

**NOTICE OF SALE
AND
BIDDING INSTRUCTIONS
ON
\$20,000,000*
CITY OF UNIVERSAL CITY, TEXAS
(A political subdivision of the State of Texas located in Bexar County)
WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2026**

Bids Due Tuesday, August 18, 2026 at 11:00 AM, CDT

THE SALE

BONDS OFFERED FOR SALE AT COMPETITIVE BIDDING . . . The City of Universal City, Texas (the “City”), is offering for sale its \$20,000,000* Waterworks and Sewer System Revenue Bonds, Series 2026 (the “Bonds”). Only electronic bids will be accepted.

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

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

ELECTRONIC BIDDING PROCEDURE . . . Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Bidders must submit, by 11:00 AM on the date of the bid opening, SIGNED Official Bid Forms to Victor Quiroga, Specialized Public Finance Inc., 17721 Rogers Ranch Parkway, Suite 140, San Antonio, Texas 78258. Subscription to the i-Deal LLC’s BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

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

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

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

NO BIDS BY FACSIMILE . . . Bids by facsimile will not be accepted.

NO BIDS BY TELEPHONE . . . Bids by telephone will not be accepted.

PLACE AND TIME OF BID OPENING . . . The bids for the Bonds will be considered at City Hall at 2150 Universal City Boulevard, Universal City, Texas 78148, at a meeting that convenes at 6:30 PM, CDT on Tuesday, August 18, 2026.

AWARD OF THE BONDS . . . The City Council will take action to award the Bonds (or reject all bids) at a meeting scheduled to convene at 6:30 PM, CDT, on the date of the bid opening. Upon awarding the Bonds, the City will also adopt the ordinance authorizing the Bonds (the “Ordinance”) and will approve the Official Statement, which will be an amended form of the Preliminary Official Statement. Sale of the Bonds will be made subject to the terms, conditions and provisions of the Ordinance to which ordinance reference is hereby made for all purposes. The City reserves the right to reject any and all bids and to waive any and all irregularities, except time of filing.

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

*See “CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMORTIZATION.” Preliminary, subject to change.

EXTENSION OF SALE DATE . . . The City reserves the right to extend the date and/or time for the receipt of bids by giving notice by Bond Buyer Wire Service, and by posting a notice at the place established for receipt of bids, not later than 3:00 PM, CDT on Monday, August 17, 2026, of the new date and time of receipt of bids. Such notice shall be considered an amendment to this Official Notice of Sale.

THE BONDS

DESCRIPTION . . . The Bonds will be dated September 17, 2026 (the “Dated Date”). Interest will accrue from the date of initial delivery of the Bonds and will be due on March 1, 2027, and each September 1 and March 1 thereafter until the earlier of maturity or prior redemption. The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity. The Bonds will mature on September 1 in each year as follows:

MATURITY SCHEDULE*

Maturity (September 1)	Principal Amount	Maturity (September 1)	Principal Amount
2027	\$ 460,000	2040	\$ 790,000
2028	440,000	2041	825,000
2029	460,000	2042	870,000
2030	485,000	2043	910,000
2031	510,000	2044	960,000
2032	535,000	2045	1,005,000
2033	560,000	2046	1,055,000
2034	590,000	2047	1,110,000
2035	615,000	2048	1,165,000
2036	650,000	2049	1,225,000
2037	680,000	2050	1,285,000
2038	715,000	2051	1,350,000
2039	750,000		

*See “CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMORTIZATION.” Preliminary, subject to change.

REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2036, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

TERM BONDS . . . Bidders may provide that all of the Bonds be issued as serial Bonds or may provide that any two or more consecutive annual principal amounts be combined into one or more term Bonds.

BOOK-ENTRY-ONLY SYSTEM . . . The City intends to utilize the book-entry-only system of The Depository Trust Company (“DTC”). See “BOOK-ENTRY-ONLY-SYSTEM” in the Official Statement.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar shall be BOKF, NA, Dallas, Texas (see “THE BONDS – PAYING AGENT/REGISTRAR” in the Official Statement).

SOURCE OF PAYMENT . . . The Bonds are special obligations of the City which are payable from and equally and ratably secured solely by a first and prior lien on and pledge of the Pledged Revenues (as defined in the Ordinance) derived from the operation of the City’s combined waterworks and sewer system (the “System”).

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

CONDITIONS OF THE SALE

TYPE OF BIDS AND INTEREST RATES . . . The Bonds will be sold in one block on an “All or None” basis, and at a price of not less than 102% of their par value and not more than 112% of their par value. Bidders are invited to name the rate(s) of interest to be borne by the Bonds, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/100 of 1% and the net effective interest rate

must not exceed 15%. The highest rate bid may not exceed the lowest rate bid by more than 3% in rate. The maximum coupon rate shall not exceed 5.00%. For Bonds having stated maturities on and after September 1, 2036, no reoffering yield producing a dollar price less than 97% for any individual maturity will be accepted. The high bidder will be required to submit reoffering yields and dollar prices prior to award. No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Bonds of one maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

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

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

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

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

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

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

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

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

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

(ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of

the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public),

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

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

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

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

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

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

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

- (i) submits a Certificate of Interested Parties Form 1295 (the “TEC Form 1295”) to the City as prescribed by the Texas Ethics Commission (“TEC”), or
- (ii) certifies in the Official Bid Form that it is exempt from filing the TEC Form 1295 by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

In the event that the bidder’s bid for the Bonds is the best bid received, the City, acting through its financial advisor, will promptly notify the winning bidder. That notification will serve as the City’s conditional verbal acceptance of the bid, and, unless the bidder is exempt from filing a TEC Form 1295, such notification will obligate the winning bidder to promptly file a completed TEC Form 1295, as described below, in order to allow the City to complete the award. The City reserves the right to reject any bid that does not comply with the requirements prescribed herein.

For purposes of completing the TEC Form 1295, box 2 is name of the governmental entity (*City of Universal City, Texas*) and box 3 is the identification number assigned to this contract by the City (*Universal City WW&SS 2026*) and description of the goods or services (*Purchase of the City of Universal City Waterworks and Sewer System Revenue Bonds, Series 2026*). **The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the “Disclosure Rules”) require certain business entities contracting with the City to complete the TEC Form 1295 electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, complete the unsworn declaration, sign, and deliver, in physical form, the certified TEC Form 1295 that is generated by the TEC’s “electronic portal” to the City. The completed and signed**

TEC Form 1295 must be sent by email, to the City's Financial Advisor at victor@spfmuni.com and bond counsel at nvaldez@jw.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the winning bidder must submit the TEC Form 1295 with original signatures by email to Bond Counsel as follows: nvaldez@jw.com.

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

COMPLIANCE WITH LAW PROHIBITING CONTRACTS WITH COMPANIES THAT BOYCOTT ISRAEL AND CERTAIN COMPANIES ENGAGED IN BUSINESS WITH IRAN, SUDAN OR FOREIGN TERRORIST ORGANIZATIONS . . .

To the extent the winning bid for the Bonds represents a contract for goods or services within the meaning of Section 2271.002 of the Texas Government Code, as amended, the Purchaser will be required to verify in the Official Bid Form, for purposes of Chapter 2271 of the Texas Government Code, as amended, that at the time of execution and delivery of its bid, neither the Purchaser nor any syndicate member listed on the Official Bid Form, nor any parent company, wholly - or majority-owned subsidiaries, and other affiliates of the same, if any, boycotts Israel or will boycott Israel through the date of delivery of the Bonds. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, as amended and to the extent such Section does not contravene applicable federal or State law. As used in the foregoing verification, "boycotts Israel" and "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Purchaser understands "affiliate" to mean an entity that (i) controls, is controlled by, or is under common control with the Purchaser or any syndicate member listed on the Official Bid Form and (ii) exists to make a profit.

Pursuant to Chapter 2252 of the Texas Government Code, as amended, the Purchaser will be required to verify that neither the Purchaser nor any syndicate member listed on the Official Bid Form, nor any parent company, wholly - or majority-owned subsidiaries, or other affiliates of the same are companies identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, as amended, and posted on the following page of such officer's Internet website: <https://comptroller.texas.gov/purchasing/docs/sudanlist.pdf>, <https://comptroller.texas.gov/purchasing/publications/divestment.php>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, as amended, and to the extent such Section does not contravene applicable federal or State law and excludes the Purchaser, any syndicate member listed on the Official Bid Form and each parent company, wholly - or majority-owned subsidiaries, and other affiliates, of the same, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Purchaser understands "affiliate" to mean an entity that (i) controls, is controlled by, or is under common control with the Purchaser or any syndicate member listed on the Official Bid Form and (ii) exists to make a profit.

NO BOYCOTTING OF ENERGY COMPANIES . . . To the extent the Official Bid Form constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislative Session, "SB13"), Texas Government Code, as amended, each bidder, through submittal of an executed Official Bid Form, represents and verifies that it and its parent company, wholly-or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, will not boycott energy companies during the term of the contract. The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. As used in the foregoing verification, "boycott energy companies" shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. By submitting a bid, each bidder acknowledges that it understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

NO DISCRIMINATION OF FIREARM ENTITIES OR FIREARM TRADE ASSOCIATIONS . . . To the extent the Official Bid Form constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislative Session, "SB 19"), Texas Government Code, as amended, each bidder, through submittal of an executed Official Bid Form, verifies that it and its parent company, wholly - or majority-owned subsidiaries, and other affiliates, if any,

- (1) do not have a practice, policy, guidance or directive that discriminates against a firearm entity or firearm trade association; and
- (2) will not discriminate during the term of the contract against a firearm entity or firearm trade association.

The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. As used in the foregoing verification, “discriminate against a firearm entity or firearm trade association” (A) means, with respect to the entity or association, to (i) refuse to engage in the trade of any goods or services with the entity or association based solely on its status as a firearm entity or firearm trade association; (ii) refrain from continuing an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; or (iii) terminate an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; and (B) does not include: (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories; and (ii) a company’s refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship: (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency; or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity’s or association’s status as a firearm entity or firearm trade association. By submitting a bid, each bidder acknowledges that it understands “affiliate” to mean an entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

FURTHER STATE LAW COMPLIANCE . . . In addition to the foregoing, the bidder hereby represents, by submission of a bid, neither it nor its parent company, subsidiaries or affiliates has an unresolved or pending inquiry from the Texas Comptroller or the Texas Attorney General related to its SB13 or SB18 compliance.

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

At the request of the City, the bidder agrees to execute further written certification as may be necessary or convenient for the City to establish compliance with these laws.

IMPACT OF BIDDING SYNDICATE ON AWARD . . . For the purposes of contracting for the sale of the Bonds, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

GOOD FAITH DEPOSIT . . . The winning bidder will be required to provide a deposit in the amount of \$400,000 to the City as bid security by 5:00 p.m. CDT on August 18, 2026. The bid security may be provided to the City (i) via wire transfer (the City or its financial advisor, Specialized Public Finance Inc., will provide wire instructions to the winning bidder), or (ii) in the form of a certified or cashier’s check made payable to the order of City in the amount of the deposit set forth above. The wire option will be retained by the City and: (a) will be applied, without allowance for interest, against the purchase price when the Bonds are delivered to and paid for by such winning bidder or (b) will be retained by the City as liquidated damages if the winning bidder defaults with respect to the terms of its bid or (c) will be returned to the winning bidder if the Bonds are not issued by the City for any reason which does not constitute a default by the winning bidder. If the check option is utilized, the check will be (a) returned uncashed to the winning bidder when the Bonds are delivered to and paid for by such winning bidder, (b) cashed by the City as liquidated damages if the winning bidder defaults with respect to the terms of its bid or (c) returned uncashed to the winning bidder if the Bonds are not issued by the City for any reason which does not constitute a default by the winning bidder.

DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS

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

DELIVERY OF BONDS . . . Delivery will be accomplished by the issuance of one Initial Bond (also called the “Bond” or “Bonds”), either in typed or printed form, in the aggregate principal amount of \$20,000,000*, payable in stated installments to the Purchaser, signed by the Mayor and City Clerk, approved by the Attorney General of Texas, and registered and manually signed by the Texas Comptroller of Public Accounts. Upon delivery of the Initial Bond, it shall be immediately cancelled and one definitive Bond for each maturity will be registered and delivered only to Cede & Co. and deposited with DTC in connection with DTC’s book-entry-only system. Delivery will be at the principal office of the Paying Agent/Registrar. Payment for the Bonds must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given six business days’ notice of the time fixed for delivery of the Bonds. It is anticipated that delivery of the Bonds can be made on or about September 17, 2026, and it is understood and agreed that the Purchaser will accept delivery and make payment for the Bonds by 10:00 AM, CDT, on September 17, 2026.

If for any reason the City is unable to make delivery on September 17, 2026, the City shall immediately contact the Purchaser and offer to allow the Purchaser to extend its offer for an additional thirty days. If the Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of any further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Bonds, provided such failure is due to circumstances beyond the City’s reasonable control.

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

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

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

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

GENERAL

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

*See “CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMORTIZATION.” Preliminary, subject to change.

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

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

ISSUANCE OF ADDITIONAL DEBT . . . The City does not anticipate issuing additional System debt within the next eight months.

RATINGS . . . The Bonds and the outstanding tax supported debt of the City have been rated "AA+" by S&P Global Ratings ("S&P") without regard to credit enhancement.

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

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

If, subsequent to the date of the Official Statement to and including the date the Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to Rule 15c2-12 of the federal Securities Exchange Act of 1934 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the City learns or is notified by the Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the City will promptly prepare and supply to the Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Purchaser, unless the Purchaser elects to terminate their respective obligation to purchase the Bonds as described in the notice of sale accompanying this Official Statement. The obligation of the City to update or change the Official Statement will terminate when the City delivers the Bonds to the Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Purchaser provides written notice the City that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Purchaser provides written notice to the City that less than all of the Bonds have been sold to ultimate customers, the Purchaser agree to notify the City in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

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

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

/s/ Tom Maxwell

Mayor

City of Universal City, Texas

ATTEST:

/s/ Maribel Garcia-Urbe

City Clerk

City of Universal City, Texas

August 7, 2026

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OFFICIAL BID FORM

Honorable Mayor and City Council
City of Universal City, Texas
2150 Universal City Boulevard
Universal City, Texas 78148

Members of the City Council:

Reference is made to your Preliminary Official Statement and Notice of Sale and Bidding Instructions, dated August 7, 2026, of \$20,000,000* CITY OF UNIVERSAL CITY, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2026, both of which constitute a part hereof.

For your legally issued Bonds, in the aggregate principal amount of \$20,000,000*, we will pay you a price of \$_____, representing approximately _____% of the par value. Such Bonds mature September 1, in each of the years and in the amounts and interest rates shown below:

Maturity (September 1)	Principal Amount*	Interest Rate	Maturity (September 1)	Principal Amount*	Interest Rate
2027	\$ 460,000	%	2040	\$ 790,000	%
2028	440,000	%	2041	825,000	%
2029	460,000	%	2042	870,000	%
2030	485,000	%	2043	910,000	%
2031	510,000	%	2044	960,000	%
2032	535,000	%	2045	1,005,000	%
2033	560,000	%	2046	1,055,000	%
2034	590,000	%	2047	1,110,000	%
2035	615,000	%	2048	1,165,000	%
2036	650,000	%	2049	1,225,000	%
2037	680,000	%	2050	1,285,000	%
2038	715,000	%	2051	1,350,000	%
2039	750,000	%			

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

Term Bonds Maturing September 1	Year of First Mandatory Redemption	Principal Amount	Interest Rate
		\$	%
		\$	%
		\$	%
		\$	%
		\$	%

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

TRUE INTEREST COST _____%

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

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

A wire transfer or a cashier or certified check to the City in the amount of \$400,000 will be made available in accordance with the Notice of Sale made a part hereof. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions set forth in the Notice of Sale, the proceeds of this deposit shall be retained by the City as complete liquidated damages against us. Please check the box below to designate your Good Faith Deposit option.

We agree to accept delivery of the Bonds utilizing the book-entry-only system through DTC and make payment for the Initial Bond in immediately available funds in the Corporate Trust Division, BOKF, NA, Dallas, Texas, not later than 10:00 AM, CDT, on September 17, 2026, or thereafter on the date the Bonds are tendered for delivery, pursuant to the terms set forth in the Notice of Sale and Bidding Instructions. It will be the obligation of the purchaser of the Bonds to complete the DTC Eligibility Questionnaire.

The undersigned hereby verifies that, at the time of execution and delivery of this bid, to the extent this Official Bid Form is a contract for goods or services, neither the bidder nor any syndicate member listed on this Official Bid Form, nor any parent company, wholly - or majority-owned subsidiaries, and other affiliates of the same, if any, boycotts Israel or will boycott Israel through the date of delivery of the Bonds. The foregoing verification is made solely to comply with Section 2270.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, "boycotts Israel" and "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes.

By submission of this bid, and as a condition of the award and delivery of the Bonds, the undersigned hereby represents that, neither the bidder nor any syndicate member listed on this Official Bid Form, nor any parent company, wholly - or majority-owned subsidiaries, and other affiliates of the same, if any, are companies identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudanlist.pdf>, <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/ftolist.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the bidder, any syndicate member listed on this Official Bid Form and each parent company, wholly - or majority-owned subsidiaries, and other affiliates of the same, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

To the extent this Official Bid Form constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislative Session, "SB13"), Texas Government Code, as amended, the undersigned represents and verifies that it and its parent company, wholly - or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, will not boycott energy companies during the term of the contract. The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. As used in the foregoing verification, "boycott energy companies" shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above.

To the extent the Official Bid Form constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislative Session, "SB 19"), Texas Government Code, as amended, the undersigned verifies that it and its parent company, wholly - or majority-owned subsidiaries, and other affiliates, if any,

- (1) do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association; and
- (2) will not discriminate during the term of the contract against a firearm entity or firearm trade association.

The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" (A) means, with respect to the entity or association, to (i) refuse to engage in the trade of any goods or services with the entity or association based solely on its status as a firearm entity or firearm trade association; (ii) refrain from continuing an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; or (iii) terminate an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; and (B) does not include: (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories; and (ii) a company's refusal to engage in the trade of any goods or services, decision to refrain from continuing an

existing business relationship, or decision to terminate an existing business relationship: (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency; or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity's or association's status as a firearm entity or firearm trade association. The undersigned bidder understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

In addition to the foregoing, the bidder hereby represents, by submission of a bid, that neither it nor its parent company, subsidiaries or affiliates has an unresolved or pending inquiry from the Texas Comptroller or the Texas Attorney General related to its SB13 or SB19 Compliance.

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

At the request of the City, the undersigned agrees to execute further written certification as may be necessary or convenient for the City to establish compliance with these laws.

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

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

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

Respectfully submitted,

Name of Purchaser or Manager

Authorized Representative

Phone Number

Signature

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by City of Universal City, Texas, this the 18th day of August, 2026.

ATTEST:

City Clerk
City of Universal City, Texas

Mayor
City of Universal City, Texas

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ISSUE PRICE CERTIFICATE

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

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Waterworks and Sewer System Revenue Bonds, Series 2026 issued by the City of Universal City, Texas ("Issuer") in the principal amount of \$20,000,000* ("Bonds"), hereby certifies and represents, based on its records and information, as follows:

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

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

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

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

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

EXECUTED and DELIVERED as of this _____, 2026.

[NAME OF PURCHASER], as Purchaser

By: _____

Name: _____

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

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)

ISSUE PRICE CERTIFICATE

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

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Waterworks and Sewer System Revenue Bonds, Series 2026 issued by the City of Universal City, Texas ("Issuer") in the principal amount of \$20,000,000* ("Bonds"), hereby certifies and represents, based on its records and information, as follows:

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

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

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

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

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

EXECUTED and DELIVERED as of this _____, 2026.

[NAME OF PURCHASER], as Purchaser

By: _____

Name: _____

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

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)

PRELIMINARY OFFICIAL STATEMENT

Dated August 7, 2026

NEW ISSUE – Book-Entry-Only

Rating: S&P: “AA+”
(See “OTHER INFORMATION – RATING” herein)

In the opinion of Jackson Walker LLP, Bond Counsel to the City, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (as defined below) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.



\$20,000,000*
CITY OF UNIVERSAL CITY, TEXAS
(A political subdivision of the State of Texas located within Bexar County)
WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2026

Dated Date: September 17, 2026

Due: September 1, as shown on the inside cover page

Interest to accrue from the Date of Initial Delivery (defined below)

AUTHORITY FOR ISSUANCE . . . The \$20,000,000* City of Universal City, Texas Waterworks and Sewer System Revenue Bonds, Series 2026 (the “Bonds”) are issued pursuant to the laws of the State of Texas, including Chapter 1502, as amended, Texas Government Code, an ordinance (the “Ordinance”) to be adopted by the City Council of the City of Universal City, Texas (the “City” or the “Issuer”) on August 18, 2026 and the City’s Home Rule Charter (see “THE BONDS – AUTHORITY FOR ISSUANCE”).

The Bonds are special obligations of the City which, together with the City’s outstanding Waterworks and Sewer System Revenue Bonds, Series 2020, Waterworks and Sewer System Revenue Bonds, Series 2022, and any Additional Parity Obligations (as defined herein) hereafter issued (collectively, the “Parity Obligations”), are payable from and equally and ratably secured solely by a first and prior lien on and pledge of the Pledged Revenues (as defined in the Ordinance) derived from the operation of the City’s combined waterworks and sewer system (the “System”). In the Ordinance, the City has reserved the right to issue Additional Parity Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Ordinance does not create a lien or mortgage on the System, except for the first and prior lien on the Pledged Revenues, and any judgment against the City may not be enforced by levy and execution against any property owned by the City. The City has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation (see “THE BONDS – SECURITY AND SOURCE OF PAYMENT”).

PAYMENT TERMS . . . Interest on the Bonds will accrue from the Date of Initial Delivery (defined below) until prior redemption or stated maturity, will be payable on March 1 and September 1 of each year commencing March 1, 2027, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “BOOK-ENTRY-ONLY SYSTEM”). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see “THE BONDS – PAYING AGENT/REGISTRAR”).

