terms of the agreement, is $6,981,646.22

The City is currently engaged in an additional performance-based agreement with Home Asset, Inc., dba NewQuest Properties, Inc., which has a remaining balance of $115,676.76. If the company continues to meet the terms of the agreement, the remaining balance is anticipated to be paid to the company before the agreement expires in December 31, 2022.

The two performance-based development agreements with the League City Local Government Corporation for Projects Epic and Guidry have neither a start date nor an ending date, but are each limited to ten year terms and 100% rebate of the City's portion of the Hotel Occupancy Tax generated by each eligible hotel in the proposed projects. The ten-year period begins for each project separately when the eligible hotel is issued a Certificate of Occupancy. Neither of these projects have started.

TAX ABATEMENT POLICY

The City may grant up to 100% abatement of property taxes on buildings, fixed machinery and business personal property for up to ten years. Minimum qualifications for tax abatement are $1.5 million in taxable property value, $2 million in taxable sales, or 7 new jobs for new businesses/projects. Minimum qualifications for tax abatement are 15% increase in taxable property value, taxable sales, or number of jobs for expanding businesses/projects.

Galveston County may join the City on projects that meet the county's eligibility requirements. Certain manufacturing or research and development corporations may qualify for reduction in school district property taxes under the Texas Economic Development Act. This incentive program was created in order to provide companies making a substantial capital investment to receive tax credits from participating local school districts.

The tax abatement on the 2020 assessed valuation is $0.

PUBLIC HEARING AND TAX RATE LIMITATIONS

The following terms as used in this section have the meanings provided below:

> "adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.
>
> "de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.
>
> "no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).
>
> "special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.
>
> "unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.
>
> "voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate."

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

Effective January 1, 2020, the terms rollback tax rate and effective tax rate will be replaced, respectively, with the terms "voter-approval tax rate" and "no-new-revenue tax rate". Beginning with the 2020 tax year, the procedures in this paragraph and the following paragraphs apply. A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate", an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Obligations.

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

DEBT TAX RATE LIMITATIONS

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt, within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance. Furthermore, Article VIII of the City Charter limits the City's ad valorem tax rate for maintenance and operations of the City to six-tenths (0.6) of one percent. Any levy of taxes to pay principal or interest on any tax bonds or other tax-supported debt of the City, such as the Obligations, is not subject to this limitation in the Charter.

THE CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

ISSUER AND TAXPAYER REMEDIES

Under certain circumstances, the City and its taxpayers may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value of at least $50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (See "– PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS"). The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

PROPERTY ASSESSMENT AND TAX PAYMENT

Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1. Taxpayers who are 65 years of age or older or disabled may defer payment of their taxes without penalty until 181 days after the person no longer owns the property or occupies it as a residence homestead.

PENALTIES AND INTEREST

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

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

After July, the penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 20% attorney's collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post- petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE

The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $45,000; the disabled are also granted an exemption of $45,000.

The City has granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000. See Table 1 for a listing of the amounts of the exemptions described above.

Pursuant to Article VIII, Section I-b of the Constitution of the State of Texas, the City has granted an ad valorem tax freeze on residence homesteads of the disabled and of individuals 65 years of age or older The freeze loss for tax year 2018, 2019 and 2020 was, $800,529,368, $915,006,628 and $1,067,760.549, respectively.

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

The City does not tax nonbusiness personal property;

Galveston County collects taxes for the City.

The City does permit split payments and does not permit discounts. The City does not tax freeport property.

The City has adopted a tax abatement policy.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2020/2021 Market Valuation Established by Galveston Central and Harris County Appraisal Districts (excluding totally exempt property)		$ 12,099,510,720
Adjustments after Certification		933,426,850
		$ 13,032,937,570
Less Exemptions/Reductions at 100% Market Value:		
Homestead Exemptions	$ 1,545,339,735	
Veteran Homestead Exemptions	119,100,647	
Homestead Cap Adjustment	302,126,638	
Over 65	289,394,703	
Disabled Persons	24,593,876	
Member Armed Services Surviving Spouse	656,092	
Freeport Exemptions	18,574,279	
Solar	103,020	
Pollution	14,561	
Productivity Loss	56,514,184	
Adjustment for Frozen Values	1,067,760,549	3,424,178,284
2020/2021 Net Taxable Valuation		$ 9,608,759,286
General Obligation Debt Payable from Ad Valorem Taxes (as of 6/1/2021) (1)		
Outstanding Debt	$ 227,565,000 (2)	
The Certificates	11,275,000 (3)	
The Bonds	22,315,000 (3)	$ 261,155,000 (3)
Less: Self-Supporting Debt (as of 6/1/2021) (4)		
Water and Sewer System General Obligation Debt		$ 116,944,688 (5)
Economic Development Corporation General Obligation Debt		4,680,000
Tax Increment Reinvestment Zone General Obligation Debt		3,780,000
Public Improvement District		1,275,000
Net Funded Debt Payable From Ad Valorem Taxes		$ 134,475,312 (3)
Interest and Sinking Fund Balance (as of 6/30/2021)		$ 5,643,381
Ratio Net General Obligation Debt to Taxable Assessed Valuation		1.40% (3)

2021 Estimated Population - 110,467

Per Capita Taxable Assessed Valuation - $86,983

Per Capita Net General Obligation Funded Debt - $1,217

(1) Excludes the City's contractual bonds sold by the Gulf Coast Water Authority ("GCWA") for the benefit of the City. The City is responsible for 100% of the currently outstanding $260,000 GCWA Water System Contract Revenue Bonds, Series 2011F; approximately 2.235% of the currently outstanding $4,625,000 Water System Contract Revenue Refunding Bonds (South Project), Series 2011A; and approximately 2.474% of the currently outstanding $715,000 Water System Contract Revenue Refunding Bonds (South Project), Series 2011B. The contractual bonds are payable as operating expenses of the City's waterworks system.

(2) Includes self-supporting debt. Preliminary, subject to change.

(3) Preliminary, subject to change.

(4) See "TABLE 11 – COMPUTATION OF SELF-SUPPORTING DEBT."

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

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Fiscal Year Ended September 30,					
	2021		2020		2019	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real Residential, Single- Family	$ 9,653,455,515	79.78%	$ 8,724,253,538	80.76%	$ 7,668,670,345	79.91%
Real, Residential, Multi-Family	590,940,407	4.88%	417,333,710	3.86%	386,868,225	4.03%
Real, Vacant Platted Lots/Tracts	152,495,675	1.26%	161,548,335	1.50%	160,507,638	1.67%
Real, Acreage (Land Only)	57,364,167	0.47%	52,336,872	0.48%	52,961,434	0.55%
Real, Farm and Ranch Improvements	81,130,478	0.67%	58,308,969	0.54%	50,801,539	0.53%
Real, Commercial and Industrial	984,587,267	8.14%	831,377,986	7.70%	784,115,824	8.17%
Real, Oil, Gas & Other Mineral Reserves	-	0.00%	-	0.00%	14,196	0.00%
Real and Intangible Personal, Utilities	123,413,552	1.02%	129,124,820	1.20%	109,086,205	1.14%
Tangible Personal, Business	401,208,759	3.32%	370,671,754	3.43%	320,519,636	3.34%
Tangible Personal, Other	6,210,020	0.05%	6,043,050	0.06%	6,010,209	0.06%
Real, Inventory	12,893,210	0.11%	15,365,408	0.14%	24,836,652	0.26%
Special Inventory	35,811,670	0.30%	36,673,977	0.34%	31,782,970	0.33%
Total Appraised Value Before Exemptions	$ 12,099,510,720 (1)	100.00%	$ 10,803,038,419	100.00%	$ 9,596,174,873	100.00%
Less: Total Exemption/Reductions	(2,356,417,735)		(2,052,633,499)		(1,755,846,351)	
Less: Adjustment for Frozen Values	(1,067,760,549)		(915,006,628)		(800,529,368)	
Plus: Adjustments Made after Certification (2)	933,426,850		746,314,044		800,529,368	
Taxable Assessed Value	$ 9,608,759,286		$ 8,581,712,336		$ 7,840,328,522	

	Fiscal Year Ended September 30,			
	2018		2017	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 7,371,641,880	79.95%	$ 6,653,628,082	78.71%
Real, Residential, Multi-Family	361,598,000	3.92%	315,632,964	3.73%
Real, Vacant Platted Lots/Tracts	131,474,820	1.43%	159,350,990	1.89%
Real, Acreage (Land Only)	54,271,910	0.59%	66,464,059	0.79%
Real, Farm and Ranch Improvements	56,831,528	0.62%	51,009,212	0.60%
Real, Commercial and Industrial	724,946,495	7.86%	655,239,644	7.75%
Real, Oil, Gas & Other Mineral Reserves	-	0.00%	-	0.00%
Real and Intangible Personal, Utilities	108,206,363	1.17%	101,968,248	1.21%
Tangible Personal, Business	341,544,834	3.70%	382,953,376	4.53%
Tangible Personal, Other	5,791,520	0.06%	5,711,116	0.07%
Real, Inventory	31,555,699	0.34%	27,822,411	0.33%
Special Inventory	31,883,988	0.35%	33,677,888	0.40%
Total Appraised Value Before Exemptions	$ 9,219,747,037	100.00%	$ 8,453,457,990	100.00%
Less: Total Exemption/Reductions	(1,824,948,467)		(1,563,361,741)	
Less: Adjustments for Frozen Values	(728,078,319)		(502,352,057)	
Plus: Adjustments Made after Certification (2)	721,590,561		502,352,247	
Taxable Assessed Value	$ 7,388,310,812		$ 6,890,096,439	

(1) Includes $506,545,075 of Net Taxable value that was under protest with the Galveston County Appraisal Review Board as of certification.
(2) Supplemental values added after certification.

NOTE: Valuations shown are certified taxable assessed values reported by the Galveston Central and Harris County Appraisal Districts to the State Comptroller of Public Account as of January 1 of the preceding calendar year. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population (1)	Net Taxable Assessed Valuation (2)	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year (3)	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2017	102,635	$ 6,890,096,439	$ 67,132	$ 232,765,000	3.38%	$ 2,268
2018	104,857	7,388,310,812	70,461	218,570,000	2.96%	2,084
2019	106,803	7,840,328,522	73,409	215,920,000	2.75%	2,022
2020	109,087	8,581,712,336	78,669	250,660,000	2.92%	2,298
2021	110,467	9,608,759,286	86,983	261,030,000 (4)	2.72% (4)	2,363 (4)

(1) Source: The City.
(2) As reported by the Galveston Central and Harris County Appraisal District, subject to adjustments.
(3) Includes self-supporting debt.
(4) Includes the Obligations. Excludes self-supported debt. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

				Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections To Date	
Fiscal Year	Tax Year	Total Tax Rate	Total Tax Levy for Fiscal Year	Amount	Percent of Levy	Amount	Amount	Percent of Levy
2017	2016	$0.5700	$ 40,541,899	$40,293,280	99.39%	$ 175,786	$40,469,066	99.82%
2018	2017	0.5650	43,832,366	43,549,227	99.35%	187,152	43,736,379	99.78%
2019	2018	0.5638	45,024,091	44,717,496	99.32%	190,094	44,907,590	99.74%
2020	2019	0.5486	47,123,923	46,840,920	99.40%	127,859	46,968,779	99.67%
2021	2020	0.5150	48,750,489	47,840,455 (1)	98.13%	-	47,840,455 (1)	98.13%

(1) Preliminary, information provided by City staff. Collections through June 30, 2021

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2020/2021 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Komatsu America Corp	Equipment Rental	$ 87,456,233	0.91%
Texas-New Mexico Power Co	Utility	51,424,140	0.54%
Amalfi & Sorrento Property LLC	Developer	47,792,000	0.50%
VL Town Center Associates LLC	Limited Liability Co	46,131,160	0.48%
Centennial South Shore LP	Apartments	40,950,770	0.43%
KC Watermark Apartments LLC	Apartments	38,640,000	0.40%
Pure Walker Commons LLC	Apartments	38,016,000	0.40%
VR Fairways Holdings LP	Developer	34,352,740	0.36%
TL II Apartments LLC	Apartments	30,000,100	0.31%
Strata Beacon LLC	Apartments	30,000,000	0.31%
		$ 444,763,143	4.63%

Source: Galveston Central and Harris County Appraisal Districts.

GENERAL OBLIGATION DEBT LIMITATION

No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter.

TABLE 6 - TAX ADEQUACY

2021 Principal and Interest Requirements on Net Funded Debt	$ 11,855,376 (1)
$0.1259 Tax Rate at 98% Collection Produces	$ 11,855,479
Average Annual Principal and Interest Requirements on Net Funded Debt, 2021 - 2041	$ 9,397,321 (1)
$0.0998 Tax Rate at 98% Collection Produces	$ 9,397,751
Maximum Principal and Interest Requirements on Net Funded Debt, 2022	$ 14,668,530 (1)
$0.1558 Tax Rate at 98% Collection Produces	$ 14,671,038

(1) Includes the Obligations. Preliminary subject to change.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

	Taxable Assessed Value as of 9/30/20	2020/2021 Tax Rate	Total G.O. Debt as of 07/13/21	Estimated % Applicable	City's Overlapping G.O. Debt as of 07/13/21
City of League City	$ 9,608,759,286	$ 0.515000	$ 134,475,312 (1)	100.00%	$ 134,475,312
Bay Colony West MUD	250,400,398	1.000000	20,610,000	100.00%	20,610,000
Clear Creek ISD	25,529,303,228	1.266000	1,032,420,000	33.47%	345,550,974
College of the Mainland	13,568,362,822	0.242000	169,055,000	11.46%	19,373,703
Dickinson ISD	4,517,377,628	1.344000	373,055,000	32.11%	119,787,961
Galveston Co	34,056,352,975	0.476000	210,083,482	27.37%	57,499,849
Galveston Co Mgmt Dist #1	51,996,180	0.950000	3,220,000	100.00%	3,220,000
Galveston Co MUD # 6	662,349,766	0.210000	9,595,000	100.00%	9,595,000
Galveston Co MUD # 14	359,983,634	0.780000	8,955,000	100.00%	8,955,000
Galveston Co MUD # 15	295,113,853	0.430000	1,800,000	100.00%	1,800,000
Galveston Co MUD # 39	435,294,121	0.530000	19,965,000	100.00%	19,965,000
Galveston Co MUD # 43	426,922,130	0.650000	29,825,000	100.00%	29,825,000
Galveston Co MUD # 44	267,492,022	0.780000	24,675,000	100.00%	24,675,000
Galveston Co MUD # 45	365,780,931	0.850000	47,515,000	100.00%	47,515,000
Galveston Co MUD # 46	448,582,216	0.790000	39,005,000	100.00%	39,005,000
Harris Co	505,415,872,000	0.391000	1,867,957,125	0.04%	747,183
Harris Co Department of Education	510,293,030,704	0.005000	20,185,000	0.04%	8,074
Harris Co Flood Control Dist	495,555,897,000	0.031000	334,270,000	0.04%	133,708
Harris Co Hospital District	495,843,633,862	0.167000	81,540,000	0.04%	32,616
Port of Houston Auth	495,843,633,862	0.010000	492,439,397	0.04%	196,976
Santa Fe ISD	1,604,409,470	1.282000	78,015,000	1.01%	787,952
South Shore Harbour MUD # 7	415,701,792	0.383000	14,655,000	100.00%	14,655,000
Tara Glen MUD	96,181,321	0.240000	-	100.00%	-
Total Direct and Overlapping Funded Debt					$ 898,414,307
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation					9.35%
Per Capita Overlapping Funded Debt					$ 8,236

(1) Includes the Obligations. Preliminary subject to change.