PURPOSE . . . Proceeds from the sale of the Bonds will be used to pay (i) costs relating to acquiring, constructing, improving, equipping and extending the System, and (ii) costs of issuance of the Bonds (see “THE BONDS – PURPOSE”).

CUSIP PREFIX: 913412
MATURITY SCHEDULE
See Inside Cover Page

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchaser thereof (the “Purchaser”) and subject to the approving opinion of the Attorney General of Texas and the opinion of Jackson Walker LLP, Bond Counsel, San Antonio, Texas (see “APPENDIX C – FORM OF BOND COUNSEL’S OPINION”).

DELIVERY . . . It is expected that the Bonds will be available for initial delivery through DTC on September 17, 2026 (the “Date of Initial Delivery”).

BIDS DUE ON TUESDAY, AUGUST 18, 2026, BY 11:00 AM, CDT

*Preliminary, subject to change.

\$20,000,000*
CITY OF UNIVERSAL CITY, TEXAS
(A political subdivision of the State of Texas located within Bexar County)
WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2026

CUSIP Prefix: 913412⁽¹⁾

MATURITY SCHEDULE*

Maturity (September 1)	Amount	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
2027	\$ 460,000			
2028	440,000			
2029	460,000			
2030	485,000			
2031	510,000			
2032	535,000			
2033	560,000			
2034	590,000			
2035	615,000			
2036	650,000			
2037	680,000			
2038	715,000			
2039	750,000			
2040	790,000			
2041	825,000			
2042	870,000			
2043	910,000			
2044	960,000			
2045	1,005,000			
2046	1,055,000			
2047	1,110,000			
2048	1,165,000			
2049	1,225,000			
2050	1,285,000			
2051	1,350,000			

(Interest Accrues from the Date of Initial Delivery)

*Preliminary, subject to change.

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REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2036, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – OPTIONAL REDEMPTION”). Additionally, certain of the Bonds may be subject to mandatory sinking fund redemption in the event the Purchaser elects to aggregate two or more consecutive maturities as term Bonds.

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Years Served	Term Expires	Occupation
Mr. Tom Maxwell Mayor	14 Years	May 2028	Retired
Ms. Christina Fitzpatrick Mayor Pro Tem	3 Years	May 2027	Project Manager
Mr. Bear Goolsby Councilmember	11 Years	May 2027	Business Owner
Mr. William Shelby Councilmember	9 Years	May 2027	IT Professional
Mr. Mark Dunlop Councilmember	<1 Year	May 2028	Retired
Mr. Andy Garza III Councilmember	<1 Year	May 2028	Business Owner
Mr. Lori Putt Councilmember	2 Years	May 2028	Retired

APPOINTED OFFICIALS

Name	Position	Years of Service with the City
Ms. Kim Turner	City Manager	27
Ms. Christine Green	Finance Director	3
Ms. Maribel Garcia-Urbe, TRMC	City Clerk	3

CONSULTANTS AND ADVISORS

Auditors.....ABIP, PC
San Antonio, Texas

Bond Counsel Jackson Walker LLP
San Antonio, Texas

Financial AdvisorSpecialized Public Finance Inc.
San Antonio, Texas

For additional information regarding the City, please contact:

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City Manager
City of Universal City
2150 Universal City Blvd.
Universal City, Texas 78148
Phone: (210) 659-0333
Facsimile: (210) 659-7062
citymanager@uctx.gov

or

Mr. Victor Quiroga, Jr.
Managing Director
Specialized Public Finance Inc.
17721 Rogers Ranch Parkway, Suite 140
San Antonio, Texas 78258
Phone: (210) 239-0204
Facsimile: (210) 239-0126
victor@spfmuni.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

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

The agreements of the City and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement, nor any other statement made in connection with the offer or sale of the Bonds, is to be construed as constituting an agreement with the purchaser of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

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

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION WAS PROVIDED BY DTC.

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

PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

THE CITY	The City of Universal City, Texas (the “City” or “Issuer”), is a political subdivision located in Bexar County and is a suburb adjacent to the northeast portion of the City of San Antonio. The area is an economic center for the Northeast San Antonio Metropolitan area that includes Joint Base San Antonio-Randolph (“JB-SA-R”). The City was incorporated in December 1963 and is a home rule municipality operating under its own Home Rule Charter since April 1972. The City’s Home Rule Charter was last amended on May 5, 1989. The Charter provides that the City will operate under the Council/Manager form of government pursuant to the laws of the State of Texas. The City Manager, appointed by the six-member elected City Council, is the chief administrative officer of the City. The Charter provides for the governing and law-making body to be a City Council composed of a Mayor and six Councilmembers. The Councilmembers and Mayor are elected at large. The Mayor is chief executive officer of the City and only votes when there is a tie on motions before the Council but does not have veto power. The City Manager is appointed by the City Council as the chief administrative officer of the City. The City is approximately 5.65 square miles in area and the estimated 2026 population is 20,399 (see “INTRODUCTION – DESCRIPTION OF THE CITY”).
THE BONDS	The Bonds are issued as \$20,000,000* City of Universal City, Texas Waterworks and Sewer System Revenue Bonds, Series 2026. The Bonds are issued as serial Bonds maturing on September 1 in the years 2027 through 2051, unless the Purchaser elects to aggregate two or more consecutive maturities as Term Bonds.
PAYMENT OF INTEREST	Interest on the Bonds accrues from the Date of Initial Delivery as defined on the cover page hereof and is payable on March 1, 2027, and each September 1 and March 1 thereafter until stated maturity or prior redemption (see “THE BONDS – DESCRIPTION OF THE BONDS” and “THE BONDS – OPTIONAL REDEMPTION”).
AUTHORITY FOR ISSUANCE	The Bonds are issued pursuant to the laws of the State of Texas, including Chapter 1502, as amended, Texas Government Code, the City’s Home Rule Charter, and an ordinance (the “Ordinance”) to be adopted by the City Council of the City on August 18, 2026 (see “THE BONDS – AUTHORITY FOR ISSUANCE”).
SECURITY	The Bonds are special obligations of the City which, together with the City’s outstanding Parity Obligations, are payable from and equally and ratably secured solely by a first and prior lien on and pledge of the Pledged Revenues (as defined in the Ordinance) derived from the operation of the City’s combined waterworks and sewer system (the “System”). In the Ordinance, the City has reserved the right to issue Additional Parity Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Ordinance does not create a lien or mortgage on the System, except for the first and prior lien on the Pledged Revenues, and any judgment against the City may not be enforced by levy and execution against any property owned by the City. The City has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation (see “THE BONDS – SECURITY AND SOURCE OF PAYMENT”).

*Preliminary, subject to change.

OPTIONAL REDEMPTION	The City reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2036, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – OPTIONAL REDEMPTION”). Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Purchaser elects to aggregate two or more consecutive maturities as term Bonds.
TAX EXEMPTION	In the opinion of Jackson Walker LLP, Bond Counsel to the City, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (as defined below) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used to pay (i) costs relating to acquiring, constructing, improving, equipping and extending the System, and (ii) costs of issuance of the Bonds (see “THE BONDS – PURPOSE”).
RATING	The Bonds and the outstanding utility system revenue bonds of the City have been rated “AA+” by S&P Global Ratings (“S&P”) without regard to credit enhancement (see “OTHER INFORMATION – RATING”).
BOOK-ENTRY-ONLY SYSTEM.....	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “BOOK-ENTRY-ONLY SYSTEM”).
PAYMENT RECORD	The City has never defaulted in the payment of any indebtedness.

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PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$20,000,000*
CITY OF UNIVERSAL CITY, TEXAS
WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2026

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$20,000,000* City of Universal City, Texas Waterworks and Sewer System Revenue Bonds, Series 2026 (the “Bonds”). The Bonds are being issued by the City of Universal City, Texas (the “City” or “Issuer”) pursuant to an ordinance to be adopted by the City Council (the “Ordinance”) on August 18, 2026. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, except as otherwise indicated herein.

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

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

CONCURRENT ISSUANCES . . . Concurrently with the Bonds, the City is issuing its General Obligation Bonds, Series 2026 (the “GO Bonds”). This Official Statement describes only the Bonds. Investors interested in the GO Bonds should review the offering document related thereto.

DESCRIPTION OF THE CITY . . . The City is a political subdivision located in Bexar County is a suburb adjacent to the northeast portion of the City of San Antonio. The area is an economic center for the Northeast San Antonio Metropolitan area that includes Joint Base San Antonio-Randolph. The City was incorporated in December, 1963 and is a home rule municipality operating under its own Home Rule Charter since April, 1972. The City’s Home Rule Charter was last amended on May 5, 1989. The Charter provides that the City will operate under the Council/Manager form of government pursuant to the laws of the State of Texas. The City Manager, appointed by the six member elected City Council, is the chief administrative officer of the City. The Charter provides for the governing and law-making body to be a City Council composed of a Mayor and six Councilmembers. Councilmembers and the Mayor are elected at large. The Mayor is chief executive officer of the City and only votes when there is a tie on motions before the Council, but does not have veto power. The City Manager is appointed by the City Council as the chief administrative officer of the City. The City is approximately 5.65 square miles in area and the estimated 2026 population is 20,399. For more information regarding the City, see “APPENDIX B – GENERAL INFORMATION REGARDING THE CITY.”

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated September 17, 2026 and mature on September 1 in each of the years and in the amounts shown on page 2. Interest will accrue from the Date of Initial Delivery as defined on the cover page hereof, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1 and September 1 of each year until maturity or prior redemption, commencing March 1, 2027. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to the book-entry-only system described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the laws of the State of Texas, including Chapter 1502, as amended, Texas Government Code, the City’s Home Rule Charter, and the Ordinance adopted by the City Council of the City.

*Preliminary, subject to change.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds, together with the Outstanding Previously Issued Bonds (which includes the City's outstanding Waterworks and Sewer System Revenue Refunding Bonds, Series 2020, and Waterworks and Sewer System Revenue Bonds, Series 2022) and any Additional Parity Obligations (collectively referred to in the Ordinance as "Parity Obligations") hereafter issued, are secured by and payable from a first and prior lien on and pledge of the Pledged Revenues (which are defined, generally, as all Gross Revenues, less Operation and Maintenance Expenses, plus any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter may be pledged to the payment of the Parity Obligations), and the Pledged Revenues are further pledged to the establishment and maintenance of the Funds created by the Ordinance, and any funds created by any ordinance authorizing the issuance of any other Parity Obligations now or hereafter outstanding. The Bonds are not and will not be secured by or payable from a mortgage or deed of trust on any real, personal, or mixed properties constituting the System. The Bonds are not a charge upon any other income or revenues of the City (except the Pledged Revenues) and shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City. The Ordinance does not create a lien on or mortgage on the System and any judgment against the City may not be enforced by levy and execution against any property owned by the City, except Pledged Revenues. The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation. See "APPENDIX C – EXCERPTS FROM THE BOND ORDINANCE."

RATE COVENANT . . . The City has covenanted in the Ordinance that it will at all times fix, revise, maintain, charge and collect for services rendered by the System rates and charges which will produce Gross Revenues at least sufficient (A) to pay all current Operation and Maintenance Expenses, (B) to produce Net Revenues at least equal to 125% of the Annual Debt Service Requirements of all then Outstanding Parity Obligations for the current Fiscal Year, (C) to make all deposits now or hereafter required to be made into the Funds created, established, or maintained by the Ordinance, and (D) to pay all other obligations of the System reasonably anticipated to be paid from Gross Revenues during the current Fiscal Year. In addition, the City has further covenanted in the Ordinance that if the System should become legally liable for any other obligations or indebtedness, the City will fix, maintain, charge and collect additional rates and charges for services rendered by the System sufficient to establish and maintain funds for the payment thereof.

REVENUE FUND; PAYMENT OF OPERATION AND MAINTENANCE EXPENSES . . . The Ordinance establishes the Revenue Fund into which all Gross Revenues of the System are required to be deposited. The funds on deposit in the Revenue Fund will first be used by the City to pay all Operation and Maintenance Expenses. The remaining funds on deposit therein are required to be transferred from the Revenue and into the Interest and Sinking Fund and the Reserve Fund hereinafter described and as further described in APPENDIX A of this Official Statement.

INTEREST AND SINKING FUND... The Ordinance establishes and maintains the Interest and Sinking Fund for the purpose of paying the principal of and interest on the Parity Obligations (including the Bonds). The City is obligated to make approximately equal monthly deposits into the Interest and Sinking Fund to pay the Annual Debt Service Requirements on the Parity Obligations.

RESERVE FUND . . . The Ordinance establishes and maintains the Reserve Fund for the purpose of paying the principal of or interest on the Parity Obligations at any time when there is not sufficient money available in the Interest and Sinking Fund for such purpose, or to pay the principal of or interest on the last maturing Parity Obligations. The Ordinance requires the City to maintain in the Reserve Fund an amount equal to at least the average annual principal and interest requirements on the Bonds (defined in the Ordinance as the "Reserve Fund Requirement"), which amount may be satisfied with cash and investments, a "Reserve Fund Credit Facility" (as defined in the Ordinance and defined in APPENDIX A attached to this Official Statement), or a combination thereof.

Upon the issuance of Additional Parity Obligations, the amount on deposit in the Reserve Fund is required to be increased, if necessary, to the new Reserve Fund Requirement after giving effect to the issuance of such Additional Parity Obligations. Any additional amount required to bring the amount on deposit in the Reserve Fund to the new Reserve Fund Requirement will be so accumulated by the deposit in the Reserve Fund of any required additional amount in not more than 60 approximately equal monthly installments, or by providing for a Reserve Fund Credit Facility for all or a portion of such additional amount, or a combination thereof.

CITY'S RIGHT TO ISSUE ADDITIONAL PARITY OBLIGATIONS . . . In the Ordinance, the City has reserved the right to issue additional parity revenue obligations ("Additional Parity Obligations") for any lawful purpose, including but not limited to acquiring and constructing extensions and improvements to, and acquiring equipment for, the System. Such Additional Parity Obligations will be secured by and made payable equally and ratably on a parity with the then Outstanding Parity Obligations (including the Bonds), from a first lien on and pledge of the Pledged Revenues. The Ordinance requires the following conditions must be satisfied prior to the issuance of any Additional Parity Obligations:

- (1) *No Default/Compliance with Covenants.* The Designated Financial Officer must execute a certificate stating (a) that, to the best of his or her knowledge and belief, the City is not then in default as to any covenant, obligation or agreement contained in any ordinance or other proceeding relating to any obligations of the City payable in whole

or in part from, and secured by a lien on and pledge of, the Pledged Revenues that would materially affect the security or payment of the Parity Obligations, and (b) either (i) payments into all Funds or Accounts created and established for the payment and security of all Outstanding Parity Obligations have been made and that the amounts on deposit in such Funds or Accounts are the amounts then required to be on deposit therein or (ii) the application of the proceeds of sale of such Parity Obligations then being issued will cure any such deficiency; and

- (2) *Historical Net Revenue Test.* The Designated Financial Officer must execute a certificate to the effect that, according to the books and records of the City, the Net Revenues for the preceding Fiscal Year or for a 12 consecutive month period out of the 18 consecutive months immediately preceding the month the ordinance authorizing the issuance of the Parity Obligations is adopted are equal to at least 1.25 times the average Annual Debt Service Requirements for the proposed additional Parity Obligations and all Parity Obligations then Outstanding. In making a determination of Net Revenues for the purpose described in the preceding sentence, the Designated Financial Officer may take into consideration a change in the rates and charges for services and facilities provided by the System that became effective at least 30 days prior to the last day of the period for which Net Revenues are determined and, for purposes of satisfying the Net Revenues test described in the preceding sentence, make a pro forma determination of the Net Revenues of the System for the period of time covered by the Designated Financial Officer's certification based on such change in rates and charges being in effect for the entire period covered by the Designated Financial Officer's certificate.

NON-RECOURSE DEBT AND SUBORDINATE LIEN OBLIGATIONS . . . In the Ordinance, the City has reserved the right to issue Non-Recourse Debt and Subordinate Obligations without limitation upon passage of an ordinance by the City Council of the City for the purpose of approving the issuance of Non-Recourse Debt or Subordinate Obligations, as the case may be, and approval of such Non-Recourse Debt or Subordinate Obligations by the Attorney General of Texas, to the extent required by law.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2036, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities to be redeemed. Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Purchaser elects to aggregate two or more consecutive maturities as term Bonds.

If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in book-entry-only form) shall determine by lot or other customary random method the Bonds or portions thereof, within such maturity to be redeemed. If any Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to an optional redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. The notice with respect to an optional redemption of Bonds may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar no later than the redemption date, or (2) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of an authorized representative to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and optional redemption will be of no effect if such moneys are not so deposited or if the notice is so rescinded. 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 BONDS 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 PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Bonds will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bond called for redemption or any other action premised or any such notice.

Redemption of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bond held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bond from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

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

DEFEASANCE . . . General. The Ordinance provides for the defeasance of the Bonds when payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable state law), in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and (d) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Bonds. City Officials may restrict such eligible securities as deemed appropriate in connection with the issuance of the Bonds. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

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

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

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner

of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer.

Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See “BOOK-ENTRY-ONLY SYSTEM” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT . . . The record date (“Record Date”) for determining the party to whom interest on a Bond is payable on any interest payment date means the fifteenth (15th) day of the month next preceding each interest payment date. 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 will be established by the Paying Agent/Registrar.

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

BONDHOLDERS’ REMEDIES If the City defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the bondholders may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so it rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the bondholders. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) (“Tooke”), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas Legislature has effectively waived the City’s sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the City for breach of the Bonds or the Ordinance. Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the “Proprietary- Governmental Dichotomy”). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State’s sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of the municipality.

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“Wasson”), the Texas Supreme Court (the “Court”) addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary- Governmental Dichotomy to determine that “a city’s proprietary functions are not done pursuant to the ‘will of the people’ and protecting such municipalities “via the [S]tate’s immunity is not an efficient way to ensure efficient allocation of [S]tate resources.” While the Court recognized that the distinction between governmental and proprietary functions is not clear, the

Wasson opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed Wasson for a second time and issued an opinion on October 5, 2018, clarifying that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of inception of the contractual relationship.

Notwithstanding the foregoing, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality. 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 bondholders cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without bankruptcy court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9.

Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce bondholders' rights 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 Bonds are qualified with respect to the customary rights of debtors relative to their creditors and as to general principles of equity that permit the exercise of judicial discretion.

AMENDMENTS TO THE ORDINANCE . . . In the Ordinance, the City has reserved the right to amend the Ordinance with notice to the provisions each Reserve Fund Credit Facility, but without the consent of any owners for the purpose of amending or supplementing such Ordinance as may be required (i) by the provisions of the Ordinance, (ii) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission, or (iii) in connection with any other change which is not to the prejudice of the Registered Owners, and with respect to which the City receives written confirmation from each rating agency then maintaining a rating on the Parity Obligations at the request of the City that such amendment would not cause such rating agency to withdraw or reduce its then current rating on the Parity Obligations.

The Ordinance further provides that the City may, with the written consent of the provider of each Reserve Fund Credit Facility, if any, and the registered owners of at least a majority in aggregate principal amount of the Parity Obligations then Outstanding affected thereby, amend, change, modify, or rescind any provisions of the Ordinance; provided that without the consent of all of the registered owners affected, no such amendment, change, modification, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Parity Obligations, reduce the principal amount thereof or the rate of interest thereof, (ii) give any preference to any Parity Obligation over any other Parity Obligation, (iii) extend any waiver of default to subsequent defaults, or (iv) reduce the aggregate principal amount of Parity Obligations required for consent to any such amendment, change, modification, or rescission. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

PURPOSE . . . Proceeds from the sale of the Bonds will be used to pay (i) costs relating to acquiring, constructing, improving, equipping and extending the System, and (ii) costs of issuance of the Bonds.

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

SOURCES OF FUNDS:

Par Amount
Bid Premium
Total Sources of Funds

USES OF FUNDS:

Construction Fund Deposit
Purchaser's Discount
Cost of Issuance
Debt Service Fund Deposit
Total Uses of Funds

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City nor the Purchaser take any responsibility for the accuracy thereof.

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

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the City, the Financial Advisor, nor the Purchaser.

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INVESTMENTS

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY . . . Under Texas law, the City is authorized to invest in (1) obligations, 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 of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation 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 the National Credit Union Share Insurance Fund or their respective successors; (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 governing body or designated investment committee of the City adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this state that the City selects; (B) the broker or depository institution as described in clause (8)(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 investing 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 Paragraph (A); (ii) an entity described by Section 2257.041(d) of the Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit or share certificates (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA") that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund (or their respective successors), or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for City deposits or; (ii) where the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (iii) 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; (iv) 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 (v) the City appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations permitted by the PFIA, and 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 (as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003) 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; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (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 complies with SEC Rule 2a-7; and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years

and either (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and an investment portfolio 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 in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below. The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than “AAA” or “AAAm” or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

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

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

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

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and record in such rule, order, ordinance or resolution any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City, (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City’s investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the entity’s entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement attesting to these requirements, (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City’s investment policy, (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (7) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the City’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, (9) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and

the investment officer and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

Current Investments (Unaudited)

TABLE 1

As of June 30, 2026, the City's investable funds were invested in the following categories:

<u>Type of Investment</u>	<u>Amount</u>
TexPool Unrestricted Accounts	<u>\$11,373,518</u>
Total	\$11,373,518

As of such date, the market value of such investments (as determined by the City by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

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TAX MATTERS

In the opinion of Jackson Walker LLP, Bond Counsel to the City, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. The proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount" the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of Bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of or the tax status of interest on the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the following agreement for the benefit of the registered and beneficial owners of the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”). This information will be publicly available on the MSRB’s Electronic Municipal Market Access System at www.emma.msrb.org.