DEBT INFORMATION

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending	Outstanding Debt Service [1]		The Bonds [2]		The Certificates [2]		Total	Water and Sewer System	Sales Tax Self	TIRZ 2 Self	TIRZ 4 Self	PID 1 Self	PID 3 Self	Total Net Debt
9/30	Principal	Interest	Principal	Interest	Principal	Interest	Outstanding Debt Service	Self-Supporting Requirements [3]	Supporting Requirements	Supporting Requirements	Supporting Requirements	Supporting Requirements	Supporting Requirements	Service Requirements
2021	$ 17,395,000	$ 8,867,972	$ -	$ -	$ -	$ -	$ 26,262,972	$ 12,844,942	$ 583,150	$ 145,763	$ 362,175	$ 302,285	$ 169,282	$ 11,855,376
2022	17,625,000	8,584,211	725,000	851,467	360,000	430,304	28,575,981	12,379,230	584,150	146,075	365,275	306,533	126,188	14,668,530
2023	17,645,000	7,831,717	735,000	842,375	370,000	425,900	27,849,992	12,111,955	579,275	146,200	360,750	186,804	88,923	14,376,085
2024	17,315,000	7,085,005	770,000	804,750	390,000	406,900	26,771,655	11,872,068	583,400	150,800	363,375	-	67,265	13,734,747
2025	17,815,000	6,287,816	810,000	765,250	410,000	386,900	26,474,966	11,869,062	581,400	-	365,250	-	50,995	13,608,259
2026	17,255,000	5,450,724	850,000	723,750	430,000	365,900	25,075,374	11,235,121	583,275	-	361,500	-	20,221	12,875,257
2027	17,545,000	4,657,028	895,000	680,125	455,000	343,775	24,575,928	11,235,480	583,900	-	362,125	-	-	12,394,422
2028	18,030,000	3,893,556	940,000	634,250	475,000	320,525	24,293,331	11,052,871	583,275	-	363,550	-	-	12,293,635
2029	18,440,000	3,141,028	990,000	586,000	500,000	296,150	23,953,178	11,006,111	586,275	-	360,950	-	-	11,999,841
2030	17,910,000	2,406,756	1,040,000	535,250	525,000	270,525	22,687,531	10,980,471	667,000	-	362,850	-	-	10,677,210
2031	16,975,000	1,762,996	1,090,000	487,450	550,000	246,400	21,111,846	11,122,689	-	-	360,975	-	-	9,628,182
2032	11,560,000	1,297,606	1,135,000	442,950	575,000	223,900	15,234,456	5,276,002	-	-	365,400	-	-	9,593,054
2033	8,220,000	992,553	1,180,000	396,650	595,000	200,500	11,584,703	3,999,902	-	-	-	-	-	7,584,801
2034	7,960,000	745,243	1,230,000	348,450	620,000	176,200	11,079,893	3,938,261	-	-	-	-	-	7,141,632
2035	6,005,000	533,871	1,280,000	298,250	645,000	150,900	8,913,021	1,801,902	-	-	-	-	-	7,111,119
2036	4,885,000	378,365	1,330,000	246,050	675,000	124,500	7,638,915	761,705	-	-	-	-	-	6,877,210
2037	4,100,000	254,233	1,375,000	198,825	695,000	100,575	6,723,633	497,840	-	-	-	-	-	6,225,793
2038	3,445,000	152,081	1,420,000	156,900	720,000	79,350	5,973,331	799,350	-	-	-	-	-	5,173,981
2039	2,960,000	70,850	1,460,000	113,700	740,000	57,450	5,402,000	797,450	-	-	-	-	-	4,604,550
2040	1,750,000	17,500	1,505,000	69,225	760,000	34,950	4,136,675	794,950	-	-	-	-	-	3,341,725
2041	-	-	1,555,000	23,325	785,000	11,775	2,375,100	796,775	-	-	-	-	-	1,578,325
	$244,835,000	$64,411,108	$22,315,000	$9,204,992	$11,275,000	$4,653,379	$356,694,478	$ 147,174,136	$ 5,915,100	$ 588,838	$ 4,354,175	$ 795,621	$ 522,874	$ 197,343,734

(1) "Outstanding Debt" does not include lease/purchase obligations. See "TABLE 10 – REVENUES OF WATERWORKS AND SANITARY SEWER SYSTEM USED TO PAY GENERAL OBLIGATION DEBT SERVICE" and "OTHER OBLIGATIONS."
(2) Interest on the Obligations estimated rates for the purpose of illustration. Preliminary, subject to change.
(3) Includes the Certificates. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Obligation Debt Service Requirements, Fiscal Year Ending 9/30/2021		$ 11,855,376 (1)
Interest and Sinking Fund, 9/30/2020	$ 4,179,128	
Budgeted Interest and Sinking Fund Collections	12,060,893	
Budgeted Sales Tax Collections	1,800,000	
Less: Rebates to Municipal Utility Districts	(852,675)	
Less: Rebates to Tax Increment Zone	(696,938)	
Less: Estimated Fees	(7,000)	
Budgeted Investment Income / Penalty & Interest	160,000	16,643,408
Estimated Balance, 9/30/2021		$ 4,788,032

(1) Excludes self-supporting debt. Preliminary, subject to change.

TABLE 10 - REVENUES OF WATERWORKS AND SANITARY SEWER SYSTEM USED TO PAY GENERAL OBLIGATION DEBT SERVICE

The City has outstanding contractual bonds sold by the Gulf Coast Water Authority ("GCWA") for the benefit of the City. The City is responsible for 100% of the currently outstanding $260,000 GCWA Water System Contract Revenue Bonds, Series 2011F; approximately 2.235% of the currently outstanding $4,625,000 Water System Contract Revenue Refunding Bonds (South Project), Series 2011A; and approximately 2.474% of the currently outstanding $715,000 Water System Contract Revenue Refunding Bonds (South Project), Series 2011B. The contractual bonds are payable as operating expenses of the City's waterworks system.

TABLE 11 – COMPUTATION OF SELF-SUPPORTING DEBT (1)

The City also has certain outstanding general obligation bonds and combination tax and revenue certificates of obligation of which some of the proceeds were used for projects that generate revenue for subsequent repayment. The debt from these bonds and certificates of obligation is currently being paid in full or in part from such revenue and is listed below:

Issue	Percent Attributed to Self-Supporting Revenue	Revenue Source Fund	Self-Supporting Debt Due in 2021 Fiscal Year
Combination Tax and Revenue Certificates of Obligation, Series 2010	100%	TIRZ 2	$ 145,763
General Obligation Refunding Bonds, Series 2011A	41%	Waterworks and Sewer System	480,756
Combination Tax and Revenue Certificates of Obligation, Series 2011A	100%	Waterworks and Sewer System	2,399,550
General Obligation Refunding Bonds, Series 2012	49%	Waterworks and Sewer System	895,625
Combination Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Series 2012B	100%	Waterworks and Sewer System	1,413,825
General Obligation Refunding Bonds, Series 2014A	100%	PID 3	169,282
General Obligation Refunding Bonds, Series 2013A	100%	PID 1	302,285
General Obligation Refunding Bonds, Series 2015	100%	Waterworks and Sewer System	2,198,250
Combination Tax and Revenue Certificates of Obligation, Series 2015	83%	Waterworks and Sewer System	1,024,219
General Obligation Refunding Bonds, Series 2016	56%	Waterworks and Sewer System	2,144,050
Combination Tax and Revenue Certificates of Obligation, Series 2016	29%	Waterworks and Sewer System	247,325
General Obligation Refunding Bonds, Series 2016A	81%	Waterworks and Sewer System	227,375
Combination Tax and Revenue Certificates of Obligation, Series 2017	50%	Waterworks and Sewer System	719,955
Combination Tax and Revenue Certificates of Obligation, Series 2017	23%	TIRZ 4	362,175
General Obligation Refunding and Improvement Bonds, Series 2019	15%	Waterworks and Sewer System	846,425
General Obligation Refunding and Improvement Bonds, Series 2019	9%	4B Corporation	583,150
General Obligation Refunding Bonds, Series 2020	38%	Waterworks and Sewer System	428,212
			$ 14,588,222

The debt issues described in this table are general obligation debt for which repayment is provided from net revenues of the water and sewer system for the general obligation bonds, payments from Tax Increment Reinvestment Zone No. 2 ("TIRZ #2") for Combination Tax and Revenue Certificates of Obligation, Series 2010, payments from the Public Improvement District No. 1 ("PID #1") for General Obligation Refunding Bonds, Series 2014A and payments from the Public Improvement District No. 3 ("PID #3") for General Obligation Refunding Bonds, Series 2013A. It is the City's current policy to provide these payments from such respective sources. There is no assurance that the use of these sources to make these payments will continue in the future. If payments are not made from such sources in the future, the difference will be paid for with ad valorem taxes.

Waterworks and Sewer System Computation	
Net Revenues Available for Debt Service from Waterworks and Sewer System (9/30/2020)	$ 25,686,787
Waterworks and Sewer System Revenue Bond Requirements (9/30/2021)	-
Balance Available	$ 25,686,787
Waterworks and Sewer System General Obligation Bond Requirements (9/30/2021)	12,844,942
Balance	$ 12,841,845
Percentage of Waterworks and Sewer System General Obligation Bonds Self-Supporting	100.00%

4B Industrial Corporation Computation	
Gross Revenues Available for Debt Service from 4B Industrial Corp. (9/30/2020)	$ 3,664,221
4B Industrial Corp. General Obligation Bond Requirements (9/30/2021)	583,150
Balance	$ 3,081,071
Percentage of 4B Industrial Corp. General Obligation Bonds Self-Supporting	100.00%

TIRZ #2 Computation	
Gross Revenues Available for Debt Service from TIRZ #2 Fund (9/30/2020)	$ 2,036,224
TIRZ #2 General Obligation Bond Requirements (9/30/2021)	145,763
Balance	$ 1,890,462
Percentage of TIRZ #2 General Obligation Bonds Self-Supporting	100.00%

PID #1 Computation	
Gross Revenues Available for Debt Service from PID #3 Fund (9/30/2020)	$ 854,828
PID #3 Fund General Obligation Bond Requirements (9/30/2021)	302,285
Balance	$ 552,543
Percentage of PID #3 General Obligation Bonds Self-Supporting	100.00%

PID #3 Computation	
Gross Revenues Available for Debt Service from PID #1 Fund (9/30/2020)	$ 225,855
PID #1 Fund General Obligation Bond Requirements (9/30/2021)	169,282
Balance	$ 56,573
Percentage of PID #1 General Obligation Bonds Self-Supporting	100.00%

TIRZ #4 Computation	
Gross Revenues Available for Debt Service from TIRZ #4 Fund (9/30/2020)	$ 846,718
TIRZ #4 General Obligation Bond Requirements (9/30/2021)	362,175
Balance	$ 484,543
Percentage of TIRZ #4 General Obligation Bonds Self-Supporting	100.00%

TABLE 12 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date of Authorization	Amount Authorized	Issued to Date	Amount Being Issued(1)	Unissued Balance
City Hall	7/15/69	$ 862,250	$ 856,000	$ -	$ 6,250
Public Safety Improvements	9/19/92	400,000	-		400,000
Drainage	5/4/19	73,000,000	23,775,298	23,600,000	25,624,702
Mobility Projects	5/4/19	72,000,000	26,224,702	2,200,000	43,575,298
		$ 146,262,250	$ 50,856,000	$ 25,800,000	$ 69,606,250

(1) Includes premium generated on the Bonds and allocated to voted authorization. Preliminary, subject to change.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT

The City does not anticipate the issuance of additional tax-supported debt in the next 12 months.

TABLE 13 – OTHER OBLIGATIONS

As of July 1, 2021, the City currently has no other obligations outstanding.

PENSION FUND

The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see APPENDIX B, "EXCERPTS FROM THE CITY'S ANNUAL FINANCIAL REPORT" - Note # 11)

OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits through the Texas Municipal Retirement System ("TMRS"), the City has opted to provide eligible retired employees with the following post-employment benefits:

- Employees retiring from the City with 20 years of TMRS experience, with the most recent five years with the City, between the ages of 60 and 65, will have premiums paid at 100% by the City.
- Employees are eligible to retire under TMRS as a disability retiree if they have worked with the City for a minimum of five years and have at least 10 years of combined municipal service are eligible to have a portion of their premium paid by the City based on their age.

The City recognizes its share of the costs of providing these benefits when paid, on a "pay-as-you-go" basis. These payments are budgeted annually. The aggregate total of OPEB expenses for the fiscal year ending September 30, 2020 was $1,642,548. Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated a being equal to the employer's yearly contributions for retirees.

As of fiscal year 2009, the City implemented GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post- employment Benefits Other Than Pensions." In preparation of GASB 45, the City commissioned an actuarial valuation of its post- retirement benefit liability. (For more information concerning the City's post-employment benefits and a summary of the actuarial results, see APPENDIX B, "EXCERPTS FROM THE CITY'S ANNUAL FINANCIAL REPORT" – IV-D).

FINANCIAL INFORMATION

TABLE 14 - CHANGE IN NET ASSETS

	For Fiscal Year Ended September 30,				
Revenue:	2020	2019	2018	2017	2016
Program Revenues					
Charges for Services	$ 16,538,413	$ 16,543,765	$ 13,257,754	$ 12,300,678	$ 12,949,500
Operating Grants and Contributions	8,615,070	2,967,240	7,687,939	5,561,294	4,355,948
Capital Grants and Contributions	8,261,934	8,037,406	14,169,985	23,342,227	20,712,430
General Revenues					
Property Tax	47,132,177	44,999,295	44,795,450	40,748,850	37,399,738
Franchise Tax	6,470,968	7,006,665	7,073,151	6,814,218	6,310,103
Sales and Uses Taxes	25,146,874	19,601,376	20,194,495	17,655,640	16,540,938
Unrestricted Investment Earnings	1,266,888	2,433,285	1,403,426	624,550	265,120
Miscellaneous	4,450,304	4,502,642	1,599,979	944,313	301,647
Total Revenue	$ 117,882,628	$ 106,091,674	$ 110,182,179	$ 107,991,770	$ 98,835,424
Expenses:					
General Government	$ 15,884,893	$ 15,975,808	$ 15,496,208	$ 14,911,180	$ 12,708,386
Public Safety	32,599,855	31,783,422	30,778,053	29,303,994	25,671,021
Public Works	26,005,043	29,096,542	26,773,910	28,656,932	23,489,631
Community Services	10,802,477	10,600,334	7,802,691	7,825,726	8,358,265
Interest on Long-Term Debt	4,426,280	3,746,383	3,548,694	3,630,628	4,038,467
Total Expenses	$ 89,718,548	$ 91,202,489	$ 84,399,556	$ 84,328,460	$ 74,265,770
Increase in Net Assets before Transfers	$ 28,164,080	$ 14,889,185	$ 25,782,623	$ 23,663,310	$ 24,569,654
Transfers	4,511,513	3,312,000	3,165,089	2,553,175	2,831,158
Gain/Loss on Disposition of Capital Assets	-	103,448	63,775	-	1,015,762
Increase (Decrease) in Net Assets	$ 32,675,593	$ 18,304,633	$ 29,011,487	$ 26,216,485	$ 28,416,574
Net Assets at Beginning of Year	322,436,757	304,132,124	280,020,254	253,803,769	225,387,195
Implementation of change in accounting principle	-	-	(4,899,617)	-	-
Net Assets at Beginning of Year - as restated	-	-	275,120,637	-	-
Net Assets at End of Year	$ 355,112,350	$ 322,436,757	$ 304,132,124	$ 280,020,254	$ 253,803,769