ANNUAL REPORTS . . . The City will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the Table 1 and in APPENDIX A under Tables numbered 1 through 7 and in APPENDIX E. The City will provide this information within twelve months after the end of each fiscal year ending in or after 2026. If audited financial statements are not available when the other information is provided, the City will provide audited financial statements when and if they become available and will provide unaudited financial statements within twelve months after fiscal year end, unless audited financial statements are sooner provided. Financial statements will be prepared in accordance with the accounting principles described in APPENDIX E or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation. The City may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission (the “SEC”).

The City’s current fiscal year end is September 30. Accordingly, it must provide updated financial statements by September 30 in each succeeding year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

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

For these purposes, (a) any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under the 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 (b) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

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

pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

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

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

NOTICE OF FAILURE TO TIMELY FILE. . . The City also will notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with the provisions described above.

COMPLIANCE WITH PRIOR AGREEMENTS . . . During the past five years the City has complied in all material respects with its continuing disclosure agreements entered into pursuant to the Rule.

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LEGAL MATTERS

LEGAL OPINION . . . Except as hereinafter noted, Bond Counsel has not verified and has not passed upon, and assumes no responsibility for the accuracy, completeness or fairness of the information and statements contained in the Official Statement. In the performance of its duties, Bond Counsel has reviewed the information relating to the Bonds and the Ordinance contained under the captions: “THE BONDS” (exclusive of subcaption “– BONDHOLDERS’ REMEDIES”), “TAX MATTERS,” “LEGAL MATTERS,” “CONTINUING DISCLOSURE OF INFORMATION” (exclusive of the subcaption “– COMPLIANCE WITH PRIOR AGREEMENTS”), “OTHER INFORMATION – REGISTRATION AND QUALIFICATION OF BONDS FOR SALE,” “OTHER INFORMATION – LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS,” “APPENDIX D – FORM OF BOND COUNSEL’S OPINION” contained in the Official Statement and Bond Counsel is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the City.

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

OTHER INFORMATION

RATING . . . The Bonds and the outstanding System revenue bonds of the City have been rated “AA+” by S&P Global Ratings (“S&P”) without regard to credit enhancement. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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

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

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

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Specialized Public Finance Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any

of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

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

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

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

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

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

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

CONCLUDING STATEMENT

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

By adoption of the Ordinance, this Official Statement will be approved by the City Council of the City for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

Mayor
City of Universal City, Texas

ATTEST:

City Clerk
City of Universal City, Texas

APPENDIX A

FINANCIAL INFORMATION OF THE CITY

FINANCIAL INFORMATION OF THE SYSTEM:

REVENUE BOND DEBT DATA

Waterworks & Sewer System Revenue Refunding Bonds, Series 2020	\$ 990,000
Waterworks & Sewer System Revenue Refunding Bonds, Series 2022	3,995,000
The Bonds ⁽¹⁾	20,000,000
Total Utility System Revenue Bonds	\$ 24,985,000

(1) Preliminary, subject to change.

REVENUE DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Current Outstanding Debt Service	The Bonds ⁽¹⁾			Combined Debt Service
		Principal	Interest	Principal & Interest	
2026	\$ 509,047				\$ 509,047
2027	504,295	\$ 460,000	\$ 955,556	\$ 1,415,556	1,919,850
2028	509,293	440,000	977,000	1,417,000	1,926,293
2029	508,736	460,000	955,000	1,415,000	1,923,736
2030	507,679	485,000	932,000	1,417,000	1,924,679
2031	506,318	510,000	907,750	1,417,750	1,924,068
2032	334,456	535,000	882,250	1,417,250	1,751,706
2033	333,956	560,000	855,500	1,415,500	1,749,456
2034	337,956	590,000	827,500	1,417,500	1,755,456
2035	338,556	615,000	798,000	1,413,000	1,751,556
2036	338,756	650,000	767,250	1,417,250	1,756,006
2037	338,556	680,000	734,750	1,414,750	1,753,306
2038	337,625	715,000	700,750	1,415,750	1,753,375
2039	336,281	750,000	665,000	1,415,000	1,751,281
2040	334,525	790,000	627,500	1,417,500	1,752,025
2041	336,988	825,000	588,000	1,413,000	1,749,988
2042	338,813	870,000	546,750	1,416,750	1,755,563
2043	-	910,000	503,250	1,413,250	1,413,250
2044	-	960,000	457,750	1,417,750	1,417,750
2045	-	1,005,000	409,750	1,414,750	1,414,750
2046	-	1,055,000	359,500	1,414,500	1,414,500
2047	-	1,110,000	306,750	1,416,750	1,416,750
2048	-	1,165,000	251,250	1,416,250	1,416,250
2049	-	1,225,000	193,000	1,418,000	1,418,000
2050	-	1,285,000	131,750	1,416,750	1,416,750
2051	-	1,350,000	67,500	1,417,500	1,417,500
	\$ 6,751,836	\$ 20,000,000	\$ 15,401,056	\$ 35,401,056	\$ 42,152,892

(1) Interest calculated at an assumed rate for the purpose of illustration. Preliminary, subject to change.

	Coverage Factor		
	9/30/2025	9/30/2024	9/30/2023
Average Annual Debt Service Requirement:			
Pledged Revenue available for debt service for fiscal year ended	\$ 3,952,128	\$ 4,005,958	\$ 4,618,942
Average annual debt service for all Revenue Bonds	1,621,265	423,274	447,023
Coverage Factor (x)	2.44x	9.46x	10.33x
Maximum Annual Debt Service Requirement:			
Pledged Revenue available for debt service for fiscal year ended	\$ 3,952,128	\$ 4,005,958	\$ 4,618,942
Maximum annual debt service for all Revenue Bonds	1,926,293	867,099	874,501
Coverage Factor (x)	2.05x	4.62x	5.28x

WATERWORKS AND SEWER SYSTEM PLANT IN OPERATION

TABLE 1

Land	\$ 2,139,584
Buildings and Improvements	2,253,028
Utility Plant and Easements	35,869,021
Transportation and Equipment	4,064,503
Water Rights	9,916,565
Construction in Progress	-
Total	\$ 54,242,701
Less: Accumulated Depreciation	(17,392,089)
Total Property, Plant & Equipment	\$ 36,850,612

Note: The above information was taken from the ksuer's 2025 Annual Financial Report.

WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT

TABLE 2

The following condensed statements have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, garbage, bad debt, debt service payments and expenditures identified as capital.

	Fiscal Year Ended				
	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021
Revenues:					
Sales	\$ 10,691,045	\$ 10,353,878	\$ 10,850,691	\$ 9,808,048	\$ 9,101,730
Connections (Fees and Service Charges)	792,480	768,536	714,162	758,740	632,274
Interest and Investment Income	734,034	1,092,754	838,968	128,276	13,842
Other (Miscellaneous Income)	119,542	46,374	279,761	19,681	36,756
Total	\$ 12,337,101	\$ 12,261,542	\$ 12,683,582	\$ 10,714,745	\$ 9,784,602
Expenses:					
SARA/CCMA (Contract Services - Sewer)	\$ 3,203,420	\$ 3,020,351	\$ 2,831,039	\$ 2,899,808	\$ 2,189,945
Other (Total Operating Expenses)	4,900,649.00	4,922,747.00	4,764,317.00	3,696,455.00	3,794,913.00
Total	\$ 8,104,069	\$ 7,943,098	\$ 7,595,356	\$ 6,596,263	\$ 5,984,858
Non Operating Revenues (Expenses):					
Bond Interest and Fees	\$ (280,904)	\$ (312,486)	\$ (469,284)	\$ (194,297)	\$ (1,255,214)
Total	\$ (280,904)	\$ (312,486)	\$ (469,284)	\$ (194,297)	\$ (1,255,214)
Net Available for Debt Service	\$ 3,952,128	\$ 4,005,958	\$ 4,618,942	\$ 3,924,185	\$ 2,544,530
Existing Debt Service	\$ 509,047	\$ 867,099	\$ 874,501	\$ 873,550	\$ 852,576
Connections:					
Water	6,687	6,625	6,546	6,595	5,400
Sewer	6,506	6,190	6,186	6,151	6,086

Source: The ksuer's Annual Financial Reports dated September 30, 2021-2025 and information provided by the ksuer.

WATER SUPPLY**TABLE 3****Water System**

The City currently has seven water wells in operation with two 1,000,000 gallon, four 500,000 gallon, and one 213,000 gallon storage tanks for a total storage capacity of 4,213,000 gallons, of these, two are elevated, one standpipe, and four ground storage. The City has an interconnect with the City of Selma which can supply either city in case of a water shortage.

Edwards Aquifer Authority Limits: The City has been allocated 4,157.925 acre-feet authorized

Supplementary Water Supply: Carrizo-Wilcox Aquifer Purchased Water Rights 800 acre-feet

Leased Water Rights: None

Source: Information provided by the Issuer.

WATER RATES (Effective October 1, 2024)**TABLE 4**

Fixed Pass-Through Edwards Aquifer Authority Management Fee (per month) for All Customers			
<u>Meter Size</u>	<u>In-City</u>	<u>Out-of-City</u>	<u>Combined Inside-Outside City</u>
5/8" Meter	\$3.23	\$3.23	\$3.23
3/4" Meter	4.85	4.85	4.85
1" Meter	8.08	8.08	8.08
1½" Meter	16.15	16.15	16.15
2" Meter	25.84	25.84	25.84
3" Meter	51.68	51.68	51.68
4" Meter	80.75	80.75	80.75
6" Meter	161.50	161.50	161.50
8" Meter	258.40	258.40	258.40
10" Compound Meter	370.99	370.99	370.99
10" Turbine	860.49	806.49	806.49

For sizes not shown, the next larger size shall be issued. Upon request for meters over 8 inches, a proportionate rate shall be established based on meter capacity.

Fixed Water Demand Charge (per month) for All Customers			
<u>Meter Size</u>	<u>In-City</u>	<u>Out-of-City</u>	<u>Combined Inside-Outside City</u>
5/8" Meter	\$20.18	\$24.21	\$23.47
3/4" Meter	30.24	36.31	35.23
1" Meter	50.39	60.48	58.82
1½" Meter	100.74	120.89	117.47
2" Meter	161.21	193.44	187.91
3" Meter	322.39	386.90	375.60
4" Meter	503.72	604.49	586.82
6" Meter	1007.43	1,208.93	1,173.73
8" Meter	1,611.88	1,934.26	1,877.95
10" Compound Meter	2,317.31	2,780.78	2,694.81
10" Turbine	5,037.61	6,045.13	5,858.24

For sizes not shown, the next larger size shall be issued. Upon request for meters over 8 inches, a proportionate rate shall be established based on meter capacity.

Source: Information provided by Issuer.

Volume Rate (per 1,000 gallons)

Single-Family Residential & Irrigation ⁽¹⁾			
<u>For monthly use between</u>	<u>In-City</u>	<u>Out-of-City</u>	
1 to 5,999 gallons	\$2.60	\$3.08	
6,000 to 9,999 gallons	3.89	4.61	
10,000 to 19,999 gallons	5.12	6.11	
20,000 to 40,999 gallons	10.21	12.21	
41,000 gallons and over	20.36	24.42	
Multi-Family Residential & Irrigation per Dwelling Unit ⁽²⁾			
<u>For monthly use between</u>	<u>In-City</u>	<u>Out-of-City</u>	
1 to 2,999 gallons	\$2.60	\$3.08	
3,000 to 4,999 gallons	3.89	4.61	
5,000 to 6,999 gallons	5.12	6.11	
7,000 to 7,999 gallons	10.21	12.21	
8,000 gallons and over	20.36	24.42	
Commercial			
	<u>In-City</u>	<u>Out-of-City</u>	<u>Combined Inside-Outside City</u>
All use	\$3.89	\$4.67	\$4.48
Separate Commercial Irrigation Meters (Potable Water)			
<u>For monthly use between</u>	<u>In-City</u>	<u>Out-of-City</u>	<u>Combined Inside-Outside City</u>
1 to 50,999 gallons	\$3.94	\$4.73	\$4.04
51,000 to 100,999 gallons	5.54	6.65	5.68
101,000 to 200,999 gallons	7.75	9.30	7.95
201,000 to 300,999 gallons	10.85	13.02	11.12
301,000 to 400,999 gallons	15.21	18.25	15.59
401,000 gallons and over	21.28	25.54	21.80
Separate Commercial Irrigation Meters (Reuse Water)			
	<u>In-City</u>	<u>Out-of-City</u>	<u>Combined Inside-Outside City</u>
All use	\$7.98	\$7.98	\$7.98

Source: Information provided by Issuer.

(1) Volumetric sum of the customer's domestic and irrigation water use shall be the basis for calculating the volume charge.

(2) Volumetric sum of the customer's domestic and irrigation water use shall be the basis for calculating the volume charge. This total volume shall be divided by the number of dwelling units in the associated multi-family complex to arrive at the average water use per dwelling unit. This then is the basis for calculating the volume charge per dwelling unit. This volume charge per dwelling unit shall then be multiplied by the associated number of dwelling units to arrive at the total volume charge for the customer.

PRINCIPAL WATER CUSTOMERS (as of 9/30/2025)

Name of Customer	Average Monthly Consumption (in thousand gallons)
Sable Ridge Apartments	1,766
Palsades Park Apartments	1,445
Westland SA 2 LLC	1,251
Randolph Plaza	1,019
The Meadows	1,008
Buckingham Village	950
Peaks at Universal City Apartment	903
Cayman Apartments	862
ACC-Northeast Lakeview Campus	853
Sagebrush	764

Source: Information provided by the ksuer.

HISTORICAL WATER CONSUMPTION (Gallons)

TABLE 6

Fiscal Year Ended 9/30	Estimated City Population⁽¹⁾	Number of Customers	Water Usage				Water Meter Sales
			Daily Average	Maximum Daily Demand	Peak Month	Total Usage (gallons)	
2021	19,720	5,998	2,299,702	4,855,000	81,931,000	827,892,720	\$ 4,750,583
2022	19,808	6,807	2,325,702	4,875,000	92,602,000	830,027,000	3,706,143
2023	20,028	6,604	2,442,230	4,850,000	110,429,000	832,209,000	5,724,010
2024	20,019	6,597	2,200,000	4,515,000	92,515,000	830,125,000	5,427,288
2025	20,267	6,687	2,518,923	3,772,000	94,008,000	919,407,000	5,553,605

(1) Source: Information provided by the ksuer.

TABLE 7

	Fixed Demand Charge (per month)		
	<u>In-City</u>	<u>Out-of-City</u>	<u>Combined Inside-Outside City</u>
Single-Family Residential	\$20.55	\$22.84	N/A
All Other Customers ⁽¹⁾	\$20.55	\$22.84	\$22.34

	Volume Rate (per 1,000 gallons)		
	<u>In-City</u>	<u>Out-of-City</u>	<u>Combined Inside-Outside City</u>
Single-Family Residential	\$4.44	\$5.33	N/A
All Other Customers ⁽²⁾	\$7.27	\$8.70	\$8.38

(1) Only charged for water used under 3,000 gallons.

(2) Based on average winter month water use.

APPENDIX B

GENERAL INFORMATION REGARDING THE CITY

GENERAL INFORMATION REGARDING THE CITY OF UNIVERSAL CITY AND BEXAR COUNTY, TEXAS

LOCATION . . . The City of Universal City, Texas (“Universal City” or the “City”) is a residential community located on the Bexar-Guadalupe County line, adjacent to the Joint Base San Antonio-Randolph (“JSBA-R”), on Interstate Highway 35. The estimated 2026 population was approximately 20,399.

COUNTY CHARACTERISTICS . . . Bexar County, Texas was created in 1836. The south central Texas county is the major component of the San Antonio Metropolitan Statistical Area and is traversed by Interstate Highways 10 and 35, four U.S. Highways, and two State Highways.

County Seat: San Antonio

Economic Base: Mineral: Sand, limestone and gravel.

Industry: Tourism, military bases, medical/biomedical research & services, government and education center.

Agricultural: Nursery crops, hay, grain sorghum, corn and beef cattle.

Oil & Gas 2023: The county ranks 169 out of all the counties in Texas for oil production.

Oil Production:	<u>Year</u>	<u>Description</u>	<u>Volume</u>	<u>%Change from Previous Year</u>
	2022	Oil	40,771 BBL	-19.55
	2023	Oil	46,279 BBL	13.51
Casinghead: (Texas Railroad Commission)	<u>Year</u>	<u>Description</u>	<u>Volume</u>	<u>%Change from Previous Year</u>
	2022	Casinghead	9 MCF	-18.18
	2026	Casinghead	11 MCF	22.22

MAJOR COLLEGES AND UNIVERSITIES . . . University of the Incarnate Word of San Antonio, University of Texas at San Antonio, Trinity University, The University of Texas Health Science Center at San Antonio, Texas A&M University – San Antonio, St. Mary’s University, Our Lady of the Lake University, Alamo Community College District, Trinity University.

LABOR FORCE STATISTICS

	Bexar County		State of Texas	
	June 2026	June 2025	June 2026	June 2025
Total Civilian Labor Force	1,045,236	1,047,491	15,921,944	15,866,465
Total Employment	994,829	1,005,040	15,140,964	15,193,245
Total Unemployment	50,407	42,451	780,980	673,220
Percent Unemployed	4.8%	4.1%	4.9%	4.2%

Source: Texas Labor Market Review.

APPENDIX C

EXCERPTS FROM THE BOND ORDINANCE

APPENDIX C EXCERPTS FROM THE BOND ORDINANCE

6. **DEFINITIONS.** In addition to the capitalized terms which are defined in the recitals or in Section 1 through Section 4 of this Ordinance, the following words and terms used in this Ordinance shall have the following meanings unless the context or use indicates another meaning or intent.

“Additional Parity Obligations” shall mean the additional bonds, notes and other obligations which the City reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 22 of this Ordinance and which are equally and ratably secured wholly or in part by a lien on and pledge of the Pledged Revenues on a parity with the lien on and pledge of the Pledged Revenues which secures the then Outstanding Parity Obligations.

“Annual Debt Service Requirements” shall mean, as of the date of calculation, the principal of and interest on all Parity Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the City on such debt, or be payable in respect of any required purchase of such debt by the City) in such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply at the election of the City:

i. Committed Take Out. If the City has entered into a Credit Agreement constituting a binding commitment within normal commercial practice to discharge any of its Funded Debt at its Stated Maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Funded Debt at any date on which such Funded Debt is subject to required purchase, all under arrangements whereby the City’s obligation to repay the amounts advanced for such discharge or purchase constitutes Funded Debt, then the portion of the Funded Debt committed to be discharged or purchased shall be excluded from such calculation and the principal of and interest on the Funded Debt incurred for such discharging or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Stated Maturity or purchase date of the Funded Debt to be discharged or purchased, shall be added;

ii. Balloon Parity Debt. If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the City) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein and throughout this Ordinance as “Balloon Parity Debt”), the amount of principal of such Balloon Parity Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Parity Debt

amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Parity Debt on the date of calculation;

iii. Consent Sinking Fund. In the case of Balloon Parity Debt, if the Designated Financial Officer shall deliver to the City a certificate providing for the retirement of (and the instrument creating such Balloon Parity Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Parity Debt shall permit the accumulation of a sinking fund for), such Balloon Parity Debt according to a fixed schedule stated in such certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other debt service charges on) such Balloon Parity Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (3) shall apply only to Balloon Parity Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such debt on or before the times required by such schedule; and provided further that this clause (3) shall not apply where the City has elected to apply the rule set forth in clause (2) above;

iv. Prepaid Debt. Principal of and interest on Parity Obligations, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such debt; and

v. Variable Rate. As to any Parity Obligations that bear interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the City, either (A) an interest rate equal to the average rate borne by such Parity Obligations (or by comparable debt in the event that such Parity Obligations has not been Outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, or (B) an interest rate equal to the 30-year Revenue Bond Index (as most recently published in The Bond Buyer), shall be presumed to apply for all future dates, unless such index is no longer published in The Bond Buyer, in which case an index of revenue bonds with maturities of at least 20 years which is published in a financial newspaper or journal with national circulation may be used for this purpose (if two series of Parity Obligations which bear interest at variable interest rate, or one or more maturities within a Series, of equal par amounts, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Parity Obligations taken as a whole, such composite fixed rate shall be used in determining the Annual Debt Service Requirement with respect to such Parity Obligations);

vi. Guarantee. In the case of any guarantee, as described in clause (2) of the definition of Debt, no obligation will be counted as Parity Obligations for the purpose of the definition of “*Annual Debt Service Requirements*” unless the City has made such guarantee payable from the Pledged Revenues on a parity basis to the lien created on the Pledged Revenues hereby to secure the Parity Obligations, or if the City does not anticipate

in its annual budget that it will make any payments on the guarantee. If, however, the guarantee is secured by the Pledged Revenues, as aforesaid, and the City is making payments on a guarantee or anticipates doing so in its annual budget, such obligation shall be treated as Parity Obligations and calculations of annual debt service requirements with respect to such guarantee shall be made assuming that the City will make all additional payments due under the guaranteed obligation. If the entity whose obligation is guaranteed cures all defaults and the City no longer anticipates making payments under the guarantee, the guaranteed obligations shall not be included in the calculation of Annual Debt Service Requirements;

vii. Commercial Paper. With respect to any Parity Obligations issued in the form of commercial paper with maturities not exceeding 270 days, the interest on such Parity Obligations shall be calculated in the manner provided in clause (5) of this definition and the maturity schedule shall be calculated in the manner provided in clause (2) of this definition; and

viii. Credit Agreement Payments. If the City has entered into a Credit Agreement in connection with an issue of Debt and secured its obligation under the Credit Agreement from the Pledged Revenues on a parity basis to the lien created on the Pledged Revenues hereby to secure the Parity Obligations, payments due under the Credit Agreement (other than payments for fees and expenses), for either the City or the Credit Provider, shall be included in such calculation, except to the extent that the payments are already taken into account under (1) through (7) above and any payments otherwise included above under (1) through (7) which are to be replaced by payments under a Credit Agreement, from either the City or the Credit Provider, shall be excluded from such calculation.

With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and, with respect to prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

“Bond Counsel” shall mean an attorney or firm of attorneys nationally recognized as bond counsel and selected by the City.

“Business Day” shall mean any day which is not a Saturday, Sunday, legal holiday, or a day on which banking institutions in the City of New York, New York or in the city where the designated payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close.

“Code” shall mean the Internal Revenue Code of 1986, and any amendments thereto.

“Credit Agreement” shall mean collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase Parity Obligations, purchase or sale agreements, interest rate swap agreements, currency exchange agreements, interest rate floor or cap agreements, or commitments or other contracts or agreements which (i) *the City is then authorized to enter into under the applicable laws of the State of Texas*, and (ii) are authorized, recognized and approved

by the City Council of the City as a Credit Agreement in connection with the authorization, issuance, security, or payment of Parity Obligations.

“Credit Facility” shall mean (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a Rating Agency having an outstanding rating on the Parity Obligations would rate the Parity Obligations fully insured by a standard policy issued by the issuer in its two highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a Rating Agency having an outstanding rating on the Parity Obligations would rate the parity obligations in its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Parity Obligations and the interest thereon.

“Credit Provider” shall mean any bank, financial institution, insurance company, surety bond provider, or other entity which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement or Credit Facility.

“Debt” shall mean all:

(1) indebtedness incurred or assumed by the City for borrowed money (including indebtedness arising under Credit Agreements) and all other financing obligations of the City that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet;

(2) other indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations that is guaranteed, directly or indirectly, in any manner by the City, or that is in effect guaranteed, directly or indirectly, by the City through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise; and

(3) indebtedness secured by any mortgage, lien, charge, encumbrance, pledge or other security interest upon property owned by the City whether or not the City has assumed or become liable for the payment thereof.

For the purpose of determining the “Debt” of the City, there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally

accepted accounting principles applied on a basis consistent with the financial statements prepared by or for the benefit of the City in prior Fiscal Years.

“Designated Financial Officer” shall mean the chief financial officer of City, which is, at the time of adoption of this Ordinance, the Finance Director of City, or such other financial or accounting official of the City so designated by the City Manager of the City.

“Fiscal Year” shall mean the twelve-month period commencing on October 1 and ending on the next September 30, or such other period commencing on the date designated by the City and ending one year later.

“Funded Debt” shall mean all Parity Obligations created or assumed by the City, either through the use of the proceeds or by an obligation of the City to pay, guarantee or otherwise provide for the payment thereof, which mature by their terms (in the absence of the exercise of any earlier right of demand), or that are renewable at the option of the City to a date, more than one year after the original creation or assumption of such Debt by the City.

“Government Obligations” shall mean direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, which may be United States Treasury Obligations such as its State and Local Government Series, which may be in book-entry form.

“Gross Revenues” shall mean all revenues, income, and receipts of every nature derived or received by the City from the operation and ownership of the System, including the interest income from the investment or deposit of money in any Fund created by this Ordinance, or maintained by the City in connection with the System including, without limitation, impact fees charged by the System under authority of Chapter 395, Texas Local Government Code, for the construction of capital improvements or facility expansions pursuant to a capital improvement plan prepared in accordance with the provisions of Chapter 395, Texas Local Government Code.

“Holder”, “Bondholder” and “Registered Owner” or words of similar import each shall mean the registered owner of any Parity Obligation as shown on the Registration Books maintained by the Paying Agent/Registrar.

“Maturity” shall mean, when used with respect to any Debt, the date on which the principal of such Debt or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

“Net Revenues” shall mean all Gross Revenues less Operation and Maintenance Expenses.

“Non-Recourse Debt” means any Debt secured by a lien (other than a lien on Pledged Revenues), liability for which is effectively limited to the property subject to such lien with no recourse, directly or indirectly, to any other property of the City attributable to the System; provided, however, that such Debt is being incurred in connection with the acquisition of property only, which property is not, at the time of such occurrence, owned by the City and being used in the operations of the City.

“Operation and Maintenance Expenses” shall mean (i) all costs and expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs and extensions necessary to provide efficient service; provided, an expense for a repair or extension is considered an “Operation and Maintenance Expense” only if, in the judgment of the governing body of the City, the repair or extension is necessary to (a) keep the System in operation and provide adequate service to the City and its residents, or (b) respond to a physical accident or condition that would otherwise impair the Parity Bonds; and (ii) payments made by the City from the Gross Revenues of the System under a contract between the City and an “issuer” (as defined in Section 1201.002, Texas Government Code, as amended) under which the City obtains from the issuer, or the issuer provides, part or all of the facilities or services of the System and if such contract so provides that such payments are an operating expense of the System.

“Outstanding” shall mean, when used with respect to Parity Obligations, as of the date of determination, all Parity Obligations theretofore delivered under this Ordinance and any ordinance authorizing Additional Parity Obligations, except:

- (1) Parity Obligations theretofore canceled and delivered to the City or delivered to the Paying Agent/Registrar for cancellation;
- (2) Parity Obligations deemed paid pursuant to the provisions of Section 25 of this Ordinance or any comparable section of any ordinance authorizing Additional Parity Obligations;
- (3) Parity Obligations upon transfer of or in exchange for and in lieu of which other Parity Obligations have been authenticated and delivered pursuant to this Ordinance and any ordinance authorizing Additional Parity Obligations; and
- (4) Parity Obligations under which the obligations of the City have been released, discharged or extinguished in accordance with the terms thereof.

“Parity Obligations” shall mean, collectively, the Series 2020 Bonds, the Series 2022 Bonds, the Series 2026 Bonds and any Additional Parity Obligations.

“Paying Agent/Registrar” shall mean the respective bank, trust company, financial institution or other entity named in the ordinance authorizing the issuance of each issue of Parity Obligations to provide paying agency and registrar services in connection with such issue of Parity Obligations.

“Pledged Revenues” shall mean the Net Revenues, plus any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter may be pledged to the payment of the Parity Obligations.

“Rating Agency” shall mean one or more nationally recognized credit rating agencies then maintaining a rating on the Parity Obligations at the request of the City.

“Reimbursement Obligation” shall mean any obligation contained in a Credit Agreement entered into by the City in connection with any Reserve Fund Credit Facility pursuant to which the City obligates itself to reimburse a financial institution, insurance company or other entity for amounts paid or advanced by such entity pursuant to a Reserve Fund Credit Facility. Reimbursement Obligations may be payable from and secured by a lien on Pledged Revenues which is on parity with, or subordinate to, the lien on Pledged Revenues which secures the Parity Obligations pursuant to this Ordinance.

“Reserve Fund Credit Facility” shall mean a Credit Facility which (i) the City is authorized to obtain pursuant to Section 1502.064, Texas Government Code, as amended, or other applicable law, (ii) may not be terminated by the Credit Provider providing such Credit Facility prior to the final maturity date of the series of Parity Obligations in connection with which such Credit Facility was issued, and (iii) may be drawn upon demand by the City to provide funds to pay principal and/or interest on the Parity Obligations in the event moneys on deposit in the Interest and Sinking Fund are insufficient to make such payment.

“Reserve Fund Requirement” shall mean, as of the date of issuance of any series of Parity Obligations, an amount equal to the average Annual Debt Service Requirements on the Parity Obligations Outstanding as of such date.

“Series 2020 Bonds” means the *“City of Universal City, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2020”*, dated June 1, 2020, issued in the original aggregate principal amount of \$2,080,000.

“Series 2022 Bonds” means the *“City of Universal City, Texas Waterworks and Sewer System Revenue Bonds, Series 2022”*, dated October 1, 2022, issued in the original aggregate principal amount of \$4,445,000.

“Subordinate Obligations” means any Debt which expressly provides that all payments thereon shall be subordinated to the timely payment of all Parity Obligations then outstanding or subsequently issued.

“Stated Maturity” shall mean, when used with respect to any Debt or any installment of interest thereon, any date specified in the instrument evidencing or authorizing such Debt or such installment of interest as a fixed date on which the principal of such Debt or any installment thereof or the fixed date on which such installment of interest is due and payable.

“Term of Issue” shall mean with respect to any Balloon Parity Debt, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Parity Debt and ending on the final maturity date of such Balloon Parity Debt or (ii) twenty-five years.

7. **PLEDGE; RATE COVENANT; SECURITY INTEREST.** (a) The Parity Obligations, and the interest thereon, are and shall be payable from and secured by an irrevocable first lien on and pledge of the Pledged Revenues, and the Pledged Revenues are further pledged irrevocably to the establishment and maintenance of the Interest and Sinking Fund and the Reserve Fund hereinafter created.

b. the City covenants and agrees with the holders of the Parity Obligations as follows:

A. It will at all times fix, revise, maintain, charge and collect for services rendered by the System rates and charges which will produce Gross Revenues at least sufficient (A) to pay all current Operation and Maintenance Expenses, (B) to produce Net Revenues at least equal to 125% of the Annual Debt Service Requirements of all then Outstanding Parity Obligations for the current Fiscal Year, (C) to make all deposits now or hereafter required to be made into the Funds created, established, or maintained by this Ordinance, and (D) to pay all other obligations of the System reasonably anticipated to be paid from Gross Revenues during the current Fiscal Year.

B. If the System should become legally liable for any other obligations or indebtedness, the City shall fix, maintain, charge and collect additional rates and charges for services rendered by the System sufficient to establish and maintain funds for the payment thereof.

c. Chapter 1208, Texas Government Code, applies to the issuance of the Series 2026 Bonds and the pledge of Pledged Revenues granted by the City under Section 7 of this Ordinance, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Series 2026 Bonds are outstanding and unpaid such that the pledge of the Pledged Revenues granted by the City under this Ordinance is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Series 2026 Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest in said pledge to occur.

8. **FUNDS.** The following special funds created pursuant to the ordinances authorizing the Outstanding Parity Obligations are hereby confirmed, and such funds shall be maintained and accounted for as hereinafter provided, so long as any Parity Obligations remain outstanding:

a. Waterworks and Sewer System Bonds Revenue Fund, hereinafter called the "Revenue Fund".

b. Waterworks and Sewer System Bonds Interest and Sinking Fund, hereinafter called the "Interest and Sinking Fund".

c. Waterworks and Sewer System Bonds Reserve Fund, hereinafter called the "Reserve Fund".

9. **REVENUE FUND.** All Gross Revenues collected by the City shall be deposited upon receipt to the credit of the Revenue Fund. The Funds on deposit in the Revenue Fund shall first be used by the City to pay all Operation and Maintenance Expenses. The remaining funds on deposit therein shall be transferred from the Revenue Fund into the Interest and Sinking Fund and the Reserve Fund hereinafter described, and to satisfy any Reimbursement Obligation, in the manner and amounts hereinafter provided, and each of such Funds and the payment of such Reimbursement Obligation shall have priority as to such deposits in the order in which they are treated in the following sections.

10. **INTEREST AND SINKING FUND.** Immediately after the delivery of any series of Parity Obligations, all moneys representing accrued interest, if any, received by the City upon the sale and delivery of such Parity Obligations to the initial purchaser thereof, together with all capitalized interest being financed with proceeds of such Parity Obligations, if any (but in no event in excess of the amount permitted by Section 1201.042(a)(1), Texas Government Code, as amended, or other applicable law), shall be deposited to the credit of the Interest and Sinking Fund. In addition, there shall be transferred Pledged Revenues from the Revenue Fund and deposited into the Interest and Sinking Fund the following:

a. on or before the 25th day of each month, commencing with the month immediately following the issuance of any series of Parity Obligations, there shall be deposited into the Interest and Sinking Fund in approximately equal installments an amount as will be sufficient, together with other amounts, if any, then on deposit therein and available for such purpose, to pay the interest scheduled to come due on all Outstanding Parity Obligations on the next interest payment date.

b. on or before the 25th day of each month, commencing with the twelfth (12th) month preceding the first principal payment date for a series of Parity Obligations, or commencing with the month immediately following the issuance of any series of Parity Obligations if delivery of such series of Parity Obligations is made less than twelve months preceding the first principal payment date for such series of Parity Obligations, there shall be deposited into the Interest and Sinking Fund in approximately equal installments an amount as will be sufficient, together with other amounts, if any, then on deposit therein and available for such purpose, to pay the principal scheduled to come due (either at stated maturity or due to mandatory sinking fund redemption) on all Outstanding Parity Obligations on the next principal payment date.

c. on or before any optional redemption date set by the City for any Parity Obligations, there shall be deposited into the Interest and Sinking Fund an amount as will be sufficient to pay the principal of, premium, if any, and interest on the Parity Obligations scheduled to be redeemed on such optional redemption date.

The Interest and Sinking Fund shall be used solely to pay the principal of and interest on the Parity Obligations when due, and the City Manager and the Designated Financial Officer of the City are hereby authorized to cause funds to be transferred from the Interest and Sinking Fund to the Paying Agent/Registrar at the times and in the amounts to pay Annual Debt Service Requirements.

11. **RESERVE FUND.** (a) Use of Funds. The Reserve Fund shall be used to pay the principal of or interest on the Parity Obligations at any time when there is not sufficient money available in the Interest and Sinking Fund for such purpose, or to pay the principal of or interest on the last maturing Parity Obligations. If the amount on deposit in the Reserve Fund consists of cash and investments and a Reserve Fund Credit Facility, all cash and investments shall be liquidated and withdrawn prior to drawing on the Reserve Fund Credit Facility. If more than one Reserve Fund Credit Facility is maintained in the Reserve Fund, any withdrawals on such Reserve Fund Credit Facilities shall be pro rata. The Paying Agent/Registrar shall maintain records showing the total amount drawn on, and available to be drawn under, a Reserve Fund Credit Facility to satisfy all or a portion of the Reserve Fund Requirement.

b. Reserve Fund Requirement. The Reserve Fund Requirement in connection with the outstanding Parity Obligations (i.e., prior to the issuance of the Series 2026 Bonds) has been fully satisfied by depositing to the credit of the Reserve Fund available funds of the System. The difference between the Reserve Fund Requirement prior to the issuance of the Series 2026 Bonds and after the issuance of the Series 2026 Bonds, if any, shall be satisfied at the time of delivery of the Series 2026 Bonds by depositing to the credit of the Reserve Fund available funds of the System.

c. Additional Deposits Upon Issuance of Additional Parity Obligations. As and when Additional Parity Obligations are delivered, the amount on deposit in the Reserve Fund shall be increased, if necessary, to the Reserve Fund Requirement after giving effect to the issuance of such Additional Parity Obligations. Any additional amount required shall be so accumulated by the deposit in the Reserve Fund of all or any part of said required additional amount in cash or a Reserve Fund Credit Facility immediately after the delivery of the then proposed Additional Parity Obligations, or (with the prior written consent of each then-existing Credit Provider of a Reserve Fund Credit Facility) by the deposit of said required additional amount (or any balance of said required additional amount not deposited in cash or a Reserve Fund Credit Facility as permitted above) in not more than sixty (60) approximately equal monthly installments, made on or before the 25th day of each month, commencing with the month immediately following the delivery of the then proposed Additional Parity Obligations.

d. Additional Deposits to Cure Deficiencies. When and so long as the money and investments in the Reserve Fund total not less than the Reserve Fund Requirement (including the amount available to be drawn under a Reserve Fund Credit Facility), no deposits need be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than the Reserve Fund Requirement (other than with respect to the issuance of Additional Parity Obligations), the City covenants and agrees to cure the deficiency in the Reserve Fund Requirement within twelve (12) months from the date the deficiency occurred by:

A. making monthly deposits from Pledged Revenues on the 25th day of each month in approximately equal amounts required to (A) first, if a draw has been made on a Reserve Fund Credit Facility, pay Reimbursement Obligations to restore the amount available to be drawn under such Reserve Fund Credit Facility to its original amount (and pay all other amounts required by such Reserve Fund Credit Facility) by the end of such 12-month period (or earlier as required in an agreement between the City and the Credit Provider providing the Reserve Fund Credit Facility), and (B) second, restore the balance in the Reserve Fund to the Reserve Fund Requirement by the end of such 12-month period,

B. providing a Reserve Fund Credit Facility, if all Reimbursement Obligations on any then-existing Reserve Fund Credit Facility have been paid in full, or

C. providing a combination of (i) and (ii) above.

e. Computation of Reserve Fund. For the purpose of determining the amount on deposit to the credit of the Reserve Fund, investments in which money in such account shall have been invested shall be computed at cost, and any Reserve Fund Credit Facility shall be computed at the maximum amount available to be drawn thereunder. The amount on deposit to the credit of

the Reserve Fund shall be computed by the City at least annually, and shall be computed immediately upon any withdrawal from the Reserve Fund.

12. **EXCESS NET REVENUES.** Subject to making the deposits into the Interest and Sinking Fund and the Reserve Fund, when and as required by this Ordinance in connection with the Parity Obligations, and after satisfying any Reimbursement Obligation in connection with a draw on any Reserve Fund Credit Facility, the City may utilize the excess Pledged Revenues for any lawful purpose.

13. **DEFICIENCIES IN FUNDS.** If by the 25th day of any month the City shall fail to deposit into the Interest and Sinking Fund or the Reserve Fund the full amounts required by this Ordinance, amounts equivalent to such deficiencies shall be set apart and paid into said Funds from the first available and unallocated Pledged Revenues for the following month or months, if necessary and whichever is the earliest, and such payments shall be in addition to the amounts otherwise required to be paid into said Funds on the 25th day of each month.

14. **CONSTRUCTION FUND.** There is hereby created and established in the depository of the City, a fund to be called the *City of Universal City, Texas Waterworks and Sewer System Revenue Bonds (Series 2026) Construction Fund* (herein called the “**Construction Fund**”). All proceeds of the Series 2026 Bonds, other than accrued interest on the Series 2026 Bonds, shall be deposited in the Construction Fund. Money in the Construction Fund shall be subject to disbursements by the City for payment of all costs incurred in carrying out the purpose for which the Series 2026 Bonds are issued.

15. **INVESTMENTS.** (a) In General. Funds on deposit in the Revenue Fund, the Interest and Sinking Fund, the Reserve Fund and the Construction Fund shall be secured by the depository bank of the City in the manner and to the extent required by law to secure other public funds of the City and may be invested from time to time in any investment authorized in the Public Funds Investment Act (Chapter 2256, Texas Government Code) and in accordance with the City’s Investment Policy; provided, however, that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times when expected to be needed. Interest and income derived from such deposits and investments shall be credited to the Fund from which the deposit or investment was made and shall be used only for the purpose or purposes for which such Fund is required or permitted to be used, except for interest and income derived from deposits or investments in (i) the Reserve Fund which shall be transferred to the Interest and Sinking Fund if the amount then in the Reserve Fund equals or exceeds the Reserve Fund Requirement, and (ii) the Construction Fund which may be transferred to the Interest and Sinking Fund to pay principal and interest on the Parity Obligations. Such investments shall be sold promptly when necessary to prevent any default in connection with the Parity Obligations.

b. Transfer of Certain Investment Earnings to Rebate Fund. Notwithstanding the provisions of the preceding paragraph, interest and income derived from any investment of money on deposit in the Construction Fund, the Interest and Sinking Fund and the Reserve Fund shall first be transferred to the Rebate Fund established by Section 28(b) of this Ordinance at the times and in the amounts required to pay (or provide for the payment of) “Excess Earnings” as defined in Section 148(f) of the Internal Revenue Code of 1986, as amended.

16. **SECURITY FOR FUNDS.** All Funds created by this Ordinance shall be secured in the manner and to the fullest extent permitted or required by law, and such Funds shall be used only for the purposes and in the manner permitted or required by this Ordinance.

17. **INSURANCE.** The City shall cause the System to be insured as would usually be insured by entities operating similar facilities, with a responsible insurance company or companies, against risks, accidents, or casualties against which and to the extent insurance is usually carried by entities operating similar facilities, including, to the extent reasonably obtainable, fire and extended coverage insurance, but excluding insurance against damage by floods. Public liability and property damage insurance also shall be carried. At any time while any contractor engaged in construction work shall be fully responsible therefor, the City shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the Bondholders and their representatives at all reasonable times. Upon the happening of any loss or damage covered by insurance from one or more of said causes, the City shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the City. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the City for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall, at the option of the City, be (i) deposited in a special and separate fund, at an official depository of the City, to be designated the Insurance Account or (ii) deposited in the Interest and Sinking Fund and used to redeem the Outstanding Parity Obligations, but only if such insurance proceeds, together with all funds then on deposit in the Interest and Sinking Fund and in the Reserve Fund, are sufficient to immediately redeem all Outstanding Parity Obligations. The Insurance Account shall be held until such time as other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required.

18. **OPERATION AND MAINTENANCE; NO FREE SERVICE; NO COMPETITION.** (a) Operation and Maintenance of the System. While any of the Parity Obligations are Outstanding the City covenants and agrees to keep and cause to be kept the System in good condition, repair, and working order, and to operate and maintain and cause to be operated and maintained the System in an efficient manner.

a. No Free Service. The City will continuously and efficiently operate the System, and will maintain the System in good condition, repair and working order, all at reasonable cost. No free service of the System shall be allowed, and should the City or any of its agencies or instrumentalities make use of the services and facilities of the System, payment of the reasonable value shall be made by the City out of funds from sources other than the revenues of the System, unless made from surplus or excess Pledged Revenues as permitted in Section 12 hereof.

b. No Competition. The City will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System's facilities, and, to the extent that it legally may, the City will prohibit any such competing facilities.

19. **ACCOUNTS AND RECORDS.** The City shall keep or cause to be kept proper books of records and accounts in which complete and correct entries shall be made of all transactions relating to Gross Revenues, Pledged Revenues, Net Revenues and the Funds created pursuant to this Ordinance, and all books, documents and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of any Holder.

20. **AUDITS.** After the close of each Fiscal Year while any of the Parity Obligations are Outstanding, an audit will be made of the books and accounts relating to the Pledged Revenues, and the Funds created pursuant to this Ordinance, by an independent certified public accountant. As soon as practicable after the close of each such Fiscal Year, and when said audit has been completed and made available to the City, a copy of such audit for the preceding year shall be mailed to the Paying Agent/Registrar and to any Holders who shall so request in writing. The annual audit reports shall be open to the inspection of the Holders and their agents and representatives at all reasonable times.

21. **SPECIAL COVENANTS.** The City further covenants and agrees that:

a. Encumbrance and Sale. (i) Other than with respect to the Parity Obligations and except as provided in this Ordinance, the Pledged Revenues have not been pledged in any manner to the payment of any Debt of the City, or otherwise, and while any of the Parity Obligations are Outstanding, the City will not incur additional Debt secured by the Pledged Revenues in any manner, except as permitted by this Ordinance in connection with Additional Parity Obligations, unless said Debt is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this Ordinance and any Ordinance authorizing the issuance of Parity Obligations.

B. So long as the Parity Obligations are Outstanding, and except as hereinafter specifically permitted in subparagraph (iii) below, the City shall not mortgage, encumber, sell, lease, or otherwise dispose of the System or any significant or substantial part thereof.

C. Notwithstanding the provisions in subparagraph (ii) hereof prohibiting the sale of any substantial part of the System, the City shall be authorized from time to time to sell any personal property contained in the System if such personal property is no longer needed or is no longer useful, and the sale thereof will not adversely affect the System or the operation and maintenance thereof. The proceeds from the sale of any personal property shall be used to replace or provide substitutes for the property sold, if, and to the extent, deemed necessary by the City, and all such proceeds which are not so used shall be deposited into the Interest and Sinking Fund.

b. Title. The City represents that it lawfully owns or will lawfully own, and has or will have fee simple title and/or easement rights to the land upon which the System is or will be located, that the System will be constructed and completed in accordance with the plans to be approved and adopted by the City, that it warrants that it has or will obtain and will defend the title or easement rights to the aforesaid land for the benefit of the owners of the Parity Obligations against the claims and demands of all persons whomsoever, and that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Obligations, in the manner prescribed herein, and has lawfully exercised such rights.

c. Liens. The City will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or on the System, that it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge upon the System, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and that it will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment, or charge, and that no such claims which might be or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the City.

d. Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Ordinance and each ordinance authorizing the issuance of Additional Parity Obligations, and in each and every Parity Obligation and pay from the Pledged Revenues the principal of and interest on every Parity Obligation on the dates and in the places and manner prescribed in this Ordinance and each ordinance authorizing the issuance of Additional Parity Obligations; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited from the Pledged Revenues the amounts required to be deposited into the Interest and Sinking Fund and the Reserve Fund; and the owner of the Parity Obligations may require the City, its officials, agents, and employees to carry out, respect, or enforce the covenants and obligations of this Ordinance, including, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the City, its officials, agents, and employees.

e. Legal Authority. The City is duly authorized under the laws of the State of Texas to create and issue the Parity Obligations; that all action on its part for the creation and issuance of the Parity Obligations has been duly and effectively taken, and that the Parity Obligations in the hands of the owners thereof are and will be valid and enforceable special obligations of the City in accordance with their terms.

f. Permits. The City will comply with all of the terms and conditions of any and all franchises, permits, and authorizations applicable to or necessary with respect to the System, and which have been obtained from any governmental agency; and the City has or will obtain and keep in full force and effect all franchises, permits, authorizations, and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation, and maintenance of the System.

22. **ADDITIONAL PARITY OBLIGATIONS.** (a) Conditions for the Issuance of Additional Parity Obligations. Subject to the provisions hereinafter appearing as conditions precedent which must be satisfied, the City reserves the right to issue, from time to time as needed, additional parity revenue obligations ("*Additional Parity Obligations*") for any lawful purpose, including but not limited to acquiring and constructing extensions and improvements to, and acquiring equipment for, the System. Such Additional Parity Obligations, if and when authorized, issued, and delivered in accordance with the provisions hereof, shall be secured by and made payable equally and ratably on a parity with the then Outstanding Parity Obligations, from a first lien on and pledge of the Pledged Revenues. Such Additional Parity Obligations may be issued in

such form and manner as now or hereafter authorized by the laws of the State of Texas for the issuance of evidences of indebtedness or other instruments, and should new methods or financing techniques be developed that differ from those now available and in normal use, the City reserves the right to employ the same in its financing arrangements provided only that the following conditions precedent for the authorization and issuance of the same are satisfied, to wit:

i. No Default/Compliance with Covenants. The Designated Financial Officer shall have executed a certificate stating (a) that, to the best of his or her knowledge and belief, the City is not then in default as to any covenant, obligation or agreement contained in any ordinance or other proceeding relating to any obligations of the City payable in whole or in part from, and secured by a lien on and pledge of, the Pledged Revenues that would materially affect the security or payment of the Parity Obligations, and (b) either (i) payments into all Funds or Accounts created and established for the payment and security of all Outstanding Parity Obligations have been made and that the amounts on deposit in such Funds or Accounts are the amounts then required to be on deposit therein or (ii) the application of the proceeds of sale of such Parity Obligations then being issued will cure any such deficiency.

ii. Historical Net Revenue Test. The Designated Financial Officer shall have executed a certificate to the effect that, according to the books and records of the City, the Net Revenues for the preceding Fiscal Year or for a 12 consecutive month period out of the 18 consecutive months immediately preceding the month the ordinance authorizing the issuance of the Parity Obligations is adopted are equal to at least 1.25 times the average Annual Debt Service Requirements for the proposed Additional Parity Obligations and all Parity Obligations then Outstanding. In making a determination of Net Revenues for the purpose described in this Section 22(a)(2), the Designated Financial Officer may take into consideration a change in the rates and charges for services and facilities provided by the System that became effective at least 30 days prior to the last day of the period for which Net Revenues are determined and, for purposes of satisfying the Net Revenues test described in the preceding sentence, make a pro forma determination of the Net Revenues of the System for the period of time covered by the Designated Financial Officer's certification based on such change in rates and charges being in effect for the entire period covered by the Designated Financial Officer's certificate.

b. Refundings. Subject to the provisions of subsection (a) of this Section, Additional Parity Obligations may be issued from time to time (pursuant to any law then available) for the purpose of refunding Outstanding Parity Obligations and any subordinate lien obligations upon such terms and conditions as the governing body of the City may deem to be in the best interest of the City and, if less than all Outstanding Parity Obligations are refunded or if any subordinate lien obligations are refunded, the proposed refunding Parity Obligations shall be considered as Additional Parity Obligations under the provisions of this Section, but the certificates required in subsection (a) of this Section shall give effect to the issuance of the proposed refunding Parity Obligations (and shall not give effect to any Parity Obligations being refunded following their cancellation or provision being made for their payment).

c. Non-Recourse Debt and Subordinate Obligations. Non-Recourse Debt and Subordinate Obligations may be incurred without limitation by the City, upon passage of an

ordinance by the City Council of the City for the purpose of approving the issuance of Non-Recourse Debt or Subordinate Obligations, as the case may be, and approval of such Non-Recourse Debt or Subordinate Obligations by the Attorney General of Texas, to the extent required by law.

23. **ORDINANCE A CONTRACT; AMENDMENTS.** (a) Ordinance a Contract. This Ordinance shall constitute a contract with the registered owners of the Parity Obligations, binding on the City and its successors and assigns, and shall not be amended or repealed by the City as long as any Parity Obligation remains Outstanding except as permitted in this Section.

b. Amendments Without Notice to or Consent of Registered Owners. The City may, with notice to the provider of each Reserve Fund Credit Facility, if any, but without the consent of or notice to any registered owners, amend, change, or modify this Ordinance (i) as may be required by the provisions hereof, (ii) as may be required for the purpose of curing any ambiguity, inconsistency, or formal defect or omission herein, or (iii) in connection with any other change (other than any change described in clauses (i) through (iv) of the first sentence in subsection (c) below) with respect to which the City receives written confirmation from each rating agency then maintaining a rating on the Parity Obligations at the request of the City that such amendment would not cause such rating agency to withdraw or reduce its then current rating on the Parity Obligations.

c. Amendments With Notice to and Consent of Registered Owners. In addition, the City may, with the written consent of the provider of each Reserve Fund Credit Facility, if any, and the registered owners of at least a majority in aggregate principal amount of the Parity Obligations then Outstanding affected thereby, amend, change, modify, or rescind any provisions of this Ordinance; provided that without the consent of all of the registered owners affected, no such amendment, change, modification, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Parity Obligations, reduce the principal amount thereof or the rate of interest thereof, (ii) give any preference to any Parity Obligation over any other Parity Obligation, (iii) extend any waiver of default to subsequent defaults, or (iv) reduce the aggregate principal amount of Parity Obligations required for consent to any such amendment, change, modification, or rescission.

d. Notice of Amendment. Whenever the City shall desire to make any amendment or addition to or rescission of this Ordinance requiring consent of the provider of each Reserve Fund Credit Facility and/or the registered owners of the Parity Obligations, the City shall cause notice of the amendment, addition, or rescission to be sent by first class mail, postage prepaid, to (i) the provider of each Reserve Fund Credit Facility, if any, and (ii) the registered owners (if the registered owners of all Parity Obligations or least a majority in aggregate principal amount of the Parity Obligations are required to consent) at the respective addresses shown on the Registration Books. Whenever at any time within one year after the date of the giving of such notice, the City shall receive an instrument or instruments in writing executed by the provider of each Reserve Fund Credit Facility and the registered owners of all or a majority (as the case may be) in aggregate principal amount of the Parity Obligations then Outstanding affected by any such amendment, addition, or rescission requiring the consent of the registered owners, which instrument or instruments shall refer to the proposed amendment, addition, or rescission described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the City may adopt such amendment, addition, or rescission in substantially such form, except as herein provided.

e. Effect of Amendment on Registered Owners. No Registered Owner may thereafter object to the adoption of any amendment, addition, or rescission which is accomplished pursuant to and in accordance with the provisions of this Section, or to any of the provisions thereof, and such amendment, addition, or rescission shall be fully effective for all purposes.

24. **REMEDIES IN THE EVENT OF DEFAULT.** In addition to all of the rights and remedies provided by the laws of the State of Texas, it is specifically covenanted and agreed particularly that in the event the City (i) defaults in the payments to be made to the Interest and Sinking Fund or the Reserve Fund as required by this Ordinance or (ii) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Ordinance, the following remedies shall be available (the occurrence of any such events is hereinafter referred to as an “*Event of Default*”):

a. The holder or holders of any Parity Obligations shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenants, conditions, or obligations prescribed in this Ordinance.

b. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

The specific remedies herein provided shall be cumulative of all other existing remedies and the specifications of such remedies shall not be deemed to be exclusive.

APPENDIX D

FORM OF BOND COUNSEL'S OPINION

September __, 2026

We have acted as Bond Counsel in connection with the issuance by the City of Universal City, Texas (the “City”) of its Waterworks and Sewer System Revenue Bonds, Series 2026 (the “Bonds”), dated September 15, 2026, in the aggregate principal amount of \$ _____. The Bonds are issuable in fully registered form only, in denominations of \$5,000 or integral multiples thereof, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the ordinance adopted by the City Council of the City authorizing their issuance (the “Ordinance”).

In such connection, we have reviewed the Ordinance; the tax certificate of the City dated the date hereof (the “Tax Certificate”); other certificates of the City; certificates of others; a transcript of certain certified proceedings pertaining to the issuance of the Bonds; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinance and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Ordinance and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the

accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding obligations of the City.
2. The Bonds, together with other outstanding Parity Obligations, as defined in the Ordinance, and any Additional Parity Obligations, as defined in the Ordinance, are payable and secured by a first lien on and pledge of the Pledged Revenues as defined in the Ordinance. The owners of the Bonds shall never have the right to demand payment of money raised or to be raised by taxation, or from any source whatsoever other than the Pledged Revenues of the System. The City has reserved the right, subject to the restrictions stated in the Ordinance, to issue Additional Parity Obligations which also may be secured by and made payable from a first lien on and pledge of the aforesaid Pledged Revenues of the System on a parity with the Bonds and all other then outstanding Parity Obligations.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

JACKSON WALKER LLP

APPENDIX E

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Universal City Economic Development Corporation were not audited in accordance with *Government Auditing Standards*.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2025 the City adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the Texas Municipal Retirement System net pension liability and other postemployment benefits liabilities required schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report there on. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas
March 3, 2026



CITY OF UNIVERSAL CITY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the year ended September 30, 2025

As management of the City of Universal City, Texas, we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ❖ The assets and deferred outflows of resources of the City of Universal City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$109,813,196 (net position). Of this amount, \$34,317,764 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ The City's total net position increased by \$8,797,846.
- ❖ As of the close of the current fiscal year, the City of Universal City's governmental funds reported combined fund balances of \$28,145,467 of which \$18,017,256 is unassigned and available for spending at the City's discretion.
- ❖ The governmental fund balances decreased by \$2,358,215. The decrease was primarily due to a decrease in the capital projects fund during the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to statements of a private-sector business.

The **statement of net position** presents information on all of the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government and administration, public safety, development services, library services and recreation. The business-type activities of the City include water and sewer operations, water and sewer impact fees, golf course operations and stormwater operations. The City has also included the information for the Universal City Economic Development Corporation, which is considered a component unit of the City.

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Universal City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance and related legal requirements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources available at the end of the fiscal year. All of the funds of the City can be divided into two categories – governmental funds and proprietary funds.

The **governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information for governmental funds with information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The City of Universal City maintains fourteen (14) governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the general, capital projects, and debt service funds, which are all considered to be the City's major funds.

The City of Universal City adopts an annual budget for all of the governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-21 of this report.

The **proprietary funds** provide the same type of information as the government-wide financial statements only in more detail. The City maintains only one type of proprietary fund, which are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in government-wide financial statements. The City uses the enterprise funds to account for its water and sewer operations, water and sewer impact fees, golf course operations, and stormwater operations, which are all considered major funds of the City.

The basic proprietary fund financial statements can be found on pages 22-31 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-63 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the general fund budget and the net pension and OPEB liabilities for the City's obligation to provide pension and OPEB benefits to its employees and retirees. Required supplementary information can be found on pages 67-81 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City of Universal City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$109,813,196.

A portion of the City's net position (59%) reflects its investments in capital assets (land, buildings, improvements other than buildings, transportation and equipment, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets:						
Current and other assets	\$ 31,478,148	\$ 33,421,556	\$ 28,388,244	\$ 28,041,847	\$ 59,866,392	\$ 61,463,403
Capital assets	<u>47,014,434</u>	<u>42,918,657</u>	<u>45,417,316</u>	<u>41,320,514</u>	<u>92,431,750</u>	<u>84,239,171</u>
Total assets	<u>78,492,582</u>	<u>76,340,213</u>	<u>73,805,560</u>	<u>69,362,361</u>	<u>152,298,142</u>	<u>145,702,574</u>
Deferred outflows of resources	<u>1,792,561</u>	<u>2,274,070</u>	<u>531,110</u>	<u>653,535</u>	<u>2,323,671</u>	<u>2,927,605</u>
Liabilities:						
Long-term liabilities	25,087,486	27,678,555	11,225,038	11,886,839	36,312,524	39,565,394
Other liabilities	<u>3,855,859</u>	<u>3,682,577</u>	<u>3,631,587</u>	<u>3,570,248</u>	<u>7,487,446</u>	<u>7,252,825</u>
Total liabilities	<u>28,943,344</u>	<u>31,361,132</u>	<u>14,856,625</u>	<u>15,457,087</u>	<u>43,799,969</u>	<u>46,818,219</u>
Deferred inflows of resources	<u>831,001</u>	<u>557,650</u>	<u>177,647</u>	<u>81,136</u>	<u>1,008,648</u>	<u>638,786</u>
Net position:						
Net investment in capital assets	28,562,416	22,440,829	35,815,224	39,560,875	64,377,640	62,001,704
Restricted	7,299,275	12,649,407	3,818,517	3,165,444	11,117,792	15,814,851
Unrestricted	<u>14,649,107</u>	<u>11,605,265</u>	<u>19,668,657</u>	<u>11,751,354</u>	<u>34,317,764</u>	<u>23,356,619</u>
Total net position	<u>\$ 50,510,798</u>	<u>\$ 46,695,501</u>	<u>\$ 59,302,398</u>	<u>\$ 54,477,673</u>	<u>\$ 109,813,196</u>	<u>\$ 101,173,174</u>

An additional portion of the City's net position (10%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position \$34,317,764, may be used to meet the government's ongoing obligation to citizens and creditors.

As of September 30, 2025, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate categories – governmental and business-type activities.

Analysis of the City's Operations

The following table provides a summary of the City's operations for the year ended September 30, 2025. Governmental activities increased the City of Universal City's net position by \$3,901,130, accounting for 44% of the total growth in net position. Business-type activities increased the City's net position by \$4,896,716, accounting for 56% of total growth in net position.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 3,638,847	\$ 2,837,499	\$ 16,486,126	\$ 14,793,809	\$ 20,124,973	\$ 17,631,308
Capital grants and contributions	288,220	3,054,573	-	111,594	288,220	3,166,167
Operating grants and contributions	516,820	-	7,305	-	524,125	-
General revenues:						
Property taxes	9,296,118	9,141,533	-	-	9,296,118	9,141,533
Franchise fees	1,322,290	1,311,402	-	-	1,322,290	1,311,402
Sales taxes	7,473,946	7,395,165	-	-	7,473,946	7,395,165
Hotel/motel taxes	151,212	160,901	-	-	151,212	160,901
Mixed drink	79,320	75,264	-	-	79,320	75,264
Interest and investment earnings	1,372,862	1,761,088	1,003,675	1,372,649	2,376,537	3,133,737
Miscellaneous	1,895,372	281,953	138,350	-	2,033,722	281,953
Total revenues	<u>26,035,007</u>	<u>26,019,378</u>	<u>17,635,456</u>	<u>16,278,052</u>	<u>43,670,463</u>	<u>42,297,430</u>
Expenses:						
Administration / City Council	1,651,327	1,575,328	-	-	1,651,327	1,575,328
Planning and development	1,347,923	1,716,684	-	-	1,347,923	1,716,684
Finance	471,364	510,077	-	-	471,364	510,077
Municipal court	708,329	346,926	-	-	708,329	346,926
General services division	2,836,277	2,706,220	-	-	2,836,277	2,706,220
Police	4,735,186	4,768,827	-	-	4,735,186	4,768,827
Fire	3,536,943	3,312,890	-	-	3,536,943	3,312,890
Library	649,977	560,933	-	-	649,977	560,933
Vehicle and equipment maintenance	370,884	302,199	-	-	370,884	302,199
Animal shelter	757,730	663,050	-	-	757,730	663,050
Human resources	151,757	478,069	-	-	151,757	478,069
Parks and recreation	1,557,352	1,264,754	-	-	1,557,352	1,264,754
Nondepartmental	1,700,983	1,116,378	-	-	1,700,983	1,116,378
Interest and other fees	586,034	920,490	-	-	-	920,490
Water and sewer utility	-	-	9,394,033	9,295,922	9,394,033	9,295,922
Golf course	-	-	3,808,939	3,652,303	3,808,939	3,652,303
Stormwater	-	-	607,579	643,601	607,579	643,601
Total expenses	<u>21,062,066</u>	<u>20,242,825</u>	<u>13,810,551</u>	<u>13,591,826</u>	<u>34,286,583</u>	<u>33,834,651</u>
Increase (decrease) in net position before transfers	4,972,941	5,776,553	3,824,905	2,686,226	8,797,846	8,462,779
Transfers	<u>(1,071,811)</u>	<u>(2,410,665)</u>	<u>1,071,811</u>	<u>2,410,665</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	3,901,130	3,365,888	4,896,716	5,096,891	8,797,846	8,462,779
Beginning net position	46,695,501	43,329,613	54,477,673	49,380,782	101,173,174	92,710,395
Restatement of net position	(85,833)	-	(71,991)	-	(157,824)	-
Ending net position	<u>\$ 50,510,798</u>	<u>\$ 46,695,501</u>	<u>\$ 59,302,398</u>	<u>\$ 54,477,673</u>	<u>\$ 109,813,196</u>	<u>\$ 101,173,174</u>

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

Governmental Funds

The focus of the City of Universal City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Universal City's governmental funds reported combined ending fund balances of \$28,145,467. Approximately 64% of this total amount constitutes unassigned fund balance of \$18,107,256. The remainder of the fund balance is restricted or assigned.

The general fund is the primary operating fund of the City. During the year, revenues exceeded expenditures in the general fund by \$2,481,208. Net transfers from other funds of \$173,431, increased this fund balance by \$2,654,639.

In the capital projects fund, expenditures exceeded revenues by \$5,378,381. The fund balance decreased by \$5,311,812 primarily due to spending of bond proceeds.

In the debt service fund, expenditures exceeded revenues by \$477,825.

Proprietary Funds

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

Unrestricted net position in the respective proprietary funds are water and sewer of \$15,913,862, stormwater management of \$952,880 and golf course of \$2,801,915. The funds had changes in net position in 2025 as follows: water and sewer of \$2,948,118, water impact fees of \$564,363, sewer impact fees of \$88,710, stormwater operations of \$60,906, and golf course of \$1,234,619.

General Fund Budgetary Highlights

An annual budget is legally adopted for the general fund. Expenditures were under budget by \$589,852.

CAPITAL ASSETS

The City of Universal City's investment in capital assets for its governmental and business type activities as of September 30, 2025, amounts to \$92,431,750 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements other than buildings, equipment, water rights, infrastructure and construction in progress.

CAPITAL ASSETS AT YEAR END
(NET OF ACCUMULATED DEPRECIATION)

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 6,720,248	\$ 7,388,974	\$ 2,139,584	\$ 757,199	\$ 8,859,832	\$ 8,146,173
Buildings and improvements	7,403,007	7,689,867	1,395,708	1,451,606	8,798,715	9,141,473
Improvements other than buildings	1,253,641	1,400,501	-	-	1,253,641	1,400,501
Utility plant and easements	-	-	29,186,267	28,280,883	29,186,267	28,280,883
Transportation and equipment	2,338,571	2,430,839	1,702,854	1,788,755	4,041,425	4,219,594
Water rights	-	-	9,916,565	8,917,267	9,916,565	8,917,267
Infrastructure	23,808,030	23,113,734	-	-	23,808,030	23,113,734
Construction in progress	5,490,937	894,742	1,076,338	124,804	6,567,275	1,019,546
	<u>\$ 47,014,434</u>	<u>\$ 42,918,657</u>	<u>\$ 45,417,316</u>	<u>\$ 41,320,514</u>	<u>\$ 92,431,750</u>	<u>\$ 84,239,171</u>

Additional information on capital assets can be found in note 4 on pages 45-46.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Universal City had total outstanding debt of \$27,405,965. Of this amount, \$17,355,000 comprises bonded debt backed by the full faith and credit of the government and \$8,675,000 represents bonds secured solely by water and sewer revenues. Notes payables of \$672,607 are capital leases secured by a fire truck, equipment, a street sweeper, golf carts, and golf equipment.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
General obligation bonds	\$ 15,695,000	\$ 17,015,000	\$ -	\$ -	\$ 15,695,000	\$ 17,015,000
Revenue bonds	-	-	8,675,000	9,605,000	8,675,000	9,605,000
Certificates of obligation	1,660,000	1,810,000	-	-	1,660,000	1,810,000
Notes payable	<u>89,844</u>	<u>152,134</u>	<u>582,763</u>	<u>460,393</u>	<u>672,607</u>	<u>612,527</u>
Totals	17,444,844	18,977,134	9,257,763	10,065,393	26,702,607	29,042,527
Compensated absences	<u>508,154</u>	<u>416,767</u>	<u>195,204</u>	<u>114,202</u>	<u>703,358</u>	<u>530,969</u>
Total debt	<u>\$ 17,952,998</u>	<u>\$ 19,393,901</u>	<u>\$ 9,452,967</u>	<u>\$ 10,179,595</u>	<u>\$ 27,405,965</u>	<u>\$ 29,573,496</u>

The City of Universal City maintains an AA+ rating from Standard and Poor's, with municipal bond insurance. Additional information on the City of Universal City's long-term debt can be found in note 5 pages 47-48.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2026 budget will raise more revenue from total property taxes than the 2025 budget by an amount of \$273,498 which is a 2.5% increase from last year's budget. The property tax revenue to be raised from new property added to the tax roll for 2026 is \$118,064.

The City's fiscal year 2026 spending plan includes a property tax rate of \$0.530000 per \$100 of assessed valuation, compared to \$0.514382 in fiscal year 2025. The modest increase is intended to strengthen the City's capacity to fund the purchase of fire apparatus' scheduled for delivery in early 2027.

General Fund revenues are projected to increase from \$19,828,122 in 2025 to \$20,532,029 in 2026, reflecting continued positive growth. This increase is primarily attributable to ongoing growth in sales tax collections, higher ad valorem tax revenues, increased fee revenues, and a larger allocation of venue tax revenues to the General Fund.

In 2026, 45% of expenditures are for public safety; 17% for general services including vehicles and equipment and animal control; 7% for development services; 12% for community services such as library and parks; 8% for general government; and 11% for non-departmental expenses such as insurance and utilities.

Public Safety remains the City's largest expenditure category, encompassing the Police and Fire Departments, which together provide the City's core public safety services. For fiscal year 2026, the Police Department has a budget of \$5,201,490, while the Fire Department's budget totals \$3,986,531.

Utility Fund revenues are budgeted to increase by \$1,057,000, resulting in total projected revenues of \$12,648,402 for fiscal year 2026. Water and sewer collection fees continue to represent the primary source of Utility Fund revenue, totaling \$10,622,943.

New commercial and retail structures began development during the 2025 Fiscal Year. The tenancy of those structures, whether owner-occupied or lease tenants, will contribute to the overall economic viability of the City.

The tenancy of the buildings will supply new tax revenues for the future and support ad valorem and sales tax revenues to fund capital projects and City operations included in the General Fund.

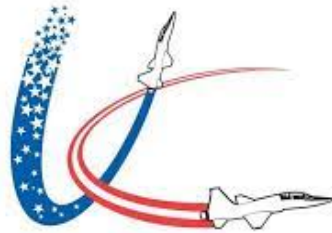
The City's sales tax revenues remain healthy. Residential development and home sales continued at an accelerated pace with new phases coming online in the 2026 Fiscal Year.

Multiple Planned Unit Developments have completed their entitlements with the City. Future construction of mixed-use projects and apartment complexes will be prominent over the next few years.

The Aviation District Master Plan was adopted by both the City and the Economic Development Corporation (EDC). The EDC Board has made ardent strides in identifying and purchasing key properties that are required to bring the plan to fruition. Additionally, infrastructure upgrades and improvements in the adjoining residential areas contribute to the economic viability of the Plan.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Department, Attention: Finance Director, at 2150 Universal City Boulevard, Universal City, Texas 78148, or call (210) 659-0333.



UNIVERSAL CITY
Gateway to Randolph AFB Est. 1950

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the Government Accounting Standards Board (GASB).

The sets of statements include:

- Government–Wide Financial Statements
- Fund Financial Statements:

Governmental Funds
Proprietary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF UNIVERSAL CITY, TEXAS

STATEMENT OF NET POSITION

September 30, 2025

	Primary Government			Component Unit
	Governmental	Business-Type		Universal City
	Activities	Activities	Total	Economic Development
				Corporation
Assets:				
Cash and investments	\$ 28,833,467	\$ 20,694,741	\$ 49,528,208	\$ 3,633,372
Receivables:				
(net of allowances for uncollectibles)				
Taxes	311,006	-	311,006	-
Accounts	-	1,267,125	1,267,125	-
Other	1,095,924	-	1,095,924	-
Due from other governments	1,006,117	-	1,006,117	332,269
Inventories	-	539,537	539,537	-
Prepaid expenses	231,634	75,160	306,794	17,065
Restricted assets:				
Cash	-	5,811,681	5,811,681	-
Capital assets:				
Land	6,720,248	2,139,584	8,859,832	2,598,925
Building and improvements	13,517,899	2,539,193	16,057,092	-
Improvements other than buildings	7,140,795	-	7,140,795	3,090,724
Utility plant and easements	-	43,530,224	43,530,224	-
Transportation and equipment	13,480,490	7,353,168	20,833,658	-
Water rights	-	9,916,565	9,916,565	-
Infrastructure	41,174,136	-	41,174,136	-
Construction in progress	5,490,937	1,076,338	6,567,275	1,344,594
Accumulated depreciation	(40,510,071)	(21,137,756)	(61,647,827)	-
Total assets	<u>78,492,582</u>	<u>73,805,560</u>	<u>152,298,142</u>	<u>11,016,949</u>
Deferred outflows of resources:				
Deferred charge on pension - TMRS	1,764,494	523,194	2,287,688	-
Deferred charge on OPEB - TMRS	<u>28,067</u>	<u>7,916</u>	<u>35,983</u>	-
Total deferred outflows of resources	<u>1,792,561</u>	<u>531,110</u>	<u>2,323,671</u>	-
Total assets and deferred outflows of resources	<u>\$ 80,285,143</u>	<u>\$ 74,336,670</u>	<u>\$ 154,621,813</u>	<u>\$ 11,016,949</u>

The accompanying notes are an integral part of these financial statements.

CITY OF UNIVERSAL CITY, TEXAS

STATEMENT OF NET POSITION

September 30, 2025

	Primary Government			Component Unit
	Governmental	Business-Type		Universal City
	Activities	Activities	Total	Economic Development Corporation
Liabilities and net position:				
Liabilities:				
Accounts payable and other				
current liabilities	\$ 1,031,229	\$ 1,443,252	\$ 2,474,481	\$ 441,557
Accrued interest payable	-	-	-	26,747
Customer deposits	-	1,083,062	1,083,062	-
Due to primary government	-	-	-	-
Accrued interest payable	79,254	-	79,254	-
Unearned revenues	971,334	175,255	1,146,589	-
Current portion:				
Current portion of long-term debt	-	661,160	661,160	-
Accrued interest payable	-	25,645	25,645	-
Noncurrent liabilities:				
Net pension liability	7,629,144	2,262,135	9,891,279	-
OPEB liability - TMRS	248,110	69,980	318,090	-
OPEB liability - Retiree health	24,101	-	24,101	-
Due within one year	1,853,296	243,213	2,096,509	540,544
Due in more than one year	17,106,877	8,892,923	25,999,800	7,499,555
Total liabilities	<u>28,943,344</u>	<u>14,856,625</u>	<u>43,799,969</u>	<u>8,508,403</u>
Deferred inflows of resources:				
Deferred inflow on pension - TMRS	504,738	149,661	654,399	-
Deferred inflow on OPEB - TMRS	99,223	27,986	127,209	-
Deferred inflow on OPEB - Retiree health	227,040	-	227,040	-
Total deferred inflows of resources	<u>831,001</u>	<u>177,647</u>	<u>1,008,648</u>	<u>-</u>
Net position:				
Net investment in capital assets	28,562,416	35,815,224	64,377,640	342,019
Restricted for:				
Special revenue	1,992,370	-	1,992,370	-
Debt service	337,599	-	337,599	-
Capital projects	4,969,306	-	4,969,306	-
Impact fees	-	3,818,517	3,818,517	-
Unrestricted	14,649,107	19,668,657	34,317,764	2,166,527
Total net position	<u>50,510,798</u>	<u>59,302,398</u>	<u>109,813,196</u>	<u>2,508,546</u>
Total liabilities, deferred inflows				
of resources, and net position	<u>\$ 80,285,143</u>	<u>\$ 74,336,670</u>	<u>\$ 154,621,813</u>	<u>\$ 11,016,949</u>

The accompanying notes are an integral part of these financial statements.

CITY OF UNIVERSAL CITY, TEXAS

STATEMENT OF ACTIVITIES

For the year ended September 30, 2025

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Administration / City Council	\$ 1,651,327	\$ 759,022	\$ 140,212	\$ -
Planning and development	1,347,923	746,569	37,100	-
Finance	471,364	-	-	-
Municipal court	708,329	1,880,339	-	-
General services division	2,836,277	26,387	-	288,220
Police	4,735,186	101,467	30,850	-
Fire	3,536,943	-	-	-
Library	649,977	3,872	8,582	-
Vehicle and equipment maintenance	370,884	-	-	-
Animal shelter	757,730	-	2,054	-
Human resources	151,757	-	298,022	-
Parks and recreation	1,557,352	121,191	-	-
Golf course	-	-	-	-
Nondepartmental	1,700,983	-	-	-
Interest and other fees	586,034	-	-	-
Total governmental activities	<u>21,062,066</u>	<u>3,638,847</u>	<u>516,820</u>	<u>288,220</u>
Business-type activities:				
Water / sewage utility	9,394,033	11,603,067	-	-
Water impact fees	-	448,877	-	-
Sewer impact fees	-	65,493	-	-
Golf course	3,808,939	3,475,320	-	-
Stormwater management	607,579	893,369	7,305	-
Total business-type activities	<u>13,810,551</u>	<u>16,486,126</u>	<u>7,305</u>	<u>-</u>
Total primary government	<u>\$ 34,872,617</u>	<u>\$ 20,124,973</u>	<u>\$ 524,125</u>	<u>\$ 288,220</u>
Component unit:				
Economic Development Corporation	<u>\$ 1,521,034</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes

General property taxes

Franchise taxes

Sales taxes

Hotel/motel taxes

Mixed drink taxes

Interest and investment earnings

Miscellaneous

Transfers

Total general revenues

Change in net position

Net position - beginning of year

Restatement of net position

Net position - end of year

The accompanying notes are an integral part of these financial statements.

Changes in Net Position			Component Unit Universal City Economic Development Corporation
Primary Government			
Governmental Activities	Business-Type Activities	Total	
\$ (752,093)	\$ -	\$ (752,093)	\$ -
(564,254)	-	(564,254)	-
(471,364)	-	(471,364)	-
1,172,010	-	1,172,010	-
(2,521,670)	-	(2,521,670)	-
(4,602,869)	-	(4,602,869)	-
(3,536,943)	-	(3,536,943)	-
(637,523)	-	(637,523)	-
(370,884)	-	(370,884)	-
(755,676)	-	(755,676)	-
146,265	-	146,265	-
(1,436,161)	-	(1,436,161)	-
-	-	-	-
(1,700,983)	-	(1,700,983)	-
(586,034)	-	(586,034)	-
<u>(16,618,179)</u>	<u>-</u>	<u>(16,618,179)</u>	<u>-</u>
-	2,209,034	2,209,034	-
-	448,877	448,877	-
-	65,493	65,493	-
-	(333,619)	(333,619)	-
-	293,095	293,095	-
-	2,682,880	2,682,880	-
<u>(16,618,179)</u>	<u>2,682,880</u>	<u>(13,935,299)</u>	<u>-</u>
			<u>(1,521,034)</u>
9,296,118	-	9,296,118	-
1,322,290	-	1,322,290	-
7,473,946	-	7,473,946	1,946,346
151,212	-	151,212	-
79,320	-	79,320	-
1,372,862	1,003,675	2,376,537	273,293
1,895,372	138,350	2,033,722	57,195
<u>(1,071,811)</u>	<u>1,071,811</u>	<u>-</u>	<u>-</u>
<u>20,519,309</u>	<u>2,213,836</u>	<u>22,733,145</u>	<u>2,276,834</u>
3,901,130	4,896,716	8,797,846	755,800
<u>46,695,501</u>	<u>54,477,673</u>	<u>101,173,174</u>	<u>(32,059)</u>
<u>(85,833)</u>	<u>(71,991)</u>	<u>(157,824)</u>	<u>1,784,805</u>
\$ 50,510,798	\$ 59,302,398	\$ 109,813,196	\$ 2,508,546

CITY OF UNIVERSAL CITY, TEXAS

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2025

	Major Funds				Total
	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Funds	Governmental Funds
Assets:					
Cash and temporary investments	\$ 20,349,510	\$ 5,005,516	\$ 337,599	\$ 3,140,842	\$ 28,833,467
Receivables:					
(net of allowances for uncollectibles)					
Property taxes, net	245,858	-	65,148	-	311,006
Accounts	37,325	-	-	39,487	76,812
Due from other governments	673,848	-	-	332,269	1,006,117
Prepaid	189,959	-	-	41,675	231,634
Total assets	<u>\$ 21,496,500</u>	<u>\$ 5,005,516</u>	<u>\$ 402,747</u>	<u>\$ 3,554,273</u>	<u>\$ 30,459,036</u>
Liabilities:					
Accounts payable	\$ 696,621	\$ 36,210	\$ -	\$ 400	\$ 733,231
Accrued expenditures	297,998	-	-	-	297,998
Unearned revenues	-	-	-	971,334	971,334
Total liabilities	<u>994,619</u>	<u>36,210</u>	<u>-</u>	<u>971,734</u>	<u>2,002,563</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	<u>245,858</u>	<u>-</u>	<u>65,148</u>	<u>-</u>	<u>311,006</u>
Fund balances:					
Nonspendable:					
Prepaid	189,959	-	-	41,675	231,634
Restricted:					
PEG funds	-	-	-	146,116	146,116
Public safety	-	-	-	76,055	76,055
Library improvements	26,948	-	-	-	26,948
Hotel / motel	-	-	-	554,898	554,898
Child safety	-	-	-	128,594	128,594
Venue tax	-	-	-	480,231	480,231
Animal shelter	17,797	-	-	-	17,797
Court technology	-	-	-	33,470	33,470
Court security	-	-	-	82,970	82,970
Northlake roads	150,000	-	-	-	150,000
Park improvements	276,000	-	-	-	276,000
Veterans park	13,116	-	-	-	13,116
Opioid abatement	6,175	-	-	-	6,175
Debt service	-	-	337,599	-	337,599
Capital projects	-	4,969,306	-	-	4,969,306
Consolidated security and technology	-	-	-	22,702	22,702
American rescue plan	-	-	-	6,437	6,437
Assigned: capital projects	1,558,772	-	-	1,009,391	2,568,163
Unassigned	<u>18,017,256</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,017,256</u>
Total fund balances	<u>20,256,023</u>	<u>4,969,306</u>	<u>337,599</u>	<u>2,582,539</u>	<u>28,145,467</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,496,500</u>	<u>\$ 5,005,516</u>	<u>\$ 402,747</u>	<u>\$ 3,554,273</u>	<u>\$ 30,459,036</u>

The accompanying notes are an integral part of these financial statements.

CITY OF UNIVERSAL CITY, TEXAS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION**

September 30, 2025

Total fund balance - total governmental funds	\$ 28,145,467
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	47,014,434
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,330,118
--	-----------

Accrued vacation leave payable is not due and payable in the current period and, therefore, not reported in the funds.	(508,154)
--	-----------

Long-term liabilities are not due and payable in the current period and, therefore, not reported in the funds:

Bonds and notes payable	(18,452,018)
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Net pension liability	(7,629,144)
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OPEB liability - TMRS	(248,110)
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OPEB liability - Retiree health	(24,101)
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Deferred outflows/inflows	961,560
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Accrued interest payable on long-term bonds is not due and payable in the current period and, therefore, not reported in the funds.	<u>(79,254)</u>
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Total net position of governmental activities	<u><u>\$ 50,510,798</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF UNIVERSAL CITY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

For the year ended September 30, 2025

	Major Funds				Total
	General	Capital	Debt	Nonmajor	Governmental
	Fund	Projects	Service	Funds	Funds
		Fund	Fund		
Revenues:					
Taxes	\$ 14,823,557	\$ -	\$ 1,634,909	\$ 2,097,558	\$ 18,556,024
Fees, licenses and permits	896,642	-	-	125,800	1,022,442
Intergovernmental	633,062	288,220	-	-	921,282
Contributions from component unit	88,750	-	-	-	88,750
Fines and forfeitures	1,546,039	-	-	149,802	1,695,841
Interest	874,405	312,476	55,947	130,034	1,372,862
Miscellaneous	<u>2,307,023</u>	<u>1,772</u>	<u>-</u>	<u>-</u>	<u>2,308,795</u>
Total revenues	<u>21,169,478</u>	<u>602,468</u>	<u>1,690,856</u>	<u>2,503,194</u>	<u>25,965,996</u>
Expenditures:					
Current:					
Administrative	622,517	-	-	-	622,517
Planning and development	1,282,605	-	-	-	1,282,605
Finance	489,207	-	-	-	489,207
Municipal court	288,414	-	-	409,373	697,787
General services division	1,744,738	-	-	5,227	1,749,965
Police	4,702,151	-	-	-	4,702,151
Fire	3,510,161	-	-	-	3,510,161
Vehicle and equipment maintenance	378,044	-	-	-	378,044
Animal shelter	665,262	-	-	-	665,262
Human resources	151,778	-	-	-	151,778
Library	523,223	-	-	-	523,223
Parks and recreation	1,257,114	-	-	-	1,257,114
Nondepartmental	1,700,983	-	-	-	1,700,983
City council	34,096	-	-	-	34,096
Capital outlay	1,337,977	5,914,280	-	-	7,252,257
Debt service:					
Principal	-	62,290	1,470,000	-	1,532,290
Interest and fiscal charges	-	4,279	698,681	-	702,960
Bond issuance costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>18,688,270</u>	<u>5,980,849</u>	<u>2,168,681</u>	<u>414,600</u>	<u>27,252,400</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,481,208</u>	<u>(5,378,381)</u>	<u>(477,825)</u>	<u>2,088,594</u>	<u>(1,286,404)</u>
Other financing sources (uses):					
Transfers in	790,000	66,569	-	782,189	1,638,758
Transfers out	<u>(616,569)</u>	<u>-</u>	<u>-</u>	<u>(2,094,000)</u>	<u>(2,710,569)</u>
Total other financing sources (uses)	<u>173,431</u>	<u>66,569</u>	<u>-</u>	<u>(1,311,811)</u>	<u>(1,071,811)</u>
Net change in fund balances	2,654,639	(5,311,812)	(477,825)	776,783	(2,358,215)
Fund balances at beginning of year	<u>17,601,384</u>	<u>10,281,118</u>	<u>815,424</u>	<u>1,805,756</u>	<u>30,503,682</u>
Fund balances at end of year	<u>\$ 20,256,023</u>	<u>\$ 4,969,306</u>	<u>\$ 337,599</u>	<u>\$ 2,582,539</u>	<u>\$ 28,145,467</u>

The accompanying notes are an integral part of these financial statements.

CITY OF UNIVERSAL CITY, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the year ended September 30, 2025

Net change in fund balances - governmental funds	\$ (2,358,215)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense.

Capital outlay	\$ 7,252,257	
Depreciation	<u>(2,377,639)</u>	4,874,618

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	69,011
--	--------

The issuance of long-term debt (e.g., bonds and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. The amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments	1,609,043
--------------------	-----------

The change in the liability for net pension and OPEB liabilities does not consume a current financial resource and is therefore not reported as an expenditure in the governmental funds.

Pension Plan	393,765	
OPEB Plan - TMRS	1,159	
OPEB Plan - Health	<u>55,971</u>	450,895

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(744,222)</u>
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Change in net position of governmental activities	<u>\$ 3,901,130</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF UNIVERSAL CITY, TEXAS

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

September 30, 2025

	Business-Type Activities - Enterprise Funds		
	Water / Sewer Fund	Water Impact Fees	Sewer Impact Fees
Current assets:			
Cash and investments	\$ 11,835,186	\$ 3,187,333	\$ 631,184
Receivables (net of allowances for uncollectibles)			
Accounts	1,184,514	-	-
Inventories	464,919	-	-
Cash - restricted	5,811,681	-	-
Prepays	<u>36,463</u>	<u>-</u>	<u>-</u>
Total current assets	<u>19,332,763</u>	<u>3,187,333</u>	<u>631,184</u>
Deferred outflows of resources:			
Deferred outflow - TMRS pension	301,326	-	-
Deferred outflow - TMRS OPEB	<u>4,512</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>305,838</u>	<u>-</u>	<u>-</u>
Capital assets:			
Land	2,139,584	-	-
Building and improvements	2,253,028	-	-
Utility plant and easements	35,869,021	-	-
Transportation and equipment	4,064,503	-	-
Water rights	9,916,565	-	-
Construction in progress	-	-	-
Accumulated depreciation	<u>(17,392,089)</u>	<u>-</u>	<u>-</u>
Capital assets net of accumulated depreciation	<u>36,850,612</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 56,489,213</u>	<u>\$ 3,187,333</u>	<u>\$ 631,184</u>

The accompanying notes are an integral part of these financial statements.

Business-Type Activities-Enterprise Funds		
Stormwater Fund	Golf Course Fund	Total
\$ 1,077,581	\$ 3,963,457	\$ 20,694,741
82,611	-	1,267,125
-	74,618	539,537
-	-	5,811,681
<u>1,236</u>	<u>37,461</u>	<u>75,160</u>
<u>1,161,428</u>	<u>4,075,536</u>	<u>28,388,244</u>
26,961	194,907	523,194
<u>554</u>	<u>2,850</u>	<u>7,916</u>
<u>27,515</u>	<u>197,757</u>	<u>531,110</u>
-	-	2,139,584
-	286,165	2,539,193
7,661,203	-	43,530,224
574,985	2,713,680	7,353,168
-	-	9,916,565
637,912	438,426	1,076,338
<u>(1,768,482)</u>	<u>(1,977,185)</u>	<u>(21,137,756)</u>
<u>7,105,618</u>	<u>1,461,086</u>	<u>45,417,316</u>
<u>\$ 8,294,561</u>	<u>\$ 5,734,379</u>	<u>\$ 74,336,670</u>

CITY OF UNIVERSAL CITY, TEXAS

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

September 30, 2025

	Business-Type Activities - Enterprise Funds		
	Water / Sewer Fund	Water Impact Fees	Sewer Impact Fees
Liabilities and net position:			
Current liabilities:			
Accounts payable	\$ 1,011,551	\$ -	\$ -
Accrued wages	53,736	-	-
Compensated absences/vacation leave	105,904	-	-
Customer deposits	1,083,062	-	-
Unearned revenues	-	-	-
Current portion of notes payable	-	-	-
Total current liabilities	<u>2,254,253</u>	<u>-</u>	<u>-</u>
Current liabilities payable from			
Restricted assets:			
Current portion of revenue bonds	661,160	-	-
Accrued interest payable	<u>25,645</u>	<u>-</u>	<u>-</u>
Total current liabilities payable from			
restricted assets	<u>686,805</u>	<u>-</u>	<u>-</u>
Noncurrent liabilities:			
Net pension liability	1,302,806	-	-
OPEB liability	39,888	-	-
Notes payable	-	-	-
Revenue bonds	<u>8,358,169</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>9,700,863</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>12,641,921</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:			
Deferred inflow - TMRS pension	86,195	-	-
Deferred inflow - TMRS OPEB	<u>15,952</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>102,147</u>	<u>-</u>	<u>-</u>
Net position:			
Net investment in capital assets	27,831,283	-	-
Restricted - impact fees	-	3,187,333	631,184
Unrestricted	<u>15,913,862</u>	<u>-</u>	<u>-</u>
Total net position	<u>43,745,145</u>	<u>3,187,333</u>	<u>631,184</u>
Total liabilities, deferred inflows of resources			
and net position	<u>\$ 56,489,213</u>	<u>\$ 3,187,333</u>	<u>\$ 631,184</u>

The accompanying notes are an integral part of these financial statements.

Business-Type Activities - Enterprise Funds

<u>Stormwater Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
\$ 89,278	\$ 220,356	\$ 1,321,185
5,675	62,656	122,067
9,896	79,404	195,204
-	-	1,083,062
-	175,255	175,255
-	<u>194,412</u>	<u>194,412</u>
<u>104,849</u>	<u>732,083</u>	<u>3,091,185</u>
-	-	661,160
-	-	<u>25,645</u>
-	-	<u>686,805</u>
116,644	842,685	2,262,135
4,899	25,193	69,980
-	388,351	388,351
-	-	<u>8,358,169</u>
<u>121,543</u>	<u>1,256,229</u>	<u>11,078,635</u>
<u>226,392</u>	<u>1,988,312</u>	<u>14,856,625</u>
7,712	55,754	149,661
<u>1,959</u>	<u>10,075</u>	<u>27,986</u>
<u>9,671</u>	<u>65,829</u>	<u>177,647</u>
7,105,618	878,323	35,815,224
-	-	3,818,517
<u>952,880</u>	<u>2,801,915</u>	<u>19,668,657</u>
<u>8,058,498</u>	<u>3,680,238</u>	<u>59,302,398</u>
<u>\$ 8,294,561</u>	<u>\$ 5,734,379</u>	<u>\$ 74,336,670</u>

The accompanying notes are an integral part of these financial statements.

CITY OF UNIVERSAL CITY, TEXAS

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS**

For the year ended September 30, 2025

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water / Sewer</u>	<u>Water</u>	<u>Sewer</u>
	<u>Fund</u>	<u>Impact Fees</u>	<u>Impact Fees</u>
Operating revenues:			
Water revenues	\$ 5,510,597	\$ -	\$ -
Sewer revenues	5,180,448	-	-
Stormwater revenues	-	-	-
Golf course fees	-	-	-
Other fees and service charges	792,480	448,877	65,493
Miscellaneous revenues	<u>119,542</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>11,603,067</u>	<u>448,877</u>	<u>65,493</u>
Operating expenses:			
Public works	1,194,893	-	-
Administration	655,327	-	-
Water department	3,050,429	-	-
Sewer department	3,203,420	-	-
Stormwater department	-	-	-
Golf course operating cost	-	-	-
Depreciation	<u>1,009,060</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>9,113,129</u>	<u>-</u>	<u>-</u>
Operating income	<u>2,489,938</u>	<u>448,877</u>	<u>65,493</u>
Nonoperating revenues (expenses):			
Sale of capital assets	5,050	-	-
Interest income	734,034	115,486	23,217
Grants and donations	-	-	-
Transfer in	-	-	-
Transfer out	-	-	-
Interest and fiscal charges	<u>(280,904)</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>458,180</u>	<u>115,486</u>	<u>23,217</u>
Change in net position	2,948,118	564,363	88,710
Net position at beginning of year	<u>40,826,789</u>	<u>2,622,970</u>	<u>542,474</u>
Restatement of net position	<u>(29,762)</u>	<u>-</u>	<u>-</u>
Net position at end of year	<u>\$ 43,745,145</u>	<u>\$ 3,187,333</u>	<u>\$ 631,184</u>

The accompanying notes are an integral part of these financial statements.

Business-Type Activities - Enterprise Funds

Stormwater Fund	Golf Course Fund	Total
\$ -	\$ -	\$ 5,510,597
-	-	5,180,448
841,593	-	841,593
-	2,349,602	2,349,602
-	1,051,442	2,358,292
<u>51,776</u>	<u>74,276</u>	<u>245,594</u>
<u>893,369</u>	<u>3,475,320</u>	<u>16,486,126</u>
-	-	1,194,893
-	-	655,327
-	-	3,050,429
-	-	3,203,420
405,242	-	405,242
-	3,545,805	3,545,805
<u>202,337</u>	<u>263,134</u>	<u>1,474,531</u>
<u>607,579</u>	<u>3,808,939</u>	<u>13,529,647</u>
<u>285,790</u>	<u>(333,619)</u>	<u>2,956,479</u>
-	133,300	138,350
-	130,938	1,003,675
7,305	-	7,305
-	1,304,000	1,304,000
(232,189)	-	(232,189)
-	-	(280,904)
<u>(224,884)</u>	<u>1,568,238</u>	<u>1,940,237</u>
60,906	1,234,619	4,896,716
<u>7,999,066</u>	<u>2,486,374</u>	<u>54,477,673</u>
<u>(1,474)</u>	<u>(40,755)</u>	<u>(71,991)</u>
<u>\$ 8,058,498</u>	<u>\$ 3,680,238</u>	<u>\$ 59,302,398</u>

CITY OF UNIVERSAL CITY, TEXAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the year ended September 30, 2025

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water / Sewer</u>	<u>Water</u>	<u>Sewer</u>
	<u>Fund</u>	<u>Impact Fees</u>	<u>Impact Fees</u>
Cash flows from operating activities:			
Cash received from customers	\$ 11,644,590	\$ 448,877	\$ 65,493
Cash paid for employee wages and benefits	(1,786,841)	-	-
Cash paid to suppliers for goods and services	<u>(6,151,513)</u>	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>3,706,236</u>	<u>448,877</u>	<u>65,493</u>
Cash flows from capital and related financing activities:			
Purchase/construction of capital assets	(4,155,616)	-	-
Principal payments on long-term debt	(1,010,876)	-	-
Proceeds from bonds and notes	-	-	-
Interest and fiscal charges paid	<u>(283,425)</u>	<u>-</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(5,449,917)</u>	<u>-</u>	<u>-</u>
Cash flows from noncapital financing activities:			
Transfers from/to other funds	-	-	-
Grants and donations	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Investment interest received	<u>734,034</u>	<u>115,486</u>	<u>23,217</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,009,647)</u>	<u>564,363</u>	<u>88,710</u>
Cash and cash equivalents at beginning of year:			
Cash and equivalents	9,950,270	2,622,970	542,474
Restricted cash and equivalents	<u>8,706,244</u>	<u>-</u>	<u>-</u>
Total cash and equivalents at beginning of year	<u>18,656,514</u>	<u>2,622,970</u>	<u>542,474</u>
Cash and equivalents at end of year:			
Cash and equivalents	11,835,186	3,187,333	631,184
Restricted cash and equivalents	<u>5,811,681</u>	<u>-</u>	<u>-</u>
Total cash and equivalents at end of year	<u>\$ 17,646,867</u>	<u>\$ 3,187,333</u>	<u>\$ 631,184</u>

The accompanying notes are an integral part of these financial statements.

Business-Type Activities - Enterprise Funds		
Stormwater Fund	Golf Course Fund	Total
\$ 891,076	\$ 3,530,526	\$ 16,580,562
(160,180)	(1,308,324)	(3,255,345)
<u>(255,265)</u>	<u>(1,975,589)</u>	<u>(8,382,367)</u>
<u>475,631</u>	<u>246,613</u>	<u>4,942,850</u>
(484,581)	(902,609)	(5,542,806)
(22,041)	(199,776)	(1,232,693)
-	436,732	436,732
<u>-</u>	<u>-</u>	<u>(283,425)</u>
<u>(506,622)</u>	<u>(665,653)</u>	<u>(6,622,192)</u>
(232,189)	1,304,000	1,071,811
<u>7,305</u>	<u>-</u>	<u>7,305</u>
<u>(224,884)</u>	<u>1,304,000</u>	<u>1,079,116</u>
<u>-</u>	<u>130,938</u>	<u>1,003,675</u>
<u>(255,875)</u>	<u>1,015,898</u>	<u>403,449</u>
1,333,456	2,947,559	17,396,729
<u>-</u>	<u>-</u>	<u>8,706,244</u>
<u>1,333,456</u>	<u>2,947,559</u>	<u>26,102,973</u>
1,077,581	3,963,457	20,694,741
<u>-</u>	<u>-</u>	<u>5,811,681</u>
<u>\$ 1,077,581</u>	<u>\$ 3,963,457</u>	<u>\$ 26,506,422</u>

CITY OF UNIVERSAL CITY, TEXAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the year ended September 30, 2025

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water / Sewer</u>	<u>Water</u>	<u>Sewer</u>
	<u>Fund</u>	<u>Impact Fees</u>	<u>Impact Fees</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	\$ 2,489,938	\$ 448,877	\$ 65,493
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	1,009,060	-	-
Change in net pension and OPEB expense	(26,330)	-	-
(Increase) decrease in operating assets:			
Accounts receivable	29,681	-	-
Inventory	(15,574)	-	-
Due from other funds	-	-	-
Prepaid	78,862	-	-
Increase (decrease) in operating liabilities:			
Accounts payable	44,894	-	-
Accrued wages and benefits	83,863	-	-
Due to other funds	-	-	-
Utility deposits	11,842	-	-
Deferred revenue	-	-	-
Total adjustments	<u>1,216,298</u>	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 3,706,236</u>	<u>\$ 448,877</u>	<u>\$ 65,493</u>

SCHEDULE OF NONCASH ACTIVITIES

Actuarially determined change in:			
Net pension liability	\$ (235,563)	\$ -	\$ -
Other postemployment benefit liability	360,284	-	-

The accompanying notes are an integral part of these financial statements.

Business-Type Activities - Enterprise Funds		
Stormwater	Golf Course	
Fund	Fund	Total
\$ 285,790	\$ (333,619)	\$ 2,956,479
202,337	263,134	1,474,531
(29,790)	-	(56,120)
(2,293)	-	27,388
-	4,406	(11,168)
-	-	-
(673)	(37,357)	40,832
10,742	196,732	252,368
9,518	98,111	191,492
-	-	-
-	-	11,842
-	55,206	55,206
189,841	580,232	1,986,371
\$ 475,631	\$ 246,613	\$ 4,942,850

\$ (29,768)	\$ (74,605)	\$ (339,936)
(22)	(107)	360,155



NOTES TO BASIC FINANCIAL STATEMENTS



CITY OF UNIVERSAL CITY, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of significant accounting policies

The City of Universal City, Texas, (City), was incorporated on September 6, 1960 by Ordinance Number 1. The City Charter was adopted on April 18, 1972, under the provisions of the Home Rule Charter Act of the State of Texas using Ordinance Number 237. The City operates under a council-manager form of government and provides the following services as authorized by its charter: police and fire protection, maintenance of streets, planning and zoning, parks and recreation, general administrative services, water, sewer, and stormwater services, and a golf course.

The financial statements of the City have been prepared in conformity with 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 more significant of the City's accounting policies are described below.

Reporting entity

Component units

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations; thus, data from these units, if any existed, would be combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

The City of Universal City has a component unit displayed as a discretely presented component unit. The component unit, Universal City Economic Development Corporation (EDC), was organized under Vernon's Civil Statutes, Section 4B 5190.6, to establish a nonprofit corporation for the sole purpose of economic development and enhancement of the City of Universal City. The fiscal year of the EDC is October 1 through September 30. The EDC has seven (7) board members, with the city manager acting as an advisor to the Board. The EDC provides direct services and benefits to the City, its business community, and citizens and functions as an integral part of the City's operations by promoting and incentivizing economic growth and development for the community.

The Universal City Economic Development Corporation is included within the financial statements of the City of Universal City due to the significance of the corporation's operational and financial relationship with the City. The financial data of the component unit is recognized in the financial statements as a discretely presented component unit. It is reported in a separate column on the government-wide financial statements to emphasize it is legally separate from the government. Separately issued financial statements for the Universal City Economic Development Corporation may be obtained at the Universal City Municipal Complex.

Government-wide and fund financial statements

The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City and its component unit. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. The primary government is reported separately from the component unit within the government-wide statements.

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2025

(1) Summary of significant accounting policies (continued)

Government-wide and fund financial statements (continued)

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges of customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. The general fund, capital projects fund, and debt service fund all meet the criteria of a major governmental fund.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as program revenues and general revenues. Program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year end.

Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Property taxes which were levied prior to September 30, 2025 and became due October 1, 2024, have been assessed to finance the budget of the fiscal year beginning October 1, 2024, and accordingly, have been reflected as deferred inflows of resources and taxes receivable in the fund financial statements at September 30, 2025.

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of significant accounting policies (continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The City reports the following major governmental funds:

The general fund is the general operating fund of the City and is always classified as a major fund. The general fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, licenses and permits, fines and forfeitures, sales tax, and franchise taxes. Primary expenditures are for general administration, public safety, and capital acquisition.

The capital projects fund accounts for financial resources to be used for the acquisition and construction of major capital projects and is principally financed by the sale of bonds and tax notes.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

Proprietary fund financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's proprietary funds are water/sewer fund (used to account for the provision of water and sewer services to residents), water and sewer impact fees, the golf course fund, and the stormwater fund. All the proprietary funds qualify as major funds.

The proprietary funds are accounted for using the accrual basis of accounting as follows:

1. Revenues are recognized when earned, and expenses are recognized when liabilities are incurred.
2. Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Cash and cash equivalents

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City.

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of significant accounting policies (continued)

Investments

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any other state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC), or its successor; or, (ii) secured by obligations that are described by (a) – (d). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase agreements involving those same obligations. Investments are stated at fair value.

At September 30, 2025, the City has all its monies in interest-bearing checking accounts, savings accounts, and TexPool.

Accounts receivable

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1 and past due after January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectibles.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles.

Short-term interfund receivables / payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2025

(1) Summary of significant accounting policies (continued)

Inventories

Inventories of consumable supplies are valued at cost, which approximates market, using the first in/first out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

Inventories of repair and replacement parts for the utility system are valued at cost, which approximates market, using the FIFO method.

Restricted assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Funds are segregated to report those proceeds of revenue bond issuances that are restricted for use in construction.

Capital assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$2,500 or more. Infrastructure assets include City-owned streets, sidewalks, curbs and bridges. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40 years
Improvements other than buildings	20 years
Transportation and equipment	5 to 15 years
Water and sewer system	15 to 50 years
Infrastructure	10 to 30 years

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of significant accounting policies (continued)

Compensated absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave and sabbatical leave. A liability for compensated absences that is attributable to services already rendered which is not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or in which such events take place.

Liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements.

Deferred inflows of resources

Property tax revenues are recognized when they become both measurable and available within the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenues not expected to be available for the current period are reflected as deferred inflows of resources.

Long-term obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. On new bond issues, bond premiums and discounts are deferred and amortized over the life of the bond.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund balance

The City implemented GASB Statement 54 “*Fund Balance Reporting and Governmental Fund Type Definitions*”. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2025

(1) Summary of significant accounting policies (continued)

Fund balance (continued)

- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose, positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. Assigned fund balance is delegated by the City Council to the City Manager.

Net position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Interfund transactions

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both governmental and proprietary funds.

The City allocates to the water/sewer and stormwater funds an indirect overhead cost percentage of general government administration expenses that is paid to the general fund. During the year ended September 30, 2025, the City allocated \$602,000 from the water/sewer, stormwater, and golf funds as transfers for such services. The indirect overhead cost allocation is reflected as an operating expense in the water/sewer fund and the stormwater fund, and as revenue in the general fund.

Operating revenues and expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the City, those revenues are charges for water, sewer and stormwater services, golf course green fees, and other direct sales. Operating expenses are the necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

CITY OF UNIVERSAL CITY, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other postemployment benefits

The fiduciary net position of the Texas Municipal Retirement System (TMRS) Supplemental Death Plan (SDBF) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources, and deferred inflows of resources related to the other postemployment benefits, OPEB expense, and information about additions to/deductions from the TMRS OPEB's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. Contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Implementation of new accounting standard

Effective October 1, 2024, the City adopted GASB Statement No. 101 "*Compensated Absences*". Under GASB Statement 101, the liability for compensated absences includes the estimated amount of unused leave amounts earned to date by employees that are more likely than not to be used or otherwise paid/settled, and leave that has been used by not paid or settled. Salary-related payments (such as payroll taxes and employer retirement contributions) that are directly and incrementally associated with the leave are also required to be included in the measurement.

(2) Cash, cash equivalents, and investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation insurance.

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(2) Cash, cash equivalents, and investments (continued)

Cash

At September 30, 2025, deposits in the bank were \$56,596,630 and the book balance was \$55,339,890. The City's depository had pledged securities having a market value of \$63,068,378 as collateral for the City's deposits at September 30, 2025. Deposits were fully collateralized.

The discretely presented component unit had deposits in the bank of \$3,442,230 and the book balance was \$3,633,372. Deposits were fully collateralized.

Investments

The City is required by Governmental Code Chapter 2256, the Public Funds Investment Act, to adopt, implement, and publicize an investment policy. The policy must address the following areas: 1) safety of principal and liquidity, 2) portfolio diversification, 3) allowable investments, 4) acceptable risk levels, 5) expected rates of return, 6) maximum allowable stated maturity of portfolio investments, 7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, 8) investment staff quality and capabilities, and 9) bid solicitation preferences for certificates of deposit.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. Agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

Analysis of specific deposit and investment risks

GASB Statement Number 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, reporting of certain related disclosures:

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not exposed to credit risk.

Custodial credit risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

The City was not exposed to custodial credit risk. The discretely presented component unit was not exposed to custodial credit risk.

Concentration of credit risk – This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration risk.

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2025

(2) Cash, cash equivalents, and investments (continued)

Analysis of specific deposit and investment risks (continued)

Interest rate risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

(3) Property tax calendar

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2024 upon which the 2025 levy was based was \$2,140,808,271 (i.e., market value less exemptions). The estimated market value was \$2,458,043,309 making the taxable value 87% of the estimated market value.

Property taxes are recorded as receivables and deferred inflows of resources at the time the taxes are assessed. In governmental funds, revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore are susceptible to accrual in accordance with generally accepted accounting principles and have been recognized as revenue. In the government-wide financial statements, the entire levy is recognized as revenue, net of estimated uncollectible amounts, at the levy date.

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2025

(4) Capital assets

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

	Beginning Balance	Additions	Transfer/Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,388,974	\$ 110,115	\$ (778,841)	\$ 6,720,248
Construction in progress	<u>894,742</u>	<u>5,914,279</u>	<u>(1,318,084)</u>	<u>5,490,937</u>
Total capital assets, not being depreciated	<u>8,283,716</u>	<u>6,024,394</u>	<u>(2,096,925)</u>	<u>12,211,185</u>
Capital assets, being depreciated:				
Buildings	13,364,864	153,035	-	13,517,899
Improvements other than buildings	7,140,795	-	-	7,140,795
Transportation and equipment	13,002,459	611,600	(133,569)	13,480,490
Infrastructure	<u>39,392,824</u>	<u>1,781,312</u>	<u>-</u>	<u>41,174,136</u>
Total capital assets, being depreciated	<u>72,900,942</u>	<u>2,545,947</u>	<u>(133,569)</u>	<u>75,313,320</u>
Less accumulated depreciation:				
Buildings	(5,674,997)	(439,895)	-	(6,114,892)
Improvements other than buildings	(5,740,294)	(146,860)	-	(5,887,154)
Transportation and equipment	(10,571,620)	(703,868)	133,569	(11,141,919)
Infrastructure	<u>(16,279,090)</u>	<u>(1,087,016)</u>	<u>-</u>	<u>(17,366,106)</u>
Total accumulated depreciation	<u>(38,266,001)</u>	<u>(2,377,639)</u>	<u>133,569</u>	<u>(40,510,071)</u>
Total capital assets being depreciated, net	<u>34,634,941</u>	<u>168,308</u>	<u>-</u>	<u>34,803,249</u>
Governmental activities capital assets, net	<u>\$ 42,918,657</u>	<u>\$ 6,192,702</u>	<u>\$ (2,096,925)</u>	<u>\$ 47,014,434</u>

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2025

(4) Capital assets (continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 757,199	\$ 1,382,385	\$ -	\$ 2,139,584
Construction in progress	124,804	951,534	-	1,076,338
Water rights	<u>8,917,267</u>	<u>999,298</u>	<u>-</u>	<u>9,916,565</u>
Total capital assets, not being depreciated	<u>9,799,270</u>	<u>3,333,217</u>	<u>-</u>	<u>13,132,487</u>
Capital assets, being depreciated:				
Buildings and improvements	2,539,193	-	-	2,539,193
Utility plant	41,830,007	1,700,217	-	43,530,224
Transportation and equipment	<u>6,815,269</u>	<u>537,899</u>	<u>-</u>	<u>7,353,168</u>
Total capital assets, being depreciated	<u>51,184,469</u>	<u>2,238,116</u>	<u>-</u>	<u>53,422,585</u>
Less accumulated depreciation:				
Buildings and improvements	(1,087,587)	(55,898)	-	(1,143,485)
Utility plant	(13,549,124)	(794,833)	-	(14,343,957)
Transportation and equipment	<u>(5,026,514)</u>	<u>(623,800)</u>	<u>-</u>	<u>(5,650,314)</u>
Total accumulated depreciation	<u>(19,663,225)</u>	<u>(1,474,531)</u>	<u>-</u>	<u>(21,137,756)</u>
Total capital assets being depreciated, net	<u>31,521,244</u>	<u>763,585</u>	<u>-</u>	<u>32,284,829</u>
Business-type capital assets, net	<u>\$ 41,320,514</u>	<u>\$ 4,096,802</u>	<u>\$ -</u>	<u>\$ 45,417,316</u>

Depreciation expense was charged to the governmental functions as follows:

Administration	\$ 116,436
Planning and development	705,757
Finance	4,322
Municipal court	23,011
General services division	675,113
Police	201,755
Fire	132,163
Library	101,516
Vehicle and equipment maintenance	1,299
Animal shelter	81,601
Parks and recreation	<u>334,666</u>
Total depreciation expense - governmental activities	<u>\$ 2,377,639</u>

CITY OF UNIVERSAL CITY, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(5) Long-term debt:

The City had the following changes in long-term debt outstanding for the year ended September 30, 2025:

	Original Amount	Interest Rates	Outstanding October 1, 2024	Issued	Retired	Balance September 30, 2025	Amounts Due in One Year
Governmental activities:							
Unamortized premium			\$ 1,083,927	\$ -	\$ (76,753)	\$ 1,007,174	\$ 76,753
Certificates of obligation (2014)	\$ 3,090,000	2.00-4.00	1,810,000	-	(150,000)	1,660,000	155,000
General obligation bonds (2016)	4,935,000	2.00-3.00	3,235,000	-	(240,000)	2,995,000	245,000
General obligation bonds (2019)	7,705,000	2.00-4.00	5,510,000	-	(485,000)	5,025,000	505,000
General obligation bonds (2022)	3,120,000	3.00-5.00	2,530,000	-	(405,000)	2,125,000	480,000
General obligation bonds (2023)	5,965,000	4.00-5.00	5,740,000	-	(190,000)	5,550,000	200,000
Total bonds payable			19,908,927	-	(1,546,753)	18,362,174	1,661,753
Note payable, Schertz Bank & Trust	546,698	3.45	152,134	-	(62,290)	89,844	64,504
Compensated absences			502,600	5,554	-	508,154	127,039
Total governmental activities			20,563,661	5,554	(1,609,043)	18,960,172	1,853,296
Business-type activities:							
Revenue and refunding bonds:							
Bonds (2012)	3,600,000	2.00-4.00	345,000	-	(345,000)	-	-
Bonds (2015)	2,830,000	2.00-4.00	1,825,000	-	(140,000)	1,685,000	145,000
Bonds (2017)	2,970,000	3.00-3.125	2,140,000	-	(135,000)	2,005,000	140,000
Bonds (2020)	2,080,000	1.095	1,150,000	-	(160,000)	990,000	160,000
Bonds (2022)	4,445,000	4.0-4.5	4,145,000	-	(150,000)	3,995,000	160,000
Unamortized premium			400,490	-	(56,161)	344,329	56,160
Total bonds payable			10,005,490	-	(986,161)	9,019,329	661,160
Note payable, TexStar National Bank	335,315	4.198	141,037	-	(141,037)	-	-
Note payable, Street Sweeper	263,870	2.64	22,040	-	(22,040)	-	-
Note payable, Express Dual 4100s	80,053	2.64	42,550	-	(20,538)	22,012	22,012
Note payable, 2550 Triplex Mower	56,828	2.64	37,638	-	(14,024)	23,614	15,377
Note payable, Fairway Mowers	247,055	2.64	155,897	-	(61,606)	94,291	65,667
Note payable, ProGator 2030A	39,161	6.9	38,023	-	(7,093)	30,930	7,598
Note payable, Sprayer	23,876	6.9	23,208	-	(4,188)	19,020	4,488
Note payable, Golf Carts 2025	436,732	6.75	-	436,732	(43,836)	392,896	79,270
Total notes payable			460,393	436,732	(314,362)	582,763	194,412
Compensated absences			186,192	9,012	-	195,204	48,801
Total business-type activities			10,652,075	445,744	(1,300,523)	9,797,296	904,373
Total primary government			\$ 31,215,736	\$ 451,298	\$ (2,909,566)	\$ 28,757,468	\$ 2,757,669

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2025

(5) Long-term debt (continued):

	Original Amount	Interest Rates	Outstanding October 1, 2024	Issued	Retired	Balance September 30, 2025	Amounts Due in One Year
Component unit activities:							
Revenue bonds (2020)	\$ 3,500,000	2.97	\$ 2,692,000	\$ -	\$ (210,000)	\$ 2,482,000	\$ 217,000
Revenue bonds (2016)	1,700,000	1.650	362,000	-	(180,000)	182,000	182,000
Revenue bonds (2024)	5,000,000	5.0	5,000,000	-	(55,000)	4,945,000	110,000
Unamortized premium	473,158		<u>462,643</u>	<u>-</u>	<u>(31,544)</u>	<u>431,099</u>	<u>31,544</u>
Total component unit activities			<u>\$ 8,516,643</u>	<u>\$ -</u>	<u>\$ (476,544)</u>	<u>\$ 8,040,099</u>	<u>\$ 540,544</u>

Annual debt service requirements as of September 30, 2025, for revenue bonds, general obligation bonds, and certificates of obligation are as follows:

Fiscal Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 1,585,000	\$ 634,032	\$ 2,219,032	\$ 605,000	\$ 307,735	\$ 912,735
2027	1,220,000	578,832	1,798,832	620,000	287,983	907,983
2028	1,260,000	532,932	1,792,932	645,000	267,631	912,631
2029	1,310,000	485,432	1,795,432	665,000	246,374	911,374
2030	1,355,000	441,431	1,796,431	685,000	224,267	909,267
2031-2035	5,335,000	1,600,281	6,935,281	3,060,000	800,499	3,860,499
2036-2040	3,790,000	689,356	4,479,356	1,760,000	328,869	2,088,869
2041-2043	1,500,000	115,319	1,615,319	635,000	40,800	675,800
Totals	<u>\$ 17,355,000</u>	<u>\$ 5,077,615</u>	<u>\$ 22,432,615</u>	<u>\$ 8,675,000</u>	<u>\$ 2,504,158</u>	<u>\$ 11,179,158</u>

Annual debt service requirements as of September 30, 2025, for notes payable are as follows:

Fiscal Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 64,504	\$ 2,066	\$ 66,570	\$ 194,412	\$ 35,338	\$ 229,750
2027	25,340	124	25,464	134,597	21,469	156,066
2028	-	-	-	104,562	13,961	118,523
2029	-	-	-	108,055	10,468	118,523
2030	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,137</u>	<u>682</u>	<u>41,819</u>
Totals	<u>\$ 89,844</u>	<u>\$ 2,190</u>	<u>\$ 92,034</u>	<u>\$ 582,763</u>	<u>\$ 81,918</u>	<u>\$ 664,681</u>

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2025

(6) Defined benefit pension plan

Texas Municipal Retirement System

Plan description

The City participates as one of 938 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

Benefits provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest, and the City-financed monetary credits with interest. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty (20) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 7%, and the City matching percent is currently 2 to 1.

Employees covered by benefit terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	95
Inactive employees entitled to but not yet receiving benefits	137
Active employees	<u>147</u>
	<u>379</u>

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2025

(6) Defined benefit pension plan (continued)

Texas Municipal Retirement System (continued)

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the entry age normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The City matches 2 to 1. The contribution rates for the City were 19.59% and 20.04% in calendar years 2024 and 2025 respectively. The City's contributions to TMRS for the year ended September 30, 2025 and 2024 were \$2,173,587 and \$2,036,087, which were equal to the required contributions.

Net pension liability

The City's net pension liability (NPL) was measured as of December 31, 2024, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4 year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.00% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2025

(6) Defined benefit pension plan (continued)

Texas Municipal Retirement System (continued)

Actuarial assumptions (continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage.

The target allocation and best estimates of expected return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	35.00%	7.1%
Core fixed income	6.00%	5.0%
Non-core fixed income	6.00%	6.8%
Hedge funds	5.00%	6.4%
Private equity	13.00%	8.5%
Private debt	13.00%	8.2%
Real estate	12.00%	6.7%
Infrastructure	6.00%	6.0%
Other private markets	4.00%	7.3%
Total	<u>100.00%</u>	

CITY OF UNIVERSAL CITY, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(6) Defined benefit pension plan (continued)

Texas Municipal Retirement System (continued)

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net pension liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2023	\$ 54,434,778	\$ 43,072,712	\$ 11,357,062
Changes for the year:			
Service cost	1,898,402	-	1,898,402
Interest	3,610,148	-	3,610,148
Changes in benefit terms	(520,953)	-	(520,953)
Difference between expected and actual experience	790,373	-	790,373
Changes of assumptions	-	-	-
Contributions - employer	-	2,055,820	(2,055,820)
Contributions - employee	-	734,595	(734,595)
Net investment income	-	4,482,717	(4,482,717)
Benefit payments, including refunds of employee contributions	(2,758,709)	(2,758,709)	-
Administrative expense	-	(28,706)	28,706
Other changes	-	(673)	673
Net changes	<u>3,540,214</u>	<u>4,485,044</u>	<u>(1,465,783)</u>
Balance at December 31, 2024	<u>\$ 57,454,039</u>	<u>\$ 47,557,756</u>	<u>\$ 9,891,279</u>

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(6) Defined pension benefit plan (continued)

Texas Municipal Retirement System (continued)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 18,071,626	\$ 9,891,279	\$ 3,211,452

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the schedule of changes in fiduciary net position, by participating city. The report may be obtained at www.tmr.com.

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2025, the City recognized pension expense of \$1,724,026.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 696,789	\$ 133,326
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	-	521,073
Contributions subsequent to the measurement date	1,590,899	-
Total	\$ 2,287,688	\$ 654,399

The City reported \$1,590,899 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

December 31,	Net Deferred Outflows/ (Inflows) of Resources
2025	\$ 260,468
2026	644,363
2027	(547,450)
2028	(314,991)
Total	\$ 42,390

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2025

(6) Defined benefit pension plan (continued)

Other postemployment benefits (OPEB)

Plan description

The City participates in an optional death benefit plan, which operates like a group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired members. The City may terminate coverage and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits provided

The death benefit for active members provides a lump-sum payment approximately equal to the member's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired members are insured for \$7,500; this coverage is an "other postemployment benefit" or OPEB. As the SDBF covers both active and retiree members, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one year delay between the actuarial valuation that serves as the basis for the City's contribution rate and the calendar year when the rate goes into effect. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

The contribution rate for the City was 0.20% and 0.25% for calendar years 2025 and 2024, respectively. The City's contribution to TMRS for the SDBF program for the year ended September 30, 2025 was \$23,313 and was equal to the required contributions.

Employees covered by benefit terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	54
Inactive employees entitled to but not yet receiving benefits	25
Active employees	<u>147</u>
	<u>226</u>

Other postemployment benefits (OPEB) liability

The City's total OPEB liability of \$318,090 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2025

(6) Defined benefit pension plan (continued)

Other postemployment benefits (OPEB) (continued)

Actuarial assumptions

The OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate *	4.08%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2024.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2025

(6) Defined benefit pension plan (continued)

Other postemployment benefits (OPEB) (continued)

Changes in the OPEB liability

Balance at December 31, 2023	\$ 323,358
Changes for the year:	
Service cost	15,741
Interest on the OPEB liability	12,329
Changes of benefit terms	-
Difference between expected and actual experience	(6,645)
Change in assumptions or other inputs	(18,298)
Benefit payments	<u>(8,395)</u>
Net changes	<u>(5,268)</u>
Balance at December 31, 2024	<u><u>\$ 318,090</u></u>

Sensitivity of the OPEB liability to changes in the discount rate

The following presents the OPEB liability of the City, calculated using the discount rate of 4.08%, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

	1% Decrease in Discount Rate (3.08%)	Current Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
City's OPEB liability	<u>\$ 382,995</u>	<u>\$ 318,090</u>	<u>\$ 267,536</u>

OPEB expense, deferred outflows of resources, and deferred inflows of resources related to OPEB

For the year ended September 30, 2025, the City recognized OPEB expense of \$6,451.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ -	\$ 30,974
Changes in actuarial assumptions	30,426	-
Difference between projected and actual investment earnings	-	96,235
Contributions made subsequent to the measurement date	<u>5,557</u>	<u>-</u>
Total	<u><u>\$ 35,983</u></u>	<u><u>\$ 127,209</u></u>

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2025

(6) Retirement plan (continued)

Other postemployment benefits (OPEB) (continued)

OPEB expense, deferred outflows of resources, and deferred inflows of resources related to OPEB (continued)

The City reported \$5,557 as deferred outflows of resources related to the OPEB liability resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the OPEB liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>December 31,</u>	<u>Net Deferred Outflows/ (Inflows) of Resources</u>
2025	\$ (25,945)
2026	(33,352)
2027	(29,375)
2028	(3,518)
2029	(4,070)
Thereafter	(523)
Total	<u>\$ (96,783)</u>

Plan description and benefits provided

The City provides medical insurance benefits through the City of Universal City Retiree Health Care Plan, a single employer benefit OPEB plan. This plan provides benefits for all permanent full-time employees in eligible classes. To be eligible, a participant must be at least age sixty (60) and have at least five (5) or more years of service or any age with at least (20) years of service.

Retirees are eligible for medical and prescription benefits as provided in the plan document. Upon the death of active employee or a covered retiree, covered dependents are eligible for coverage continuation through COBRA only.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2025

(6) Retirement plan (continued)

Other postemployment benefits (OPEB) (continued)

Postemployment health care coverage

Contributions

The City contributes to the blended Medical Plan as approved through the annual approved budget. Retirees not eligible for the City subsidy will be required to pay contributions as shown below:

	<u>Contribution Schedule</u>
Retiree only – PPO Plan	\$1,034.78
Retiree + spouse – PPO Plan	\$2,261.86
Retiree only – HDHP Plan	\$ 731.52
Retiree + spouse – HDHP Plan	\$1,599.01
Retiree only – HMO Plan	\$ 886.76
Retiree + spouse – HMO Plan	\$1,938.35

Contributions for postemployment benefits were recognized on a pay-as-you-go basis in the past. Contributions paid by the City during the fiscal year ended September 30, 2025, were \$21,712.

Employees covered by benefit terms

At the September 30, 2025 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>142</u>
	<u>148</u>

OPEB liability

The City's total OPEB liability of \$24,101 was measured as of September 30, 2025, and was determined by an actuarial valuation as of October 1, 2023.

Actuarial valuation information:

Actuarial assumptions and other inputs - The total OPEB liability in the September 30, 2025 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2025

(6) Retirement plan (continued)

Other postemployment benefits (OPEB) (continued)

Postemployment health care coverage (continued)

Actuarial cost method	Entry age normal
Inflation	2.50% per annum
Salary increases	3.00% average which includes inflation
Discount rate	4.90% per annum which includes inflation
Mortality	Mortality rates are based upon the Public Plan mortality study recently completed by the Society of Actuaries PUB 2010 sex distinct general employee headcount weighted table with generational mortality improvement scale MP-2021.
Health care cost trend rates	6.21% initial medical trend rate for pre-65 retirees decreasing to an ultimate rate of 4.14% in the year 2041.

Changes of assumptions: The discount rate has increased from 4.06% to 4.90%.

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(6) Retirement plan (continued)

Other postemployment benefits (OPEB) (continued)

Postemployment health care coverage (continued)

Changes in the total OPEB liability

Balance at October 1, 2024	\$ 33,860
Changes for the year:	
Service cost	12,922
Interest	1,760
Changes of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	(2,729)
Contributions - employer	(21,712)
Net changes	<u>(9,759)</u>
Balance at September 30, 2025	<u><u>\$ 24,101</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate and health care cost trend rates:

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.90%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.90%) or 1 percentage point higher (5.90%) than the current rate.

<u>1% Decrease in Discount Rate (3.90%)</u>	<u>Discount Rate (4.90%)</u>	<u>1% Increase in Discount Rate (5.90%)</u>
\$ <u>26,910</u>	\$ <u>24,101</u>	\$ <u>21,789</u>

The following presents the total OPEB liability of the City, calculated using the current health care cost trend rates as well as what the City's total OPEB liability would be if it were calculated using the trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate Sensitivity</u>	<u>1% Increase</u>
\$ <u>21,771</u>	\$ <u>24,101</u>	\$ <u>26,944</u>

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2025

(6) Retirement plan (continued)

Other postemployment benefits (OPEB) (continued)

Postemployment health care coverage (continued)

OPEB expense and deferred outflows of resources and deferred inflows of resources as related to OPEB

For the year ended September 30, 2025, the City recognized OPEB expense of (\$34,259).

As of September 30, 2025, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ -	\$ 11,350
Changes in actuarial assumptions	-	215,690
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 227,040</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

September 30,	Amounts To Be Expensed In Future Expense Calculation
2026	\$ (48,941)
2027	(48,941)
2028	(48,939)
2029	(40,080)
2030	(39,750)
2031	(389)
Thereafter	-
Total	<u>\$ (227,040)</u>

CITY OF UNIVERSAL CITY, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(7) Interfund transfers

Interfund transfers during the year ended September 30, 2025, were the result of normal transactions between the funds:

Transfer out	Transfer In				Total
	General Fund	Capital Projects Fund	Nonmajor Funds	Golf Course Fund	
General fund	\$ -	\$ 66,569	\$ 550,000	\$ -	\$ 616,569
Nonmajor funds	790,000	-	-	1,304,000	2,094,000
Stormwater	-	-	232,189	-	232,189
Totals	<u>\$ 790,000</u>	<u>\$ 66,569</u>	<u>\$ 782,189</u>	<u>\$ 1,304,000</u>	<u>\$ 2,942,758</u>

(8) Commitments and contingencies

The City has entered into contracts for future commitments as follows:

	Estimated Cost to City	Expended to Date	Estimated Future Commitment
General government:			
Fire truck - pumper and ladder	<u>\$ 3,435,635</u>	<u>\$ -</u>	<u>\$ 3,435,635</u>
Totals	<u>\$ 3,435,635</u>	<u>\$ -</u>	<u>\$ 3,435,635</u>

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Risk management

The City has identified possible risk of losses arising from events such as the following:

1. Torts
2. Theft of, damage to, or destruction of assets
3. Errors and omissions
4. Job-related illnesses or injuries to employees, and
5. Acts of God

The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property/casualty and worker's compensation. TML is a multi-employer group that provides for a combination for risk sharing among pool participants and stop loss coverage. Contributions are set annually by TML Liability by the City is generally limited to the contributed amounts.

CITY OF UNIVERSAL CITY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(9) Change in accounting principle

Effective October 1, 2024, the City adopted and implemented GASB Statement 101 “*Compensated Absences*”. This statement changes the measurement of the compensated absences payable reported as of September 30, 2025. As such, the governmental activities and business-type activities in the government-wide statement of net position have been restated.

The reconciliation of beginning net position is as follows:

	Governmental Activities	Business-type Activities
Beginning net position	\$ 46,695,501	\$ 54,477,673
Change to beginning net position:		
Implementation of GASB 101, compensated absences	(85,833)	(71,991)
Beginning net position, as restated	<u>\$ 46,609,668</u>	<u>\$ 54,405,682</u>

(10) Subsequent events

Subsequent events were evaluated by the City’s management through March 3, 2026, the date which the financial statements were available to be issued. No subsequent events have occurred that require disclosure.