TABLE 14A – GENERAL FUND REVENUES & EXPENDITURES

	For Fiscal Year Ended September 30,				
Revenues:	2021 (1)	2020	2019	2018	2017
Taxes	$ 63,061,524	$ 59,520,373	$ 56,228,199	$ 56,128,696	$ 50,729,779
Licenses & Permits	3,279,075	3,161,640	2,845,117	3,329,320	3,112,914
Fines and Forfeitures	994,127	1,057,805	1,614,174	1,694,557	1,715,132
Intergovernmental	292,253	826,504	327,211	344,227	427,256
Charges for Services	9,645,933	9,541,657	9,259,580	8,307,524	7,589,262
Interest on Investments	420,000	475,797	766,521	420,622	218,437
Other	875,237	978,619	1,111,365	896,290	1,109,931
Total Revenues	$ 78,568,149	$ 75,562,395	$ 72,152,167	$ 71,121,236	$ 64,902,711
Expenditures:					
General Government	$ 16,027,422	$ 13,633,713	$ 13,117,829	$ 12,032,359	$ 12,100,616
Public Safety	31,449,265	25,764,935	28,814,962	26,653,236	24,586,841
Public Works	16,407,874	16,755,240	15,692,899	17,207,706	15,501,077
Community Services	9,240,441	8,348,499	8,306,001	5,319,255	5,028,774
Capital Outlay	926,754	850,871	705,976	474,630	636,499
Total Expenditures	$ 74,051,756	$ 65,353,258	$ 66,637,667	$ 61,687,186	$ 57,853,807
Excess (Deficit) of Revenues Over Expenditures	$ 4,516,393	$ 10,209,137	$ 5,514,500	$ 9,434,050	$ 7,048,904
Other Financing sources (Uses):					
Proceeds from sale of capital assets	$ 5,000	$ 66,312	$ 152,911	$ 17,853	$ 7,186
Operating Transfers In	4,248,033	3,494,513	3,322,000	3,322,000	3,322,000
Operating Transfers (Out)	(9,158,659)	(14,191,825)	(8,910,000)	(10,330,284)	(15,178,254)
Total Other Financing Sources (Uses)	$ (4,905,626)	$(10,631,000)	$ (5,435,089)	$ (6,990,431)	$(11,849,068)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	$ (389,233)	$ (421,863)	$ 79,401	$ 2,443,619	$ (4,800,164)
Fund Balance, Beginning of Year	25,743,160	26,165,023	26,085,622	23,642,003	28,442,167
Fund Balance, End of Year	$ 25,353,927	$ 25,743,160	$ 26,165,023	$ 26,085,622	$ 23,642,003

(1) Unaudited year-end estimate provided by the City.

TABLE 15 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. On May 7, 1994, the voters of the City approved the imposition of an additional one-half of one percent (½ of 1%) for property tax reduction and another one-quarter of one percent (¼ of 1%) for the Section 4B Industrial Development Corporation which is pledged to the Sales Tax Revenue Bond issued by the Corporation. The sales tax increase went into effect on October 1, 1994. On May 4, 2019, the voters of the City approved the imposition of an additional one-quarter of one percent (1/4 of 1%) for City Sales and Use Tax. The sales tax increase went into effect on October 1, 2019.

Fiscal Year Ended 9/30	City Sales Tax[1]	4B Corporation Sales Tax[1]	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita[2]
2016	$ 16,540,938	2,756,823	51.97%	$ 0.2980	$ 193
2017	17,655,640	2,942,607	50.81%	0.2896	201
2018	20,194,495	3,365,749	53.75%	0.3037	225
2019	19,601,376	3,266,896	50.79%	0.2864	214
2020	21,554,463	3,592,411	53.36%	0.2928	231

(1) Provided by the City.
(2) Based on population estimates by the City.

The sales tax breakdown for the City is as follows:

4 B Indurstrial Development Corporation	1/4 %
Property Tax Relief	1/2 %
City Sales & Use Tax	1 1/4 %
State Sales & Use Tax	6 1/4 %
Total	8 1/4 %

CAPITAL IMPROVEMENT PROGRAM

The City prepares a multi-year capital improvement plan that addresses all major categories of improvements and addresses all forms of funding. The current plan includes FY2020 through FY2024, with the first year of the CIP to serve as its Capital Budget for FY2020. The approved CIP includes financing plans that account for all capital funding sources, including current year pay-as-you-go cash funded projects, proceeds from prior years' bond sales, and new funds needed from future bond sales. The CIP includes debt service models for tax supported and revenue supported projects to anticipate and demonstrate the affordability of new bonds within revenue streams from existing property tax rates and water and wastewater rates. Projects are not included in the five-year CIP unless financing can be made available through allocation of existing or projected funding sources.

THE SYSTEM

WATERWORKS SYSTEM

The primary water supply for the City of League City is surface water. This water is obtained from Gulf Coast Water Authority (GCWA). The majority of the water is provided to GCWA from the City of Houston with 10% of the surface water capacity coming from the actual plant at GCWA. Houston's supply is from the Trinity River watershed basin while GCWA is from the Brazos River watershed.

League City also has ground water to supplement the surface water supply. Due to subsidence agreements with the subsidence district only 10% of the annual water supply can be supplemented with ground water without incurring a penalty.

During fiscal year 2019/2020 the City pumped approximately 4.3 billion gallons of water (combined surface and ground). This water was delivered to approximately 35,425 accounts. The estimated population of League City is 111,467 at January 1, 2021.

Existing Water Supply— The City maintains 10 Booster stations throughout the distribution system. These Booster stations are strategically placed to provide the required demand flows throughout the distribution system.

The current water supply from Houston is provided from the Southeast Water Treatment Plant (SEWPP). League City has 22.5 million gallons per day contracted from SEWPP through Gulf Coast Water Authority. In addition, GCWA supplies 2.544 million gallons per day from the Thomas Mackey Plant in Texas City. The total surface water supply volume is 25.044 million plus 12.3 million supplemental from wells.

Highway 3 Booster station is the primary Booster for the entire City. This station receives 17.5 MGD water from SEWPP and boosts it to various parts of the City. The remaining 5 MGD comes to the City through the north side pump station on Grissom Road.

Elevated Storage— The City has 3 operational elevated storage tanks. All three tanks are 2 million gallon tanks, two located on South Shore Boulevard and the other at Rustic Oaks Subdivision.

Ground Storage— Ground storage tanks are located at 10 of the Booster station locations with a total capacity of 28.9 million gallons. The combined elevated and ground storage will be 34.9 million gallons.

Groundwater— The City has eight wells with a combined total capacity of approximately 12.3 million gallons per day. The average depth of the wells in the area range from 700-800 feet.

League City is in Area 1 of the Houston Galveston subsidence district. The district requirements stipulate that in order to reduce subsidence in the district only 10% of the annual surface supply can be pumped from ground water.

Distribution System— The City has over 526 miles of water lines from 2 inch up to 42 inch. All transmission lines are 24 inch and larger. Various 12 to 18 inch lines interconnect most major transmission lines. New lines are being planned to create a complete transmission loop around the City.

WASTEWATER SYSTEM

The City's wastewater system consists of over 360 miles of gravity lines from 6 inch to 54 inch, 76 lift stations and 2 treatment plants. The Dallas-Salmon treatment plant was expanded from a 7.5 MGD plant to a 12 MGD plant. This plant serves the majority of the City. The new Southwest Water Reclamation Facility (SWWRF) was completed in 2012 and is rated at 4.0 MGD. It serves the far west service areas of the City and will treat water for reuse on public accessible land. Dallas-Salmon is also a plant producing reuse water which is sold to South Shore Country Club for irrigation of the golf course.

TABLE 16 – CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
Revenues:	2021[(1)]	2020	2019	2018	2017
Charges for Services	$ 43,018,971	$ 36,990,951	$ 34,575,788	$ 37,257,244	$ 35,805,577
Interest Earned	150,000	876,314	1,753,961	1,017,809	437,569
Gain on Sale of Assets	-	15,725	1,819	5,689	-
Other Revenues	110,000	164,403	280,454	107,384	111,594
Total Revenues	$ 43,278,971	$ 38,047,393	$ 36,612,022	$ 38,388,126	$ 36,354,740
Operating Expenses:					
Personnel	$ 6,291,904	$ 6,266,064	$ 5,297,535	$ 5,822,111	$ 5,632,773
Utilities	1,377,137	1,310,371	1,283,555	1,334,009	1,458,324
Repairs and Maintenance	1,915,795	1,698,178	1,532,563	1,288,233	1,347,449
Supplies	932,569	759,443	945,265	774,692	708,442
Contractual Services	6,940,944	7,039,647	5,648,542	6,266,400	5,761,003
Gulf Coast Water Authority Debt Service (2)	270,400	270,400	334,627	337,345	335,331
	$ 17,728,749	$ 17,344,103	$ 15,042,087	$ 15,822,790	$ 15,243,322
Net Revenue From Operations	$ 25,550,222	$ 20,703,290	$ 21,569,935	$ 22,565,336	$ 21,111,418
Impact Fees	5,500,000	4,983,497	4,173,349	5,502,644	5,650,349
Available for Debt Service	$ 31,050,222	$ 25,686,787	$ 25,743,284	$ 28,067,980	$ 26,761,767
City's Ensuing Year Revenue Debt Service (3)	$ -	$ -	$ 630,850	$ 2,567,925	$ 2,617,100
Surplus Net Revenue Available (4)	$ 31,050,222	$ 25,686,787	$ 25,112,434	$ 25,500,055	$ 24,144,667
Water Customers	35,981	35,611	34,617	34,102	33,310
Sewer Customers	35,184	34,814	33,843	32,639	31,878

(1) Unaudited year-end estimates provided by the City.
(2) Contract Revenue Bonds issued by the Gulf Coast Water Authority that are treated as an operating expense of the System.
(3) Revenue Bonds have a prior lien on the net revenues of the Water and Sewer System.
(4) Net Revenue is available to pay system general obligation debt and contract revenue debt with a revenue pledge.

TABLE 17 – TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED)

Customer	Type of Industry	Fiscal Year 2020 Water Usage in Gallons	% of Total Water Usage
Clear Creek ISD	School	72,965,000	1.71%
South Shore Golf Course	Golf Course	27,114,000	0.64%
UTMB	Hospital	20,909,000	0.49%
Tuscan Lakes CAI	Homeowner's Association	18,883,000	0.44%
Fairways at South Shore Harbor	Apartments	18,086,000	0.42%
Beacon Lakes	Apartments	16,290,000	0.38%
Victory North	Apartments	15,089,000	0.35%
Century South Shore	Apartments	14,915,000	0.35%
Landmark at Emerson Park	Apartments	14,510,000	0.34%
Cortland League City	Apartments	14,461,000	0.34%
		233,222,000	5.46%

TABLE 18 - HISTORICAL WATER CONSUMPTION (GALLONS)

Year Ended 9/30	Estimated City Population [1]	Number of Customers	Water Usage (MGD) Average Day Usage	Peak Day Usage	Peak Month Usage	Total Usage	Total Water & Sewer Sales
2016	100,053	32,459	10.910	19.445	459.365	3,829.097	$ 33,915,802
2017	102,635	33,310	11.320	18.342	408.585	4,104.479	34,241,387
2018	104,857	34,102	12.034	19.586	486.225	4,392.590	37,364,628
2019	106,803	34,617	11.118	17.471	423.743	4,058.064	33,850,775
2020	109,087	35,611	11.664	18.910	468.416	4,257.519	36,465,560

(1) Population estimated by the City.

FINANCIAL POLICIES

The financial statements of the City are prepared in conformity with the generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. 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. The following are the City's governmental fund types:

General Fund . . . The General Fund is used to account for all financial transactions which are not accounted for in another fund. The principal sources of revenue of the General Fund are property taxes, sales and use taxes, franchise taxes, licenses and permits, and fines and forfeitures. Expenditures are for general government, public safety, public works and other community services.

Special Revenue Funds . . . Special Revenue Funds are used to account for revenues derived from specific governmental grants or other revenue sources which are legally restricted or designated to finance particular activities of the City. Capital outlays are charged to expenditures in the accounts of these funds and capitalized in the government wide statement, as appropriate.

Debt Service Fund . . . The Debt Service Fund is used to account for the payment of interest and principal on all general long-term debt of the City except for capital leases which are accounted for in the General Fund. The primary source of revenue for the Debt Service Fund is general property taxes.

Capital Projects Funds . . . Capital Projects Funds are used to account for the receipt and expenditure of resources used for acquisition of or improvements to major capital assets. Principal sources of revenues are cash funding, bond sale proceeds, federal grants and interest revenue.

Enterprise Fund . . . The Enterprise Fund is used to account for operations of the water and wastewater division and the construction of related facilities. The fund is financed and operated in a manner similar to private business enterprises; where the intent of the City is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition, maintenance and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds (revenue or general obligation), federal grants and impact fees.

Internal Service Fund . . . The Internal Service Fund is used to account for the financing of goods or services by one department to other departments, on a cost reimbursement basis.

General Budget Policies . . . The budget for the City Government shall present a complete financial plan for the ensuing fiscal year. It shall set forth all proposed expenditures for the administration, operation and maintenance of all departments and agencies of the City Government for which appropriations are required to be made or taxes levied by the City. The budget shall also include: (1) the revenues and expenses of the water and sewer system, and such system may be shown in the budget as a self-supporting enterprise; (2) all expenditures for capital projects to be undertaken or executed during the fiscal year; (3) all interest and debt redemption charges during the fiscal year and the actual or estimated operating deficits from prior fiscal years. In addition, the budget shall set forth the anticipated income and other means of financing the total proposed expenditures of the City for the fiscal year.

Basis of Accounting . . . Basis of accounting refers to the time when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statement, regardless of measurement focus applied. Governmental fund types (General, Debt Service, Special Revenue and Capital Projects) are accounted for on a "spending" or "financial resources" measurement focus.

The budget process begins in early spring each year with the preparation of the Long Range Financial Forecast. The Long Range Financial Forecast is prepared under the direction of the City Manager and presented to Council. The Long Range Financial

Forecast includes all majors funds; General, Utility and Debt Service Funds of the City. Once the Long Range Financial Forecast has been presented to Council, city departments present their budgets to the City Manager for review. The budget is prepared under the direction of the City Manager including the Capital Budget which is based on the first year of the five-year Capital Improvement Plan ("CIP"). The Budget and CIP are then presented to Council for review. At least ten (10) days before the beginning of the fiscal year, the Council must approve the budget and enact the appropriation ordinance. As soon thereafter as possible, the City Council passes the tax levy ordinance and such other ordinances as may be required to make the budget effective.

INVESTMENTS

The City may invest its investable funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the City or obligations under a lease, installment sale, or other agreement of the City) 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.

Authorized Investments . . . Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State 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 are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation 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 Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the City Council or a designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State 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), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) 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 (8) 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 (8) above, clauses (13) through (15) below, 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; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "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 United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. 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, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

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 (8) above, other than the prohibited obligations described below, (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 (8) above, clauses (13) through (15) 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, if the City Council of the City authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years, and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies . . . 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 includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment.

Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield. Under Texas law, City 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 investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value and 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 strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

Additional Provisions . . .Under State law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives 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 Council; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the treasurer, chief financial officer and investment officers; (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 mutual funds in the aggregate to no more than 80% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

TABLE 19 – CURRENT INVESTMENTS

As of June 30, 2021, the City's investable funds were invested in the following categories:

Description	Percent of Total	Book Value	Market Value
Cash	2.49%	$ 5,341,941	$ 5,341,941
Texpool	28.67%	61,537,716	61,537,716
TexStar	10.48%	22,499,256	22,499,253
Lone Star	1.48%	3,177,405	3,177,405
Texas Class	16.58%	35,599,434	35,599,434
Certificates of Deposits	19.54%	41,932,873	41,932,873
Money Market	7.14%	15,318,222	15,318,222
Portfolio Investments	13.62%	29,241,720	29,114,900
	100.00%	$ 214,648,567	$ 214,521,744

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Obligations should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Obligations.

TAX EXEMPTION

In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the Obligations is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not a specific preference item for purposes of the alternative minimum tax.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Obligations, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The City has covenanted in the Bond Ordinance that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Ordinance pertaining to those sections of the Code that affect the excludability of interest on the Obligations from gross income for federal income tax purposes and, in addition, will rely on representations by the City, the City's Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the City, the City's Financial Advisor and the Underwriters, respectively, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the Bond Ordinance or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Obligations could become includable in gross income from the date of delivery of the Obligations, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Obligations. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Bond Ordinance upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Obligations from gross income for federal income tax purposes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems 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 as to whether or not the Service will commence an audit of the Obligations. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Obligations could adversely affect the value and liquidity of the Obligations regardless of the ultimate outcome of the audit.

COLLATERAL TAX CONSEQUENCES

Prospective purchasers of the Obligations should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Obligations. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Obligations should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Obligations, received or accrued during the year.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE PREMIUM

The issue price of all or a portion of the Obligations may exceed the stated redemption price payable at maturity of such Obligations. Such Obligations (the "Premium Obligations") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Obligation in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Obligation in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Obligation by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Obligation that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Obligation) is determined using the yield to maturity on the Premium Obligation based on the initial offering price of such Premium Obligation.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Obligations that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Obligations should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Obligation and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Obligations.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT

The issue price of all or a portion of the Obligations may be less than the stated redemption price payable at maturity of such Obligations (the "Original Issue Discount Obligations"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Obligation, and (ii) the initial offering price to the public of such Original Issue Discount Obligation constitutes original issue discount with respect to such Original Issue Discount Obligation in the hands of any owner who has purchased such Original Issue Discount Obligation in the initial public offering of the Obligations. Generally, such initial owner 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 Obligation equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Obligation continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Obligations under the captions "TAX MATTERS – TAX EXEMPTION" and "TAX MATTERS – ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS – COLLATERAL TAX CONSEQUENCES" and "—TAX LEGISLATIVE CHANGES" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Obligation prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Obligation 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 Obligation was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriter has purchased the Obligations for contemporaneous sale to the public and (ii) all of the Original Issue Discount Obligations have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Obligations will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Obligation accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Obligations and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Obligation 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 (i) 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 (ii) the amounts payable as current interest during such accrual period on such Original Issue Discount Obligation.

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

TAX LEGISLATIVE CHANGES

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Obligations from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Obligations. Prospective purchasers of the Obligations should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

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 Obligations. The City is required to observe the agreement for so long as it remains an "obligated person" with respect to the Obligations, within the meaning of the Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS

The City will provide annually to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system ("EMMA"), within six months after the end of each fiscal year ending in or after September 30, 2020, financial information and operating data with respect to the City of the general type included in the Official Statement provided to the Purchaser in connection with its initial approval of its purchase of the Obligations, being the information included in Tables 1 through 6 and Tables 8 through 19, and in Appendix B if audited financial statements of the City are then available. Any financial statements so to be provided will be (1) prepared in accordance with the accounting principles set forth in Appendix B to the Official Statement, or as may otherwise hereafter be established consistent with Texas law or regulation, and (2) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within twelve months after any such fiscal year end, then the City will provide audited financial statements for the applicable fiscal year to the MSRB through EMMA, when and if audited financial statements become available but if such audited financial statements are unavailable the City will provide such financial statements on an unaudited basis within such twelve-month period.

If the City changes its fiscal year, it will notify the MSRB through EMMA 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 financial information and operating data pursuant to the Ordinances.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB through EMMA or filed with the United States Securities and Exchange Commission (the "SEC"), or may be provided in any other manner consistent with the Rule.

MATERIAL NOTICES

The City will notify the MSRB through EMMA of any of the following events with respect to the Obligations in a timely manner, and not more than 10 business days after occurrence of the event:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults, if material;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) Modifications to rights of Holders 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, which will occur as described below;

(13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) Incurrence of a Financial Obligation of the City, 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.

For the purposes of the event identified in (12), the event 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 U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and the words used in clauses (15) and (16) in the immediately preceding paragraphs and in the definition of Financial Obligation have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018. The Ordinance defines "Financial Obligation" as 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.

The City will notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide financial information or operating data by the time required.

AVAILABILITY OF INFORMATION FROM MSRB

The City has agreed to provide the foregoing information only to the MSRB. The MSRB has made the information available to the public without charge through EMMA at www.emma.msrb.org.

LIMITATIONS, DISCLAIMERS, AND AMENDMENTS

The City will be obligated to observe and perform its continuing disclosure covenants while it remains an "obligated person" with respect to the Obligations within the meaning of the Rule, except that the City in any event will give notice of any Obligation calls and defeasance that cause the City to be no longer such an "obligated person".

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

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

No default by the City in observing or performing its obligations will constitute a breach of or default.

The City may amend its continuing disclosure undertaking from time to time to adapt to changed circumstances resulting from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Obligations in the primary offering of the Obligations in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Obligations consent to such amendment or (b) a Person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Obligations. The City may also amend or repeal the provisions if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Underwriters from lawfully purchasing the Obligations.

COMPLIANCE WITH PRIOR UNDERTAKINGS

During the last five years, the City believes it has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

RATINGS

The Obligations and presently outstanding general obligation debt of the City are rated "Aa1" by Moody's Investors Service, Inc. ("Moody's") and "AA+" by S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by (either or both) of such rating companies (company), if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Obligations.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

The sale of the Obligations 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 Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations 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 Obligations 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 Obligations 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 Obligations be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Obligations 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 Obligations are legal investments for various institutions in those states.

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE

The City will furnish a complete transcript of proceedings incident to the authorization and issuance of the Obligations, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Obligation and the effect that the Obligations are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under" TAX MATTERS" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Obligations, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Obligations will also be furnished. 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 Obligations in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. The legal opinion will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City 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.

FINANCIAL ADVISOR

Hilltop Securities Inc. is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. Hilltop Securities 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 Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in the Official Statement in accordance with, and as part of, its responsibility to the City and, as applicable, the 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.

INITIAL PURCHASER OF THE BONDS

The Initial Purchaser, __________, has agreed, subject to certain conditions, to purchase the Bonds from the City, at par plus a cash premium of $_________. The Initial Purchaser will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Initial Purchaser and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds and such public offering prices may be changed, from time to time, by the Initial Purchaser.

INITIAL PURCHASER OF THE CERTIFICATES

The Initial Purchaser, __________, has agreed, subject to certain conditions, to purchase the Certificates from the City, at par plus a cash premium of $_________. The Initial Purchaser will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Initial Purchaser and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates and such public offering prices may be changed, from time to time, by the Initial Purchaser.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

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

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Obligations, the City will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Obligations and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

____
Mayor
City of League City, Texas

ATTEST:

____
City Secretary

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY

The City is located in the north central part of Galveston County, Texas, and part of Harris County, Texas, five miles south of the city limits of Houston, Texas. The City was incorporated December 9, 1961 and adopted its Home Rule Charter March 27, 1962. The City provides basic municipal services to its citizens including fire and police protection, ambulance service, water, sanitary sewer and garbage services, library, parks and recreational facilities.

ECONOMICS

The City is located 25 miles from the Houston Central Business District, the energy capital of the world. The City is also located approximately 14 to 20 miles from the industrial and petrochemical complexes located in Harris County along the Houston Ship Channel and 10 miles from the petrochemical refineries located in Texas City in Galveston County. The National Aeronautics and Space Administration's ("NASA") Johnson Space Center is located just north of the City in Harris County, and approximately 16% of NASA's employees and contractors live in the City.

The City is the largest community in Galveston County, which hosts operations for more than 25 international companies from countries including Germany, Sweden, Japan, France, Switzerland, Norway. Galveston County's diverse economy, proximity to deep water ports, the Houston economic engine and the overall Texas business climate make Galveston County and the City attractive to new foreign direct investment opportunities. In addition, due to its location on Interstate 45, the City is the popular "gateway" to Galveston Island, which is the fourth busiest cruise port in the United States of America and the seventh busiest cruse homeport in the world.

Healthcare & Social Assistance, Educational Services, Transportation and Warehousing, Entertainment & Recreation, and Retail Trade are significant employment sectors in the local City economy. The current proportion of workers employed in the Healthcare & Social Assistance (13.5 percent) is expected to increase due in large part to the continuing expansion of the University of Texas Medical Branch League City Campus, construction of the 135,000-square foot MD Anderson Cancer Center, and 47,000-square foot Memorial Hermann Convenient Care Clinic.

BUILDING PERMITS

Fiscal Year Ended 9/30	Residential Gross Value	Commercial Gross Value	Total Gross Value
2015	$ 226,702,873	$ 115,534,099	$ 342,236,972
2016	177,135,746	31,860,865	208,996,611
2017	217,625,591	45,303,061	262,928,652
2018	186,977,407	69,142,896	256,120,303
2019	169,348,297	51,086,320	220,434,617
2020	252,231,456	102,629,671	354,861,126

(1) Provided by the City

EDUCATION

The City is located primarily within the Clear Creek Independent School District which consists of 26 elementary schools, 10 intermediate schools, and 7 high schools.

Higher education institutions serve the local area, including the University of Houston-Clear Lake, located three miles from the City. The University of Houston-Clear Lake, constructed on a 524-acre site, has an 8,200 student enrollment and includes four schools: The School of Human Sciences and Humanities, the School of Business, the School of Education, and the School of Sciences and Computer Engineering. These four schools offer undergraduate degrees in 39 fields of study, master's degrees in 45 fields of study and one doctoral degree.

The College of the Mainland, a junior college located on a 200-acre campus in Texas City, is less than ten miles from the City near the intersection of FM1764 and State Highway 3.

HEALTHCARE AND FACILITIES

The Greater Houston-Galveston Region is noted for the availability of exceptional hospitals and medical care. The League City – Clear Lake area is served by 3 hospitals with full 24-Hour Emergency Departments. UTMB's League City Campus, which has a master plan calling for future buildout of 3 million square feet, represents over 32 specialties and associated services including a Cancer Center and Infusion Center, cardiac rehabilitation, Surgical Specialty Care Clinic, and birthing suites for obstetric and newborn care. The Clear Lake Regional Medical Center and Memorial Hermann Southeast Hospital, both which offer life flight capability, are located within less than 11 miles from the City.

The construction of a 135,000-square foot M.D. Anderson Cancer Center, which opened in fall 2018, and a 47,000-square foot Memorial Hermann Convenient Care Clinic which opened in April 2018. Houston Methodist recently leased 20,000 square feet in League City and is in process of constructing its own facility.

TRANSPORTATION

The City has convenient access to several interstate and major US highways. Interstate Highway 45 passes directly through the City, providing access to other transportation routes such as Interstate Highway 10, US Highways 59 and 290, and State Highways 288, 225, and 146. The Texas Department of Transportation has plans for the expansion of State Highway 99, which is also known as the "Grand Parkway". The Grand Parkway will be the third and most outer loop encircling the Greater Houston Region and extend the full length of the City.

The region's trucking industry is well-integrated with the Port of Houston, Port of Galveston, Port Freeport, George Bush Intercontinental Airport, William P. Hobby (International) Airport, Ellington Field, Houston Spaceport, and the mainline railroads serving the region. The Port of Houston is the busiest port for foreign waterborne cargo and second busiest by overall tonnage. The Houston Airport system is the 9th largest in the United States. The City is served by the Union Pacific Railroad who operates one main line through the City with daily service.

JOHNSON SPACE CENTER

The Johnson Space Center (JSC) of NASA, which was responsible for NASA's prior space shuttle program and remains the central control point for the space station project, is an important part of the Clear Lake City area economy. The JSC Civil Service workforce consists of about 3000 employees, the majority of whom are professional engineers and scientists. Of these, approximately 110 are astronauts. The Johnson Space Center is an attraction to over 50 private companies who act as subcontractors to provide contract personnel to JSC.

SPACE CENTER HOUSTON

The $70 million Space Center Houston, a visitor's center designed by Walt Disney Imagineering, opened in the fall of 1992. It is a project of the non-profit Manned Space Flight Education Foundation, Inc. in collaboration with the NASA space center. The project is a "hands-on" experience center presenting the inspirational story of human space exploration and behind-the-scenes tours of the space center complex.

MAJOR EMPLOYERS IN LEAGUE CITY

Employer	Nature of Business	Number of Employees
Clear Creek Independent School District	School District	5,091
UTMB	Acad Health Center	841
American National Insurance	Insurance	632
City of League City	Government	633
H.E.B.	Supermarket	501
INEOS USA	Manufacturer	387
Walmart	Retail	300
Kroger	Supermarket	278
MD Anderson	Hospital	240
Devereaux Texas Treatment Network	Hospital	217

Source: The City.

THE COUNTY

The City lies primarily within Galveston County (the "County") which is located on the upper Texas coast of the Gulf of Mexico. The County comprises a land area of 430 square miles, including Galveston Island, the Mainland and Bolivar Peninsula. The official establishment of Galveston County dates back to May 15, 1838, when Sam Houston, the President of the Republic of Texas, approved an article passed by the Congress, establishing the "County of Galveston." The 2010 census population was 291,309, an increase of 16.45% over 2000.

Galveston County has a diversified economy based on manufacturing, oil and gas production, shipping, agriculture, commercial fishing and tourism. The Galveston County Mainland area is the center of one of the most important industrial concentrations on the Gulf Coast of Texas. Major industries located at Texas City and La Marque include BP, Marathon-Ashland Petroleum, Valero Refining, Sterling Chemical, Dow Chemicals, International Specialty Products, and others.

EMPLOYMENT STATISTICS

League City

Year	Labor Force	Total Employment	Unemployment	Rate
2017	55,483	53,295	2,188	3.94%
2018	57,330	55,257	2,073	3.62%
2019	57,889	56,066	1,823	3.15%
2020	56,843	53,010	3,833	6.74%
2021(1)	57,254	54,158	3,096	5.41%

(1) Average through May 2021.
Source: Texas Workforce Commission

Galveston County

Year	Labor Force	Total Employment	Unemployment	Rate
2017	161,703	153,291	8,412	5.20%
2018	164,757	157,181	7,576	4.60%
2019	165,479	158,807	6,672	4.03%
2020	164,608	150,218	14,390	8.74%
2021(1)	164,790	153,471	11,319	6.87%

(1) Average through May 2021.
Source: Texas Workforce Commission

APPENDIX B

EXCERPTS FROM THE

CITY OF LEAGUE CITY, TEXAS

COMPREHENSIVE FINANCIAL ANNUAL REPORT

For the Year Ended September 30, 2020

The information contained in this Appendix consists of excerpts from the City of League City, Texas Annual Financial Report for the Year Ended September 30, 2020, 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.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION