



CITY OF BELTON

**City Council Meeting Agenda
Tuesday, December 11, 2018 - 5:30 p.m.
Wright Room, Harris Community Center
401 N. Alexander, Belton, Texas**

Pledge of Allegiance. The Pledge of Allegiance to the U.S. Flag will be led by Councilmember John R. Holmes, Sr.

Texas Pledge. The Pledge of Allegiance to the Texas Flag will be led by Director of Parks and Recreation Matt Bates.

"Honor the Texas flag; I pledge allegiance to thee Texas, one state under God, one and indivisible."

Invocation. The Invocation will be given by Dr. Claudette Morgan-Scott, Pastor of Shiloh Worship Center.

1. Call to order.
2. Public Comments.

Citizens who desire to address the Council on any matter may register to do so prior to this meeting and speak during this item. Forms are located on the table outside of the south side entry to the meeting room. Please state your name and address for the record, and limit your comments to three minutes. Also, please understand that while the Council appreciates hearing your comments, State law (Texas Gov't Code §551.042) prohibits them from: (1) engaging in discussion other than providing a statement of specific factual information or reciting existing City policy, and (2) taking action other than directing Staff to place the matter on a future agenda.

3. Receive Child Safety Fee funds in the amount of \$22,605.67 from Bell County.
4. Recognitions: Assistant City Manager/Chief of Police Gene Ellis and Fire Chief Bruce Pritchard will present lifesaving awards.

5. Consider minutes of previous meetings:

- A. November 27, 2018, City Council Workshop Meeting
- B. November 27, 2018, City Council Regular Meeting

6. Consider authorizing the City Manager to execute the Second Amendment to the Amended and Restated Water Supply Contract with Belton Water Control and Improvement District (BCWCID) No. 1, and to take all associated steps needed for contract compliance.
7. Consider an ordinance modifying the City's TMRS retirement plan by increasing the employee deposit rate from 5% to 6% and decreasing the Updated Service Credit from 100% to 50%.

The City Council reserves the right to adjourn into Executive Session at any time regarding any issue on this agenda for which it is legally permissible.



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OFFICE OF THE CITY MANAGER

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3. **Receive Child Safety Fee funds in the amount of \$22,605.67 from Bell County.**

Section 502 of the Transportation Code provides that County Commissioners can collect an additional fee up to \$1.50 for each vehicle registered in the County, and

Bell County collects the full \$1.50 amount. Bell County officials will make a presentation regarding Belton's share of funding received from 10/1/2017 – 9/30/2018, in the amount of \$22,605.67 (prior year amount was \$22,233.77). While some other area cities have decided to use these funds for other allowed purposes, the City of Belton has chosen to honor the legislative intent of these fees and direct them to the intended purpose of crossing guard programs to ensure the safety of school children. To that end, the City will remit these funds received from Bell County, as well as fees collected on City fines, to BISD to be used for its crossing guard program.

4. **Recognitions: Assistant City Manager/Chief of Police Gene Ellis and Fire Chief Bruce Pritchard will present lifesaving awards.**

- On November 4, 2018, Sergeant William Hamilton and Officer Richard Spurgeon were dispatched to an address on Comay Street, in reference to a male patient experiencing cardiac arrest. Officer Spurgeon arrived first, and quickly retrieved his patrol vehicle's automated external defibrillator (AED) before making his way to the patient inside the residence. Sergeant Hamilton arrived soon after and began CPR, while Officer Spurgeon prepared the AED. Sergeant Hamilton and Officer Spurgeon worked as team administering CPR on the patient, and ensuring the AED deployed correctly. Sergeant Hamilton and Officer Spurgeon worked on the patient for several minutes, until he was revived. Belton Fire/EMS arrived and Paramedic Josh Isbell, Firefighter Mario Fuentes, and Firefighter Bradley Hamaker continued lifesaving measures. The patient was transported to Baylor Scott and White Hospital and is recovering.
- On November 11, 2018, Belton Police and EMS units responded to the 300 block of West 1st Avenue in reference to a person unconscious and not breathing. Officers Ray Rodriguez and Josh Tulloch were the first to arrive. They found the 24 year old male not breathing and with no pulse. They began CPR and connected the patient to an AED (automated external defibrillator). The AED delivered two shocks to the patient. Belton Fire/EMS Lieutenants/Paramedics Aric Henkelman and Clayton King, as well as Firefighter Richard Chavarria arrived and took over CPR at which time the patient began breathing on his own. The patient was transported to Baylor Scott and White Hospital and is expected to make a full recovery.

5. **Consider minutes of previous meetings:**

- A. **November 27, 2018, City Council Workshop Meeting**
- B. **November 27, 2018, City Council Regular Meeting**

Copies of the minutes are attached. Recommend approval.

6. **Consider authorizing the City Manager to execute the Second Amendment to the Amended and Restated Water Supply Contract with Belton Water Control**

and Improvement District (BCWCID) No. 1, and to take all associated steps needed for contract compliance.

See Staff Report from City Manager Sam Listi. Recommend authorization to execute amendment as presented.

7. **Consider an ordinance modifying the City's TMRS retirement plan by increasing the employee deposit rate from 5% to 6% and decreasing the Updated Service Credit from 100% to 50%.**

See Staff Report from Director of Finance Brandon Bozon and Director of Human Resources Charlotte Walker. Recommend adoption of the ordinance modifying the City's TMRS plan as presented.

The City Council reserves the right to adjourn into Executive Session at any time regarding any issue on this agenda for which it is legally permissible.

**Belton City Council Workshop Meeting
November 27, 2018 – 4:00 P.M.**

The Belton City Council met in workshop session in the Smith Room at the Harris Community Center with the following members present: Mayor Marion Grayson, Mayor Pro Tem Craig Pearson and Councilmembers David K. Leigh, Dan Kirkley, Guy O'Banion, John R. Holmes, Sr. and Wayne Carpenter. Staff present included Sam Listi, Amy Casey, Gene Ellis, Brandon Bozon, Paul Romer, Angellia Points, Cheryl Maxwell, Bruce Pritchard and Jeremy Allamon.

1. **Call to order.** Mayor Marion Grayson called the meeting to order at 4:00 p.m.
2. **Discuss TDHCA Tax Credit Program proposal for the Commerce Street Apartments by Homestead Development south of the southwest corner of Sparta Road and Commerce Drive.**

City Manager Sam Listi explained that Wade Bienski of Homestead Development is once again proposing a TDHCA tax credit project for a low to moderate income, multifamily apartment complex in Belton. The complex is proposed to be located south of the southwest corner of Sparta Road and Commerce Drive, and will include 80 units, an increase from 64 units in the original project previously proposed. The 5 acre site was zoned in 2012 for multi-family use.

Mr. Listi stated the project will include 20 1-bedroom/1-bath, 44 2-bedroom/2-bath and 16 3-bedroom/2-bath units. The development will result in a density of 16.0 dwelling units per acre. On-site management and on-site property maintenance personnel will be provided.

Listi added that the affordable housing tax credit program is administered in Texas by the TDHCA and is extremely competitive. To maximize the points for potential funding, a community is asked to pass a resolution of support and make a minimum financial commitment of \$500. A resolution of support is included in the Council packet, and Staff recommends a proposed reduction of \$1,000 in the building permit fee, estimated at \$10,000. All other normal building permit and utility fees will be required.

Homestead Development proposes an investment of \$15 million and will meet all City of Belton design/development standards. Mr. Listi said that once the development is completed, it will generate annual property taxes estimated at between \$9,500 and \$13,200 per year, depending on assessed property value.

Mr. Bienski said that this project has been presented at least three times, and there really hasn't been much change in the development proposal. The only change this year is an increase in the number of units proposed, but everything else remains unchanged. Over the years, changes in the rules of the program have caused other projects to be scored higher than this proposed project. However, Mr. Bienski said his company would continue to pursue this project each year until it is funded, as long as Council support remains.

Councilmember Kirkley asked how large the area was that Belton is competing with. Mr. Bienski said that it includes all the cities in Region 8 which include larger cities such as Bryan, College Station, Killeen, Temple and Waco. Region 8 only has funding for one project. Mr. Kirkley said, "Our need is huge... make it work."

Councilmember Carpenter asked if the amount of the City's contribution makes a difference in the scoring. Mr. Bienski said that only a \$500 contribution is required to receive the points.

Mr. Listi asked if the increased number of units helped with the scoring. Mr. Bienski said yes, that with the increased number of units, they are able to lower their percentage for costs related to development which increases the number of points awarded.

Mayor Pro Tem Pearson asked for a refresher on how the management works. Mr. Bienski said that the development company will manage the property for the life of the property. The investors, as well as the State, perform annual inspections.

Mr. Listi reminded the Council that this item is on the Consent Agenda at the regular meeting at 5:30 p.m.

3. Receive a presentation and discuss remediation services at Central Fire Station, as well as other available information on building renovations.

City Manager Sam Listi said he wants to provide an update on Staff efforts to bring the Central Fire Station back to normal operating conditions. He explained that Director of Public Works, Angellia Points, will provide background on the issues with Central Fire Station, and then she will also discuss the two-step process for resolution of the issues. He also introduced Melissa Schmidt of Farmer Environmental and William Justice of Eikon, the two companies involved in the analysis of the existing conditions and design of solutions to the problems.

Director of Public Works Angellia Points provided a history of Central Fire Station including issues with moisture and humidity (see Exhibit "A"). She explained that Staff received three proposals for the mold remediation portion of the project, and the lowest qualified bid was provided by E-Logic. Their bid totaled \$19,990.

Councilmember O'Banion asked the square footage of the area that will be remediated. Mr. Justice said that the area is approximately 1,200 – 1,400 square feet.

Mrs. Points also discussed the second portion of the project in detail which includes addressing the mechanical issues and attic air flow/temperature issues. It is currently proposed that the City's Building Maintenance crew perform this work in order to minimize costs.

Points explained that a mobile home has been rented for \$1,000 per month, and it will be located at the Public Works facility to house firefighters assigned to Central Fire Station. The firefighters will be located there as long as it takes to complete the work. This location provides adequate coverage for the South Belton area.

Funding for this project is available in General Fund - Capital Projects, and Mrs. Points estimates the second portion of the project will cost approximately \$200,000 with additional funds available for the new HVAC system coming from the HVAC Replacement Fund.

Councilmember Leigh thanked Staff for all their hard work in getting this situation taken care of. He asked if there are truly “savings” if Staff is redirected from normal work tasks in order to complete this project. Mrs. Points said that Department Heads will be notified that low priority projects will be delayed. She added that some types of work may need to be contracted out. Mr. Leigh suggested that Staff complete an internal bid sheet and compare that total to bids received from external companies for the total work to ensure best value is achieved.

Mayor Grayson said that this project needs to resolve the issues since these problems have been addressed more than once in previous years. Mr. Justice explained how this design should solve the issues that Central Fire Station is experiencing at this time.

4. **Adjourn.** There being no further business, the Mayor adjourned the meeting at 4:49 p.m.

Marion Grayson, Mayor

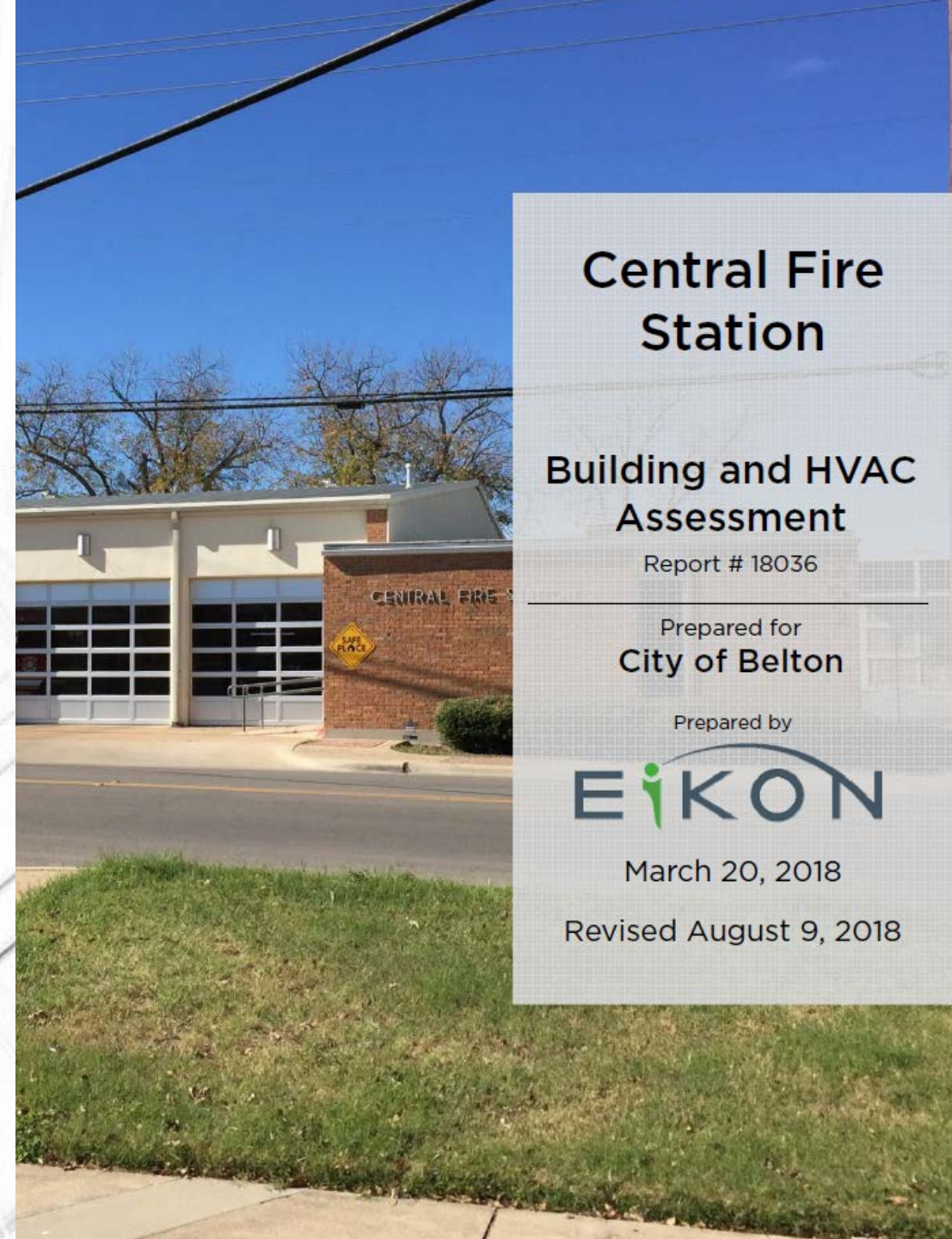
ATTEST:

Amy M. Casey, City Clerk

EXHIBIT "A"

Central Fire Station Update

City Council Workshop
November 27, 2018



Central Fire Station

Building and HVAC Assessment

Report # 18036

Prepared for
City of Belton

Prepared by



March 20, 2018

Revised August 9, 2018

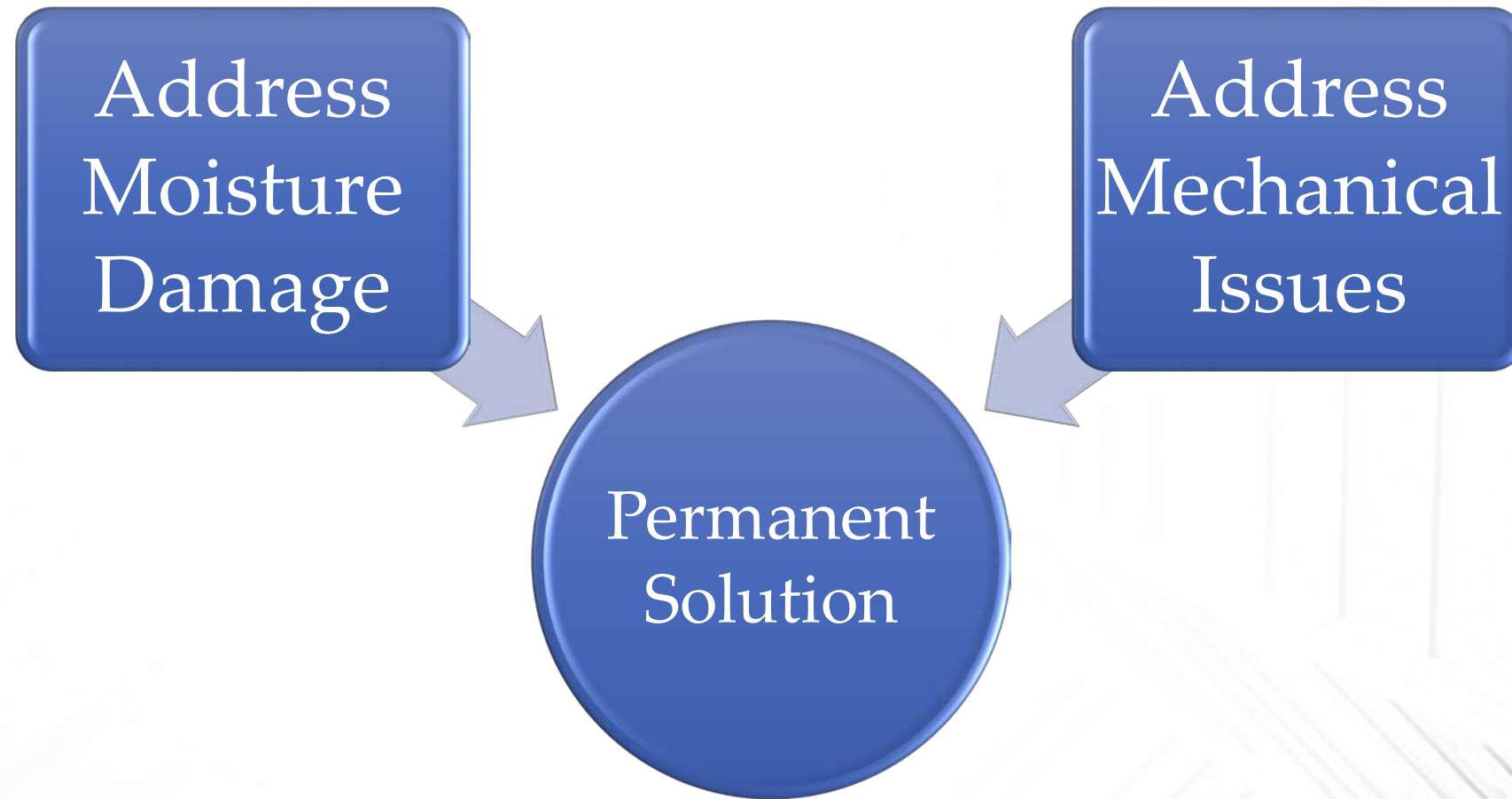
Background

- 2004 - Central Fire Station was renovated to convert the bay area to a bunk area and restrooms.
- 2007 - Humidity and mold issues were discovered. Two firms (HMG and NAE) were consulted to determine the cause of the issues. The issue was determined by HMG and confirmed by NAE to be the negative pressure in the attic space, the lack of outside make-up air, and inadequate insulation of ductwork and ceiling.
- 2008 - City and architect (BRW) agreed upon a settlement. The City hired HMG to design the proposed solutions: insulate the ducting, design a new unit to treat outside air (AAON), and balance the HVAC units. Rabroker A/C performed the work.
- Humidity continues to be an issue at the Central Fire Station, and Staff has worked with a qualified mechanical, electrical, and plumbing engineering firm (EIKON Consulting Group, LLC) and their team of engineers to design a permanent solution.

What are the causes and concerns?

- EIKON has identified some areas which are contributing to the humidity issues:
 - RTUs are single-phase, constant volume with no capacity control other than on/off.
 - Sheet rock ceiling is trapping moisture in attic space.
 - Outside air is partially treated and sent into attic space with little to no venting.
 - The attic space is not sealed.
 - There is not a traditional vapor barrier in the walls of the bunk area. (Vapor barrier in floor was confirmed.)
 - The bathroom walls extend above the ceiling and exhaust is restricted.
- Existing HVAC units are 15 and 23 years old, at the end of their life span.
- The AAON is 10 years old but has required frequent, and often expensive, maintenance. Maintenance on the unit is proprietary in nature, and in turn, unit down times are extended due to availability of technicians.
- Staff visually inspected the area inside of the walls in late September 2018. Moisture damage was discovered.

Two Step Process



Step 1: Addressing the Moisture Damage

- After visually identifying moisture damage, Staff sought out the recommended environmental firms and selected Farmer Environmental to perform a mold assessment.
- On Oct 22nd, Firefighters were temporarily relocated to Sparta Station.
- On Oct 23rd, Farmer performed physical and air tests for asbestos and mold.
- The findings were submitted to the City on Nov 7th.
 - The air quality in the living spaces was found to be acceptable with mold and allergens less than the outside air.
 - However, mold was identified within the walls and in the attic space of the sleeping quarters. The mold was present but not airborne.
 - The Farmer Environmental report also came with a protocol to remediate the mold.
 - On Nov 8th – Farmer began reaching out to specialized and licensed contractors to get quotes for the remediation work.

Step 1: Moisture Damage Summary

- As of November 26, 2018, 3 bids were received from licensed remediation contractors.
- Lowest, qualified bidder was E-Logic, Inc. of Southlake, Texas for \$19,990, and we are satisfied with the proposal. E-Logic has visited the site.
- Staff will authorize the contractor to begin as soon as they are set up as a vendor and the PO is approved.
- The abatement work will take approximately 5 business days. Sampling will be required post-removal and cleaning.
 - Remediation limited to bunk area only.
 - Removal of north, south, and west walls. Brick and studs to remain during remediation. Removal of interior partition walls and lockers. Removal of ceiling in bunk area and bathrooms.
 - Clean metal supports.
 - Removal of all material by contractor.

Step 2: Addressing the Mechanical Issues

EIKON to finalize HVAC design. Staff to execute the HVAC improvements and finish out bunk area.

1. Install a vapor barrier in the walls.
2. Replace the two roof-top units (RTUs) with new equipment using part load and humidity control operation.
3. Replace the AAON system with a new energy recovery ventilator (ERV). Duct the outside air from the ERV directly into the intakes of the two RTUs.
4. Seal the attic space and remove the return ductwork in the attic so that it acts as a return air plenum.
5. Remove bathroom walls above the ceiling to open the areas up to the plenum.
6. Replace supply ductwork with properly sized and sealed ducting.
7. Replace the hard ceiling with a drop-in type ceiling, as well as lights.
8. Finish out with architectural items: drywall, fixtures, carpet, cabinetry, shelving, workstations, paint, etc.

Step 2: Mechanical Solution Summary

- This solution makes use of the insulated ceiling cavity as a return air plenum. This allows conditioned air (heated, cooled, dehumidified, etc.) to circulate into the attic space along with the occupied areas below the ceiling.
- This solution replaces both RTUs that are beyond their typical, expected life span.
- This solution replaces the AAON system with an ERV, which will be more energy efficient, will require less maintenance, and be ducted directly into the RTUs, not the attic space.
- OPCC = \$200,000 to \$260,000 (if done by a contractor)

Staff Recommendation

- Remediate the mold and moisture damage: \$19,900.
- Staff proposes to take on project internally with the Building Maintenance Staff. Staff is capable and willing to perform the mechanical and architectural improvements, with some help from vendors and contractors for certain tasks.
 - The project is expected to take approximately 6 months to complete after the remediation is done.
 - The estimated cost is expected to be less than \$200,000.
- If the project is bid and fully contracted out, the project is estimated to take 3 months and will cost between \$200,000 and \$260,000.
- Regardless, a temporary facility has been set up at Public Works for placement of fire fighters in South Belton for as long as needed. The monthly rental for the mobile home is \$1,000 per month.
- Recommendation: Proceed with mold remediation and then proceed with construction in-house.
- Funding source for mold remediation and construction: General Fund Capital Project Fund of \$200,000. Partial funding for HVAC units can be purchased out of the HVAC Replacement Fund.

**Belton City Council Meeting
November 27, 2018 – 5:30 P.M.**

The Belton City Council met in regular session in the Wright Room at the Harris Community Center with the following members present: Mayor Marion Grayson, Mayor Pro Tem Craig Pearson and Councilmembers David K. Leigh, Guy O'Banion, Dan Kirkley, John R. Holmes, Sr. and Wayne Carpenter. Staff present included Sam Listi, Gene Ellis, John Messer, Amy Casey, Brandon Bozon, Chris Brown, Matt Bates, Paul Romer, Bob van Til, Bruce Pritchard, Kim Kroll, Judy Garrett, Angellia Points, Charlotte Walker, Cheryl Maxwell and Kelly Atkinson.

The Pledge of Allegiance to the U.S. Flag was led by Councilmember Dan Kirkley, the Pledge of Allegiance to the Texas Flag was led by Director of Library Services Kim Kroll, and the Invocation was given by Dr. Claudette Morgan-Scott, Pastor of Shiloh Worship Center.

Mayor Marion Grayson took a moment to recognize Jeff Harford, a local Scout leader, who passed away earlier in the week.

1. **Call to order.** Mayor Grayson called the meeting to order at 5:33 p.m.
2. **Public Comments.** There were none.

Consent Agenda

Items 3-4 under this section are considered to be routine by the City Council and may be enacted by one motion. If discussion is desired by the Council, any item may be removed from the Consent Agenda prior to voting, at the request of any Councilmember, and it will be considered separately.

3. **Consider minutes of the November 13, 2018, City Council Meeting.**
4. **Consider a resolution supporting Commerce Street Apartments, LLC's Tax Credit Application to the Texas Department of Housing and Community Affairs (TDHCA) for a family housing development for low and moderate income persons proposed south of the southwest corner of Sparta Road and Commerce Drive.**

Upon a motion by Councilmember O'Banion and a second by Councilmember Kirkley, the Consent Agenda was unanimously approved by a vote of 7-0.

Planning & Zoning

5. **Hold a public hearing and consider a zoning change from Agricultural District to Single Family – 3 District on a 6.22 acre tract located on the west side of Connell Street, north of Liberty Valley Drive, beginning on the north side of the Mitchell Branch crossing.**

Director of Planning Cheryl Maxwell explained that this property is the site of a proposed detached single family residential development that is currently undeveloped. Adjacent property to the north is zoned Agricultural District, annexed in 1998, and is used residentially or undeveloped. Adjacent properties to the south and west are zoned primarily Single Family-2 District and are undergoing development for detached single family homes as part of the Liberty Valley Subdivision, Phases III and IV. One tract to the south is zoned Single Family-1 and is dedicated parkland as part of the Liberty Valley, Phase III development. This SF1 zoning is a remainder of the original SF1 zoning assigned in 2010 and revised in May 2017. She added that Mitchell Branch is also located to the south and is a conduit for transporting area drainage. Property on the east side of Connell is the site of the Star Mobile Home Park, zoned a Planned Development District for mixed uses to allow retail, mobile homes, and RV's.

Mrs. Maxwell said the owner is proposing to develop 26 residential lots. A concept plan of the proposed development has been provided, and the proposed lots satisfy area requirements. She noted that subdivision plat approval is required prior to issuing any building permits.

The FLUM identifies this area as residential, and the requested SF-3 Zoning District is consistent with the FLUM and compatible with existing uses.

The Planning and Zoning Commission met on November 20, 2018, and unanimously recommended approval of the zoning change.

Mayor Grayson opened the public hearing. Seeing no one wishing to speak, she closed the public hearing.

Councilmember Leigh said he realizes this is a conceptual plan, but he cautioned Staff to ensure there is enough setback on Lot 20 to allow for a future expansion of Connell Street. Mrs. Maxwell said Staff will look at that issue in detail upon plat submittal.

Upon a motion by Councilmember Leigh, and a second by Mayor Pro Tem Pearson, Item #5, including the following captioned ordinance, was unanimously approved by a vote of 7-0.

ORDINANCE NO. 2018-39

AN ORDINANCE AMENDING THE ZONING ORDINANCE OF THE CITY OF BELTON BY CHANGING THE DESCRIBED DISTRICT FROM AGRICULTURAL TO SINGLE FAMILY - THREE ZONING DISTRICT ON A 6.22 ACRE TRACT, WITH DEVELOPMENT TO BE REGULATED UNDER TYPE AREA 9 DESIGN STANDARDS.

6. **Consider a final plat of Heine Addition, comprising 3.33 acres, located on the east side of FM 1670, near its intersection with Lanell Drive, in Belton's ETJ.**

Director of Planning Cheryl Maxwell said this 3.33 acre tract is proposed for residential development. On the original plat submittal, three lots were shown to have frontage on FM 1670, and one lot was shown with frontage on Walter Lane, part of the Stoneoak Subdivision, Phase 2, platted in 1993. The property is currently undeveloped, and is located in Belton's ETJ, so there is no zoning.

Mrs. Maxwell said that at the Planning and Zoning Commission meeting on November 20, 2018, the proposed purchaser, Darwin Heine, attended the meeting and explained he was purchasing the lots to provide a buffer between his current residence at 3545 Walter Lane (Stoneoak Subdivision Phase II, Block 6 Lot 2) and development occurring on FM 1670. According to Mr. Heine, the current owner, Bruce Peterson, plans to keep one of the lots. Mr. Heine stated he has no plans to develop the property, so the requirement to install a fire hydrant does not seem reasonable. He proposed to install the hydrant at such time as he develops the property; however, since this property is in Belton's ETJ, the City has no building permits or means to enforce this requirement after the property is platted. Mr. Heine was agreeable to reducing the number of lots from four to two, since he has no development plans. The Planning Commission was more comfortable approving a variance to Belton's Fire Code with only two lots instead of four. They recommended approval of the subdivision, conditioned on a revised lot configuration with two lots (Lots 1 – 3 combined as one, and Lot 4 (now Lot 2) remaining as proposed) and approval of requested variances, including the variance to the 1,000 gpm fire flow with no fire hydrant provided. Mrs. Maxwell explained that following the Planning and Zoning Commission meeting on November 20, 2018, the applicant submitted a revised final plat reducing the lots from four to two.

A summary of the subdivision ordinance requirements as they apply to this subdivision plat was provided.

Water: This property is located within the Dog Ridge Water Supply Corporation (DRWSC) CCN. They have an existing 6" water line along FM 1670 that transitions to an 8" line approximately 400' north of this subdivision, and a 4" line along Corliss Circle. These water lines will provide domestic service to these lots. A letter has been provided by DRWSC confirming their ability and willingness to serve this subdivision with domestic service.

Mrs. Maxwell explained that the City of Belton Fire Code requires a minimum water flow of 1,000 gpm for fire hydrants. The existing water lines do not meet this flow requirement and cannot support fire hydrants for fire protection purposes. Per DRWSC, estimated flow on the 6" line is 300 – 400 gpm, while flow on the 8" line is estimated at 800+ gpm. The developer is requesting a variance to this requirement.

Staff has concerns with approving multi-lot developments that do not meet the City's Fire Code and is consulting with the City's Fire Marshal regarding a future policy. In this case, a fire hydrant may be placed on the 6" or 8" line but may only be used to fill a tanker truck and not for drafting purposes. Estimated cost for the hydrant plus installation is approximately \$6,000. Staff has evaluated the benefits of placing a

hydrant for tank filling purposes on the existing 8" line approximately 400' away and feels it is warranted for a four lot residential subdivision. Staff is more supportive of allowing the variance without the fire hydrant requirement on the two lot submittal, as recommended by the Planning and Zoning Commission.

Sewer: No sanitary sewer is available to serve this subdivision. The lots are over 0.50 acre in size and individual septic systems are proposed on the lots, subject to approval by the Bell County Public Health District.

Drainage: Since this property lies in Belton's ETJ, the City is not responsible for drainage and will defer to Bell County and their requirements.

Streets: Lots 1 and 2 will have frontage on FM 1670. FM 1670 is a TxDOT roadway; therefore, the requirement for perimeter street improvements is not applicable. There is currently 120' ROW available, and no additional ROW is requested by TxDOT. Only one access point for the two lots is allowed by TxDOT, and the proposed location has met their approval. A 50' joint access easement is being provided on the plat to facilitate access to, and circulation within, the lots. Lot 1 will also be accessed via Walter Lane, an existing local roadway with 50' ROW and 22' pavement width. The latest plat submittal provided prior to the Council meeting on November 27, 2018 shows the 50' joint access easement only across Lot 2 to provide Lot 1 with access to FM 1670. Staff supports this change.

Sidewalks: The Subdivision Ordinance requires the developer to construct and install a 6-foot wide sidewalk along the subdivision side of arterial roadways, which would apply to FM 1670, a minor arterial. This requirement is waived since the plat is in Belton's ETJ, and no entities have assumed responsibility for maintenance.

Parkland Dedication/Fee: Residential subdivisions are required to dedicate suitable lands for the purpose of parkland and/or make a financial contribution for the acquisition and development of such parkland. One acre for each 100 new dwelling units projected is required. With only two lots, the dedication would be 0.02 acre, which is considerably short of the minimum two acres desired for dedication. The fee in lieu of dedication is \$200/lot, which would be \$400 for this subdivision. A variance to the parkland dedication/fee is requested. Staff supports the variance request since there are no plans to develop a public park in this vicinity at this time and the lots are all over 0.5 acre which provides open space to satisfy the needs of the lot owners.

Since this proposed subdivision is located in Belton's ETJ, the Bell County Engineer's Office has reviewed this plat and provided comments which are being addressed. After Council action, this plat will be taken to Bell County Commissioners Court for approval.

Councilmember Holmes asked about the change in joint access from the original plat submittal to the revised plat submittal. Mrs. Maxwell said that joint access no

longer covers both Lots 1 and 2, it is only across Lot 2. Lot 1 needs it to access FM 1670, and Lot 2 has direct access.

Councilmember Leigh thanked Staff and the Planning and Zoning Commission for developing a resolution to the issue.

Councilmember Leigh made a motion to approve the most recent final plat submittal (submitted on November 27, 2018) showing two lots with a single access easement across Lot 2. Councilmember O'Banion seconded the motion which was unanimously approved by a vote of 7-0.

7. Consider a resolution adopting the Historic Placard Program.

Planner Kelly Atkinson said the Historic Placard Program is being implemented to establish uniform criteria and procedures for the placement of historical markers in the City of Belton. Proposed placards will generally meet one of the following criteria:

- To commemorate local history, places, events or culture;
- To strengthen historic district identity;
- To recognize natural features that are historically relevant to the City of Belton; and
- To recognize persons, places or events of state or national significance

Mrs. Atkinson explained that this program is intended to create points of interest related to general local history within the City of Belton and to help educate the public about local history. Every effort will be taken to ensure that existing State or National markers throughout the City previously designated as historical places, events or culture are not contradicted or duplicated. The new placards will be similar in design, shape, and size to existing informational placards found along the Nolan Creek Hike and Bike Trail. The signs will be funded through donations and fundraising events organized by the Hamburger King Appreciation Society (HKAS).

Mrs. Atkinson said that Staff, along with HKAS, has been working with the Bell County Museum to plan an historic walking tour that they hope to kick off early next year. She also provided an overview of the website that is being developed.

The Historic Preservation Commission met on November 15th and unanimously recommended adoption of the Historic Placard Program, and Staff concurs with their recommendation.

Mayor Grayson asked if the Historic Preservation Commission will be approving the historic placard applications. Mrs. Atkinson said initially the Planning Department will review the applications to ensure that the historical information is accurate, and HPC will approve the placard placement. She said that volunteers will help with the research.

Mayor Grayson recognized Jay Taggart and Gary Busby, as well as Coleman Hampton of the Bell County Museum for their work on this project. Mr. Taggart discussed what led the Hamburger King Appreciation Society to make the request for the Historic Placard Program. Mr. Hampton said that the museum is happy to participate in this program. He acknowledged the donation of the Hamburger King sign from the Coppin family to the museum as a part of the discussions leading to this program.

Upon a motion by Councilmember Carpenter, and a second by Councilmember O'Banion, Item #7 including the following captioned resolution was unanimously approved by a vote of 7-0.

RESOLUTION NO. 2018-25-R

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELTON, TEXAS, ESTABLISHING THE HISTORIC PLACARD PROGRAM.

8. **Consider adopting a medallion design for the Local Historic Landmark Designation.**

Planner Kelly Atkinson explained that the Historic Preservation Ordinance identifies the process the Historic Preservation Commission shall use to designate Historic Districts and Properties. This process was used to establish the Historic Districts currently recognized by the City of Belton. She said that the overall intent of the Local Historic Landmark designation program is to help designate and protect historic resources located outside the boundaries of a Historic District. The program was adopted through the Historic Preservation Ordinance and is now ready to be implemented.

Staff has worked with the Historic Preservation Commission to create a medallion design to identify designated local landmarks. Several images were considered in the search for a unique design for Belton's local landmark medallion. The options were narrowed down to the Belton Standpipe and one of the large trees found on the property. The standpipe is an historic structure constructed in approximately 1913, and it represents the ingenuity and forward thinking of Beltonians. The large, mature tree is a reflection of the deep respect and appreciation for the local natural resources found throughout the City. Mayor Grayson said she loves that the medallion will be of the Belton Standpipe.

At the Historic Preservation Commission meeting held on November 15th, 2018, the Commission unanimously recommended approval of the proposed Local Historic Landmark medallion design.

Councilmember Leigh asked how much the medallions would cost and if the property owners will be purchasing them. Mrs. Atkinson said the medallions are estimated to cost \$450 each and are photo rendered, cast aluminum. Typically in these programs, the City provides the medallion at no cost. She added that a grant

application has been submitted to the Bell County Historical Commission to establish funds for the first three medallions.

Councilmember Carpenter thanked the Planning Staff and the Historic Preservation Commission for their work on this project.

Upon a motion by Councilmember Kirkley, and a second by Councilmember Holmes, Item #8 was unanimously approved by a vote of 7-0.

Miscellaneous

9. **Hold a public hearing and consider an ordinance concerning the designation of the following tax abatement reinvestment zones:**
 - A. **Re-designating Reinvestment Zone #7, the Belton Business Park, north of US Highway 190, generally west of Loop 121, and extending west to Wheat Road, totaling 191.66 acres; and**
 - B. **Creation of New Reinvestment Zone #8 which includes a portion of the current Reinvestment Zone #8 and all of current Reinvestment Zone #11 (deleting the current Reinvestment Zones #8 and #11), generally described as the Belton Industrial Park at Loop 121, generally south of Sparta Road, east of Loop 121, and north of Crusader Way, totaling 90.46 acres; and**
 - C. **Creation of New Reinvestment Zone #9 (incorporating the current Reinvestment #6 and deleting it as a separate RZ), generally described as the Salado Business Park at IH-35 and Goodway Drive, totaling 21.28 acres; and**
 - D. **Creation of New Reinvestment Zone #12, portions of the former Rockwool Property, located along the north side of FM 93, and extending to the south side of the Leon River, totaling 56.35 acres.**

City Manager Sam Listi explained that State law requires that Tax Abatement Reinvestment Zones be re-established every five years. Portions of these zones have been in existence in the past, and some are being collapsed into new boundaries. The proposed zones provide additional tax abatement reinvestment zone boundaries within which tax abatement is an available economic development tool.

Mr. Listi said that within eligible areas, a property tax abatement ordinance can be approved by the Council relatively quickly, after giving notice to Bell County. Non-eligible areas located outside a zone may still be considered as freestanding zones, but the process is elongated by at least two City Council meetings in order to comply with state law requirements. BEDC Executive Director, Cynthia Hernandez, expressed support for designation, given the important incentive tool available with tax abatement.

Development or redevelopment of properties in these areas represent suitable candidates for tax abatement due to these factors:

- Development will enhance and expand the local Belton economy.
- Development will create new property tax value that will remain on the tax rolls after the tax abatement period.
- Development will increase or retain jobs.

Mr. Listi added that three properties within the proposed TARZ boundaries (Wire Ropes, Belltec and TRUMH) have ongoing tax abatements which will not be affected by this designation. (See Exhibit “A” for maps of the proposed TARZ boundaries.)

Mayor Grayson opened the public hearing. Seeing no one wishing to speak, she closed the public hearing.

Upon a motion by Mayor Pro Tem Pearson, and a second by Councilmember Kirkley, Item #9 including the following captioned ordinance was unanimously approved by a vote of 7-0.

ORDINANCE NO. 2018-40

AN ORDINANCE OF THE CITY OF BELTON, TEXAS, DESIGNATING CERTAIN AREAS AS TAX ABATEMENT REINVESTMENT ZONES FOR TAX ABATEMENT, ESTABLISHING THE BOUNDARIES THEREOF AND OTHER MATTERS RELATING THERETO; DECLARING FINDINGS OF FACT; PROVIDING A SEVERABILITY CLAUSE; PROVIDING AN EFFECTIVE DATE; AND PROVIDING AN OPEN MEETINGS CLAUSE.

10. **Consider authorizing the City Manager to execute a contract for the 2019 Street Overlay Project, and any change orders associated with the contract, not to exceed the amount authorized under state law.**

Director of Public Works Angellia Points reminded Council that a 5-year Street Maintenance Plan was adopted in 2014 which called for 63.3 miles of Belton’s streets to be maintained within a 5-year span. This is the fifth year of the plan. She said that after this contract is complete, approximately 57% of Belton’s streets will have received some sort of surface maintenance.

Mrs. Points said that on November 15, 2018, bids were received for the 2019 Street Overlay Project which includes a hot-mix asphalt overlay treatment for approximately 3.0 miles of streets.

Contractor	Base Bid	Add Alt A*	Add Alt B*	Add Alt C*
Texas Materials	\$493,033.98	\$109,548.26	\$159,951.07	\$29,266.44
Lone Star Paving	\$556,587.75	\$113,296.75	\$175,278.75	\$36,991.10
Alpha Paving	\$690,692.50	\$150,997.75	\$203,925.00	\$47,958.25

Mrs. Points said several streets were bid as alternates, but they are not recommended for award at this time. The overlay work is scheduled to be completed within three months, and must be completed no later than July 3, 2019. Funding available for Year 5 of the Street Maintenance Plan is \$548,000.

The bids were evaluated, and it was determined that Texas Materials has the capability and experience to perform to the requirements of the contract according to Mrs. Points. The recommended contract award is \$54,966.02 under the available funding, so Staff recommends awarding the base bid with the option to add additional streets by change order limited to the funding allotted and in accordance with State law.

Mayor Grayson asked if there are penalties if the Contractor does not meet the time requirement. Mrs. Points said that there are penalties included in the contract.

Councilmember Kirkley if there is any consideration for College Street at the railroad tracks along 13th and 14th. Councilmember Carpenter agreed that 13th Street is in really bad shape. Mrs. Points said those streets need to be fully reconstructed and are on the reconstruction list.

Councilmember Holmes said it doesn't appear that there is any curb and gutter along those streets. He also named 14th and Penelope as examples. He suggested putting a concrete ribbon along the edges to help maintain the roadways.

Councilmember Leigh said this is a great program that he hopes to see continued. He asked how many miles of streets the City of Belton has. Mrs. Points said she would need to research that number as streets have been added since 2014 when the Lee Engineering report was created. At that time, there were 63 miles of streets. Mr. Leigh said that although most consider street dedications to be assets of the City, they can also be considered liabilities when it comes to street maintenance. He suggested street maintenance be included as an impact fee charged to new subdivisions when properties are developed. Mr. Listi agreed that life cycle costing is very important.

Upon a motion by Councilmember Holmes, and a second by Councilmember Carpenter, Item #10 was unanimously approved by a vote of 7-0.

11. Consider the following:

- A. **A one-year extension to the franchise with Waste Management for residential solid waste collection and recycling; and**
- B. **An ordinance amending Sec. 8-71 and Sec. 8-72 of the City of Belton Fee and Rate Schedule related to solid waste collection rates for 2019.**

Director of Finance Brandon Bozon explained that on January 1, 2014, the City of Belton and Waste Management entered into a 5-year Municipal Solid Waste Collection Agreement granting Waste Management exclusive rights to operate and maintain residential solid waste collection and recycling. He said that the Agreement allows the term to be extended for two additional one-year terms upon both parties' mutual written consent. He added that Staff recommends exercising the first of the one-year extension options. He said in the Spring or Summer of 2019, Staff will conduct a more comprehensive evaluation of refuse options including issuing a Request for Proposals or exercising the final option for contract renewal with Waste Management.

Additionally, per Section 11.01 of the Agreement, Waste Management has the right to adjust the rates annually. On October 31, 2018, Waste Management notified the City that rates would be adjusted upwards by 4.90% as of January 1, 2019 based on the September 2017 – September 2018 adjustment in the CPI.

Councilmember Leigh said he has had conversations with other area cities' Councilmembers. He believes that Belton has a pretty good deal right now, but he suggested a possible regional cooperative including Fort Hood might be a possibility for better rates in the future.

Upon a motion by Councilmember Leigh, and a second by Mayor Pro Tem Pearson, Items #11A and #11B including the following captioned ordinance was unanimously approved by a vote of 7-0.

ORDINANCE NO. 2018-38

AN ORDINANCE AMENDING THE FEE SCHEDULE OF THE CITY OF BELTON FOR THE FISCAL YEAR BEGINNING OCTOBER 1, 2018, AND ENDING SEPTEMBER 30, 2019.

- 12. Consider a request by W. B. Development to adjust the CCN (Certificate of Convenience and Necessity) boundary between the City of Belton and DRWSC (Dog Ridge Water Supply Corporation) within the Three Creeks Subdivision, located east of FM 1670 and south of IH 14.**

City Manager Sam Listi said the Dog Ridge Water Supply Corporation (DRWSC) and the City of Belton CCN boundary lines meet along a generally N/S line, located east of the Three Creeks Subdivision entrance at FM 1670 and Three Creeks Boulevard. The current boundary follows old property lines and has no relationship to the proposed lot layout and street design, and splits a number of proposed lots. He explained that W.B. Development proposes to shift the CCN boundary affecting 22 lots, eliminating these conflicts, as well as the potential for multiple water lines being located within a street ROW belonging to two different CCNs. The result will be a more logical arrangement of lots, located exclusively within either Belton's or DRWSC's CCN for water line design, placement, and future maintenance.

Mr. Listi added that all costs to amend the CCN boundary at the Public Utility Commission will be borne by W.B. Development. A net total of two lots will go to DRWSC.

Upon a motion by Mayor Pro Tem Pearson, and a second by Councilmember Carpenter, Item #12 was unanimously approved by a vote of 7-0.

The Belton City Council recessed the Regular City Council Meeting at 6:36 p.m. and convene a meeting of the Belton Employee Benefits Trust.

City of Belton Employee Benefits Trust Agenda

1. **Call to Order.** Chair Grayson called the meeting to order at 6:36 p.m.
2. **Consider minutes of the City of Belton Employee Benefits Trust meeting dated October 24, 2017.**

Upon a motion by Trustee Kirkley, and a second by Trustee O'Banion, Trust Item #2 was unanimously approved by a vote of 7-0.

3. **Consider action awarding contracts for employee insurance products.**

Director of Finance Brandon Bozon explained that the City contracted with Scott & White Health Plan (SWHP) in 2014 and 2015 for employee health insurance. In 2016, the City awarded the contract for employee health insurance to Blue Cross/Blue Shield as a result of an RFP process. In 2017, the City once again contracted with Scott & White Health Plan as a result of an RFP process and renewed with them again in 2018. Mr. Bozon said that the City is pleased with Scott & White Health Plan's renewal offer for 2019.

Mr. Bozon explained that the FY2019 budget includes funding for up to a 12.5% increase in employee insurance premiums. SWHP's proposal, for employee-only mid premium is \$5,949 per employee, a 9.9% increase over last year's cost. The City's contribution, for plans other than employee only, is increasing to \$7,449 per employee, a 4.3% increase over last year's cost. The City's total cost for HDHP and HSA contributions will mirror those on the employee only mid plan, or match in total the City's contribution towards plans other than employee only.

Bozon summarized other recommended contract renewals as follows:

- The City's cost for HSA management will remain \$4/per month/per enrolled employee;
- MetLife's renewal for dental coverage is a decrease in premiums of approximately 3.5%, \$309.24 per employee;
- UTEAP's proposal for an employee assistance program (EAP) is at no change in premiums, \$20 per employee;

- Ochs for employee Basic Life/AD&D insurance is at a decrease in total City paid premiums of \$5,421 or 34.78% compared to the previous year (Lincoln Financial Group) with no change in benefit;
- Employee optional, employee cost:
 - Ochs Long Term Disability, 4-22% decrease in premiums depending on age.
 - Ochs Voluntary Life insurance, no change in premiums.
 - CBG renewal for employee optional policies is at no change in premiums.
 - United Health Care Vision insurance is at no change in premiums.

Mr. Bozon reminded the Trustees that the Trust has been established solely to avoid paying the premium tax. This saves the City approximately \$15,000 per year.

Trustee Leigh suggested the City consider self-insuring for some benefits. He believes specifically that dental insurance would be a good example.

Trustee Craig Pearson asked how the City's benefits compared with other cities. Mr. Bozon said Belton is one of the few cities that still has a fully funded plan, and the \$500 deductible is lower than most. Andrew Weegar of HUB International, the City's benefits consultant, said they conduct a benefit benchmarking study each year. He explained that Belton has very comparable benefits.

Trustee Leigh asked how many employees take advantage of the HSA. Mr. Weegar said, "A very small number." Mr. Bozon said it has been trending up, and he hopes to educate more employees on the advantages of the HSA in the coming years.

Upon a motion by Trustee Leigh, and a second by Trustee Pearson, the employee benefit contracts were approved upon a vote of 7-0.

4. **Adjourn.** Chair Marion Grayson adjourned the Employee Benefits Trust meeting at 6:47 p.m.

The Employee Benefits Trust will adjourn the City of Belton Employee Benefits Trust Meeting and reconvene the Belton City Council Meeting.

13. **Consider approval of funding for employee insurance contracts awarded by the Board of the Employee Benefits Trust, and authorizing the transfer of funds from the City's operating funds to the Employee Benefits Trust account.**

Upon a motion by Councilmember Carpenter, and a second by Councilmember Kirkley, Item #13 was unanimously approved by a vote of 7-0.

There being no further business, the Mayor adjourned the meeting at 6:48 p.m.

Seeing a citizen wishing to speak, the Mayor reconvened the Council meeting at 6:48 p.m. She advised the citizen that he would be speaking as a public comment, and the Council will not be able to have a discussion with him as it is not a posted agenda item.

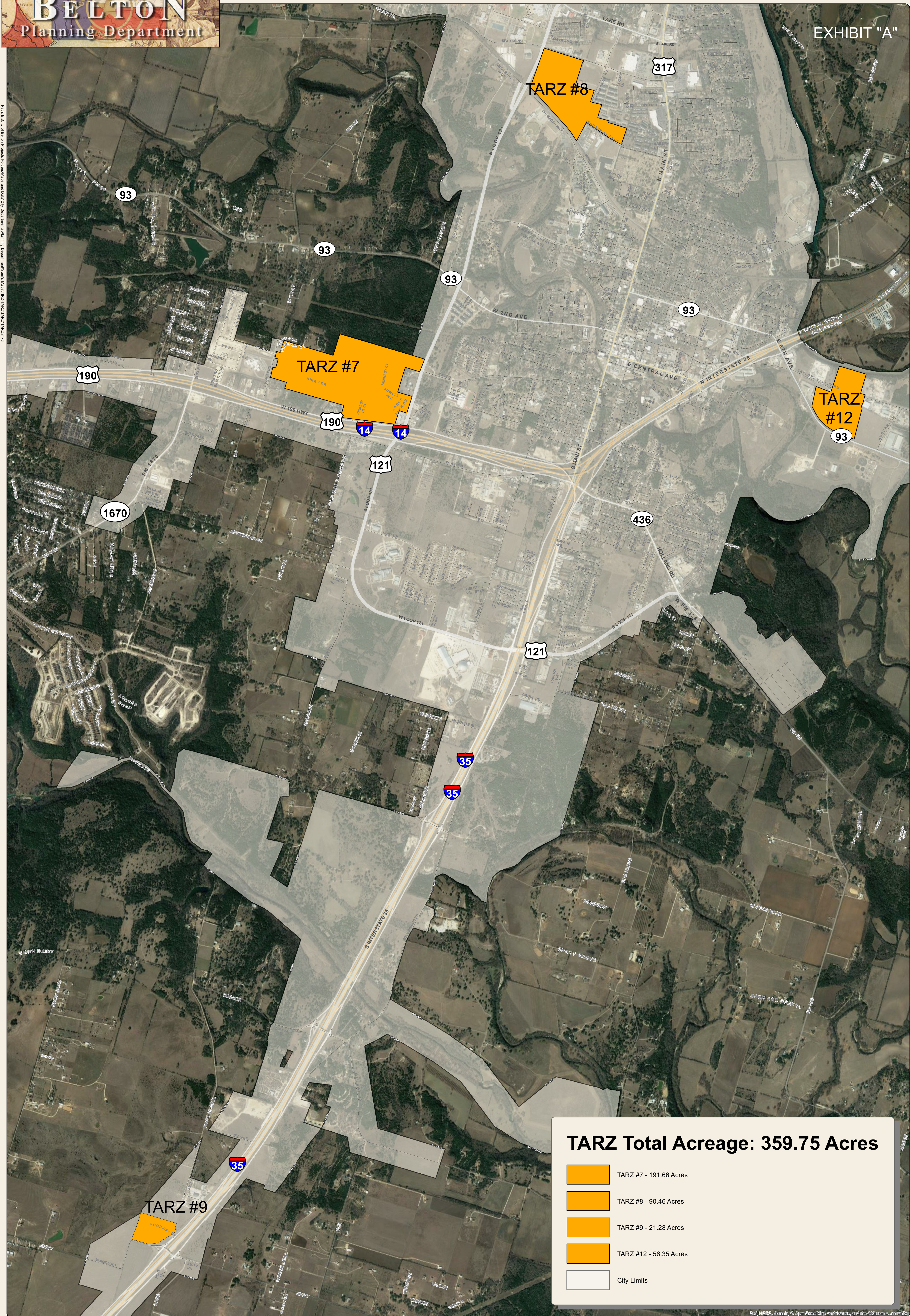
Mr. Tracy Farris, 3204 Purple Sage, said his daughter attends South Belton Middle School and has been subjected to racial discrimination and harassment by classmates. Mayor Grayson advised him that the appropriate government body to hear his complaint would be the Belton Independent School District. Mr. Farris asked the Council for help in eliminating racism in Belton. Mayor Grayson asked Mr. Farris to visit with the Police Chief about his specific issues.

Mayor Grayson adjourned the meeting at 6:53 p.m.

Marion Grayson, Mayor

ATTEST:

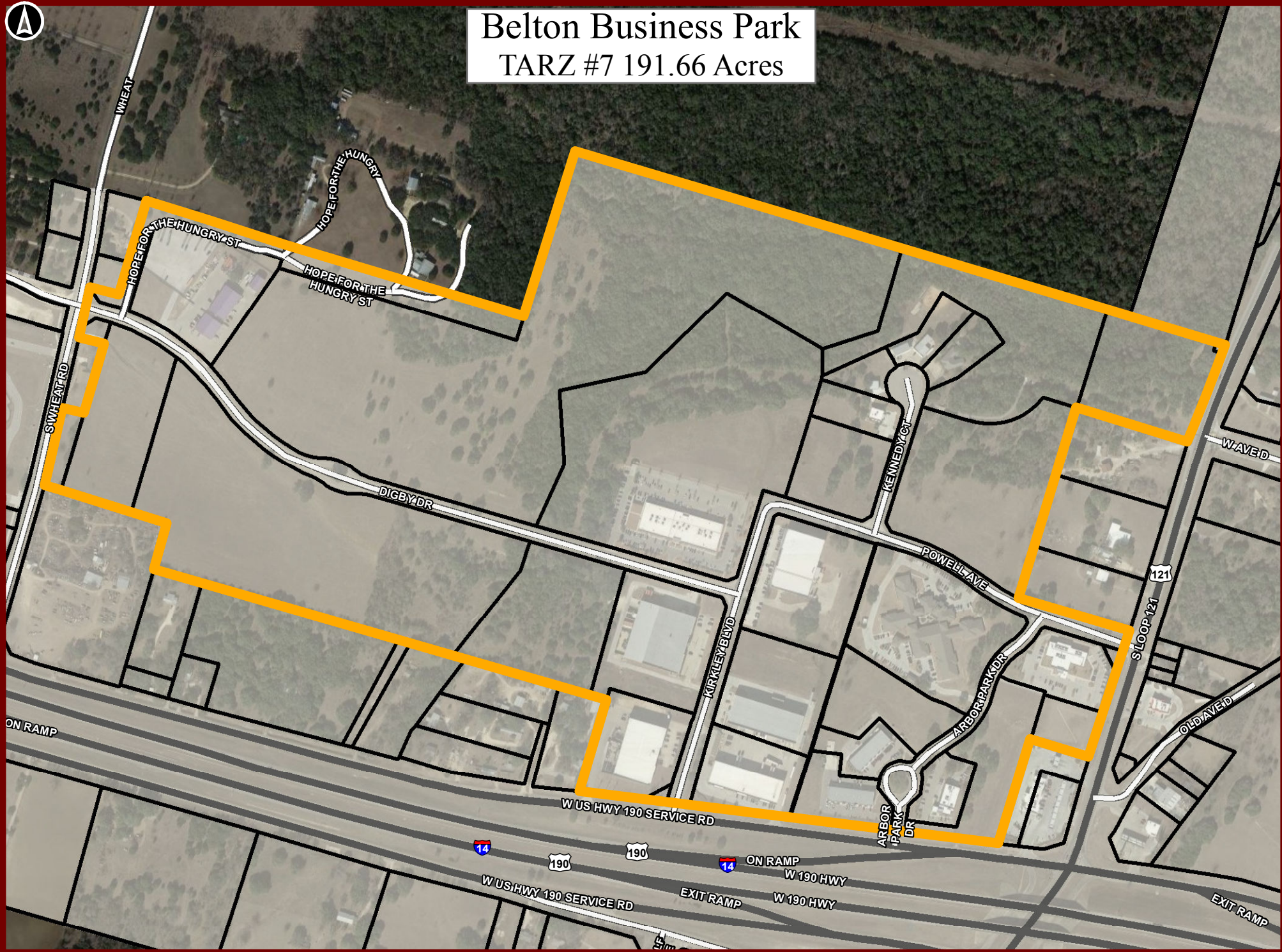
Amy M. Casey, City Clerk







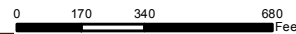
Belton Business Park

TARZ #7 191.66 Acres



 Belton Business Park

 City Limits



For informational purposes only. Boundaries are approximate and not legally binding.





Belton Industrial Park

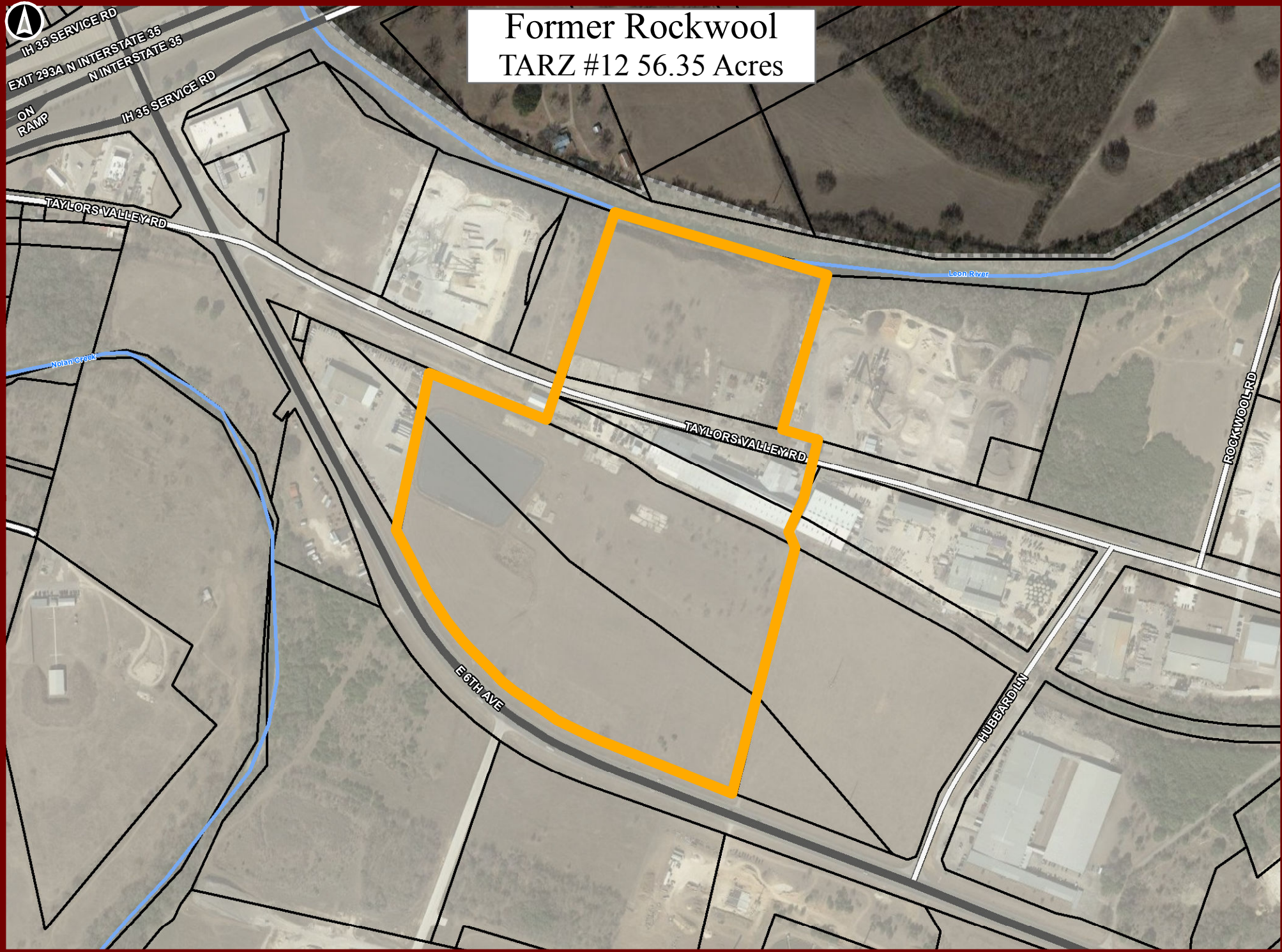
TARZ #8 90.46 Acres





Salado Business Park
TARZ #9 21.28 Acres





Former Rockwool
TARZ #12 56.35 Acres

Staff Report – City Council Agenda Item



Agenda Item #6

Consider authorizing the City Manager to execute the Second Amendment to the Amended and Restated Water Supply Contract with Belton Water Control and Improvement District (BCWCID) No. 1, and to take all associated steps needed for contract compliance.

Originating Department

Administration – Sam A. Listi, City Manager

Background Information

The City's current comprehensive contract with BCWCID No. 1 was executed in 2004, and amended the 1997 Water Supply Contract. The contract provides for water supply, treatment and system transmission facilities; issuance of bonds for system capital facilities; allocation of election and option water for Belton; and associated costs for Belton's water. Addendum No. 1 in 1997 provided for \$33 million in funding for water plant upgrades, increasing water production capacity from 53 mgd to 80 mgd, to be funded by the member entities (Copperas Cove, Ft. Hood, Killeen, Harker Heights, 439 WSC, and Belton).

Two 2006 amendments include:

1. March 2016: Addendum No. 2 provided for the City's cost to rehab the 3 million gallon water storage tank, a total cost of \$559,800, paid 2006-2011 at \$93,300 annually.
2. May 2006: First Amendment provided for addition of 1,000 acre feet of water for the City of Belton.

Summary Information

Belton's outstanding bond payments due to BCWCID No. 1 for plant upgrades from Addendum No. 1 above will be paid off in June 2019. This proposed amendment would extend the contract term to the later time of either December 31, 2041, or until any future bonds issued for the purpose of modifying or expanding the District's water supply, treatment or transmission facilities, are paid in full. The December 31, 2041 date aligns with the District's Water Supply Contract with the Brazos River Authority.

We have been in discussions with the District recently about an upgrade to the Belton Transmission System, which is reflected in the attached correspondence to District Manager, Ricky Garrett, and shown on the attached map. Since the design and construction of this system project will extend beyond the June 2019 date when Belton's outstanding bonds will

be paid off, this contract amendment is recommended by the City and by the District. With Council approval on December 11th, the District is scheduled to consider action on this amendment at its Board Meeting on December 12, 2018.

Fiscal Impact

None at this time. Any future capital project will need to be repaid by the City from utility revenues.

Recommendation

Recommend approval of request authorizing the City Manager to execute the Second Amendment to the Amended and Restated Water Supply Contract with Belton Water Control and Improvement District (BCWCID) No. 1, and to take all associated steps needed for contract compliance.

Attachments

2004 Agreement

2006 First Amendment Agreement

2018 Proposed Second Amendment

Correspondence with Ricky Garrett dated November 20, 2018

Map indicating proposed project location



BELL COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 1

Cresty

July 20, 2004

P.O. Box 43
201 S. 38TH ST.
KILLEEN, TX 76540-0043
(254) 526-6343
(254) 526-4243 FAX

Mr. Sam Listi,
City Manager
City Of Belton
Belton, Texas

Re: Amended and Restated Water Supply Contract 2004

Dear Mr. Listi:

Enclosed with this letter is an executed copy of the new amended contracts. These contracts were approved by the Board of Directors at their July meeting and supersede all other amendments. We appreciate your cooperation and look forward to meeting your needs in the future. If you have any questions please feel free to call me 254-526-6343.

Sincerely,

Jerry Atkinson, jhc

Jerry Atkinson
General Manager
WCID No. 1

AMENDED AND RESTATED
WATER SUPPLY CONTRACT

THE STATE OF TEXAS §

COUNTY OF BELL §

This contract and agreement (this "Agreement") is made and entered into as of this 1st day of April 2004, by and between the **Bell County Water Control and Improvement District No. 1** (the "District"), a conservation district and political subdivision of the State of Texas, created and operating under the provisions of Article XVI, Section 59, of the Constitution of Texas and Chapters 49 and 51, Texas Water Code, acting herein by and through its duly authorized officers, and the **City of Belton, Texas** (the "Purchaser"), duly organized under the laws of the State of Texas, acting herein by and through its duly authorized officers.

W I T N E S S E T H:

WHEREAS, the District has leased from the United States of America, and is now operating, a water treatment facility situated at the edge of Lake Belton in Bell County, Texas, and transmission facilities for the supply of water to the Fort Hood Military Reservation and to cities, water districts and other customers in the vicinity of the Fort Hood Military Reservation, under a written lease agreement executed by and between the United States of America and the District under date of February 24, 1956 (as amended and supplemented, the "Fort Hood Lease Agreement"), to which reference is made for full particulars; and

WHEREAS, the District has heretofore constructed, at its own expense, additional water supply, treatment and transmission facilities in the form of additional pipelines, treating and pumping plants and appurtenances through which the District is now serving water to the City of Killeen, the City of Belton, the City of Copperas Cove, the City of Harker Heights, Bell County Water Control and Improvement District No. 3, and 439 Water Supply Corporation in addition to the Fort Hood Military Reservation; and

WHEREAS, the population and water uses at the Fort Hood Military Reservation and the District's other customers have increased to the point that the existing water supply, treatment and transmission facilities will soon be inadequate to meet the growing demands for additional water uses and it will become indispensably necessary that additional water supply, treatment and transmission facilities be provided; and

WHEREAS, the District has previously negotiated with and obtained from the United States of America and the Brazos River Authority (the "Authority") storage space and/or water supply in Lake Belton, supported by a permit issued by the Texas Water Rights Commission (now known as the Texas Commission on Environmental Quality) for the impoundment, diversion and use of water from Lake Belton, in such manner that water will continue to be made available to the District for distribution to its customers for military, domestic and municipal uses; and

WHEREAS, the Board of Directors of the District proposes to issue bonds of the District from time to time in amounts sufficient to provide funds to make necessary additions, extensions and improvements to said water supply, treatment and transmission facilities; and

WHEREAS, the Board of Directors of the District does not propose to issue and sell any such bonds, until contracts in substantially the form of this Agreement have been executed by the City of Killeen, the City of Belton, the City of Copperas Cove, the City of Harker Heights, Bell County Water Control and Improvement District No. 3, and 439 Water Supply Corporation, the net revenues from which, together with any payments received for water furnished to the Fort Hood Military Reservation, will provide sufficient net revenues to operate and maintain such water supply, treatment and transmission facilities and provide funds necessary to pay such proposed bonds and the District's outstanding bonds, with necessary reserves; and

WHEREAS, the Fort Hood Military Reservation may elect from time to time to participate in a proposed expansion of the District's water supply, treatment and transmission facilities; and

WHEREAS, the District and the Purchaser are authorized and empowered by law, particularly The Interlocal Cooperation Act, codified as Chapter 791, Texas Government Code, to enter into this Agreement; and

WHEREAS, the District is presently supplying the Purchaser its total water requirements pursuant to that certain water supply contract dated the 25th day of September 1997, as previously amended or supplemented (the "Prior Contract"), and the Purchaser desires to continue to purchase its total water requirements from the District, subject to the conditions and within the limits hereinafter set forth, and is willing, by the execution of this Agreement, to underwrite its proportionate share of the capital costs and to pay its proportionate share of the annual cost of producing, treating, transporting and delivering water through the District's water supply, treatment and transmission facilities (which include both facilities leased by the District and facilities owned by the District), as improved and enlarged by the District, for each year during the term of this Agreement; Therefore,

In consideration of the mutual promises, representations and agreements set out herein, the District and the Purchaser agree as follows:

1. EFFECTIVE DATE. The District's obligation to deliver water to the Purchaser as herein provided shall be subject to the following:

(a) the above mentioned Fort Hood Lease Agreement and the water service contract by and between the District and the United States of America for water service to Fort Hood Military Reservation, dated September 26, 1955 (the "Fort Hood Water Service Contract"), and any supplement, amendment or addition to either, or both;

(b) the water supply agreement, dated as of January 1, 1992, between the District and the Authority (the "1992 Water Supply Agreement"), and any supplement, amendment or addition thereto; and

(c) the execution of contracts substantially in the form of this Agreement by the City of Killeen, the City of Belton, the City of Copperas Cove, the City of Harker Heights, Bell County Water Control and Improvement District No. 3, and 439 Water Supply Corporation, in which said customers agree to make in the aggregate, total annual payments to the District which, together with any payments which the District may receive for water supplied to the Fort Hood Military Reservation and to other customers, will be sufficient (i) to pay the reasonable and necessary annual costs of maintaining, operating and keeping in good repair the District's water supply, treatment and transmission facilities, (ii) to pay and finally discharge the principal and interest on the District's presently outstanding bonds and additional bonds (including refunding bonds) and other obligations to be issued by the District for modification, expansion or improvement of the District's water supply, treatment and transmission facilities, (iii) to establish and maintain necessary and proper reserves, and (iv) to comply with all provisions of the District's resolutions, orders or other documents authorizing such bonds or other obligations and its present and future contracts with the holders of such bonds or other obligations.

In the event the condition contained in Subparagraph (c) above, is not satisfied on or before January 1, 2005, or such later date as may be mutually agreed upon by the District and the Purchaser in writing, this Agreement shall terminate and be of no force and effect and the Prior Contract shall continue in full force and effect. If and when such condition has been satisfied, the District shall notify the Purchaser in writing to that effect and this Agreement shall become effective and the Prior Contract shall be amended and restated as provided herein as of the date of such notification.

2. QUANTITY. (A) QUANTITY AVAILABLE TO PURCHASER: Subject to (i) the terms and conditions hereinafter set forth, (ii) the acquisition of any necessary permits (if any) from the Texas Commission on Environmental Quality and (iii) the availability to the District of an adequate supply of raw water, the District agrees to sell and deliver to the Purchaser at the delivery point or points hereinafter specified, and the Purchaser agrees to purchase and take at such delivery point or points, all water required by the Purchaser during the period of this Agreement for its own use and for distribution to all customers served by the Purchaser's water distribution system up to, but not to exceed, a total of 10.0 million gallons during any 24-hour period at a maximum instantaneous rate of delivery not to exceed 6,944 gallons per minute.

Notwithstanding the foregoing, the Purchaser, with the prior written consent of the District, may acquire water from a source other than the District; provided, that the giving of such consent by the District shall be in the sole discretion of the District's board of directors; and provided further, however, that such consent shall not be given by the District unless the District's board of directors makes a written determination that such acquisition of water by the Purchaser from a source other than the District (i) is for the purpose of enabling the Purchaser to extend retail water service to an area not then being served by the Purchaser or, if the Purchaser is a municipality or a water control and improvement district, is for the purpose of enabling the Purchaser to annex an area which, at the time of annexation, is receiving retail water service from a source other than the Purchaser and (ii) will not cause a material reduction in the amount

of water to be purchased from the District by the Purchaser or cause the District to forego a material increase in the amount of water to be purchased from the District by the Purchaser.

(B) QUANTITY AVAILABLE TO THE DISTRICT:

(1) The 1992 Water Supply Agreement. To provide for the water needs of its civilian resale customers, the District has previously entered into the 1992 Water Supply Agreement with the Authority. The 1992 Water Supply Agreement provides, among other things, that the Authority, at the option of the District, will make water from Lake Belton available to the District in each calendar year, beginning in the year 2001 and continuing through the term of the 1992 Water Supply Agreement, in an amount not greater than 20,000 acre-feet per year (such 20,000 acre-feet of water per calendar year being hereinafter referred to as "Primary Water"). The 1992 Water Supply Agreement provides further that the Authority will make additional water from Lake Belton available to the District in each calendar year during the term of the 1992 Water Supply Agreement in an amount not to exceed 29,509 acre-feet per year (such 29,509 acre-feet of water per calendar year being hereinafter referred to as "Secondary Water"). The 1992 Water Supply Agreement expires on December 31, 2041 but may be extended at the written request of the District for so long as the Authority continues to have the right to use storage in Lake Belton for water supply purposes.

(2) Allocation of Primary Water. The 20,000 acre-feet per year of water that comprises the Primary Water is allocated to, and reserved for use on and after January 1, 2001 by, the District's civilian resale customers in the following amounts (in acre-feet):

City of Killeen	8,866
City of Copperas Cove	4,883
City of Belton	3,066
City of Harker Heights	2,645
Bell County Water Control and Improvement District No. 3	270
439 Water Supply Corporation	270

Commencing in calendar year 2001 and in each calendar year thereafter during the term of the 1992 Water Supply Agreement, the District will reserve for the beneficial use of the Purchaser that amount of Primary Water allocated to the Purchaser according to the foregoing allocation. Any water supplied to the Purchaser in excess of the amount of Primary Water reserved for the Purchaser under this subsection shall be supplied to the Purchaser from Secondary Water allocated to the Purchaser as described in Subparagraph (B)(3) below, or from other water made available to the District by the Purchaser for treatment at the District's then existing water treatment facilities.

(3) Allocation of Secondary Water. The 29,509 acre-feet per year of water that comprises the Secondary Water is allocated to, and reserved for use on and after January 1, 2001 by, the District's civilian resale customers in the following amounts (in acre-feet):

City of Killeen	21,098
City of Copperas Cove	2,941
City of Belton	1,900
City of Harker Heights	2,620
Bell County Water Control and Improvement District No. 3	470
439 Water Supply Corporation	480

(4) Election Use Water and Option Water. Under the 1992 Water Supply Agreement, the Primary Water and the Secondary Water will be classified as either (i) "Election Use Water," which is defined as water that the District is authorized to withdraw from Lake Belton under the 1992 Water Supply Agreement without further notice to the Authority or (ii) "Option Water," which is defined as water available to the District for withdrawal from Lake Belton under the 1992 Water Supply Agreement only after the District shall have notified the Authority of its desire to have such water reclassified from Option Water to Election Use Water in accordance with the terms of the 1992 Water Supply Agreement. Under the terms of the 1992 Water Supply Agreement, a reclassification of Primary Water or Secondary Water from Option Water to Election Use Water is irrevocable. Notwithstanding the allocation of Primary Water and Secondary Water to the District's civilian resale customers in Subparagraphs (B)(2) and (B)(3) above, any request to the Authority for the reclassification of any Primary Water or Secondary Water allocated to the Purchaser from Option Water to Election Use Water shall be made by the District, at the request of the Purchaser, in accordance with the provisions of the 1992 Water Supply Agreement. The District, however, reserves the right, in its sole discretion, to request a reclassification of any Primary Water or Secondary Water of the Purchaser from Option Water to Election Use Water if the District determines that such reclassification is necessary (i) to meet the water use requirements of the Purchaser and to comply with the provisions of the 1992 Water Supply Agreement, or (ii) to (a) comply with law, (b) comply with any judgment, court order, decree, or administrative rule, regulation or ruling to which the District is or may become subject, or (c) conform to the provisions of any state or regional water plan; provided, that the District shall not exercise such right without providing prior written notice to the Purchaser.

(5) Limitations on Primary Water and Secondary Water. The Purchaser acknowledges that the District's ability to supply Primary Water and Secondary Water to the Purchaser is subject in all respects to the terms and conditions of the 1992 Water Supply Agreement. The Purchaser further acknowledges that the amount of water available to the Purchaser in any single calendar year will be limited to the sum of the Primary Water and Secondary Water allocated to the Purchaser in accordance with Subparagraphs (B)(2) and (B)(3) above that is classified as Election Use Water under the 1992 Water Supply Agreement.

Notwithstanding any other provision of this Agreement, the Purchaser recognizes the District's continuing right to modify any allocation of Primary Water or Secondary Water indicated in Subparagraphs (B)(2) and (B)(3) if the District determines that such modification is necessary to (i) comply with law, (ii) comply with any judgment, court order, decree or

administrative rule, regulation ruling to which the District is or may become subject or (iii) conform to the provisions of any state or regional water plan.

3. CONSTRUCTION. When the condition mentioned in Paragraph 1(c) has been met and complied with, and provided bonds can be sold for such purpose, the District agrees promptly to design and construct additions to the water supply and treatment facilities at the edge of Lake Belton and additions to its water pumping and transmission facilities which, together with the water supply, treatment and transmission facilities now owned and leased by the District, will deliver treated water to all of the District's customers, including the Fort Hood Military Reservation, at a total maximum daily rate of approximately 80 million gallons per day. When constructed, the District agrees to use reasonable diligence and care in operating, maintaining and keeping in good repair such water supply, treatment and transmission facilities and, subject to Paragraph 9 hereof and the limitations set forth in Paragraph 2 hereof, to deliver water to the Purchaser in the respective maximum daily quantities to which the Purchaser is entitled as set forth in Paragraph 2 above.

4. QUALITY. The parties hereto recognize that the only water currently available to the District for delivery to the Purchaser hereunder will be the water in Lake Belton. The District agrees to use reasonable diligence and care in treating such water by means of the above mentioned water treatment facilities, and additions thereto, to permit it to deliver to the Purchaser water of sufficient quality to conform to the standards of the Texas Commission on Environmental Quality for potable water.

5. POINT OF DELIVERY AND TITLE. The point or points of delivery of water by the District to the Purchaser shall be the same point or points at which the District is, on the effective date of this Agreement, delivering water to the Purchaser, unless and until the District and the Purchaser, by mutual written agreement, designate substitute or additional points of delivery. Title to water shall pass to the Purchaser when it passes through the meter located at or near the point or points of delivery. Should any pipeline or appurtenances owned by the District be installed on any land owned by the Purchaser or in any street, alley or public way under the Purchaser's control, the Purchaser hereby grants to the District the right, privilege and franchise of using such lands, streets, alleys and public ways for the purpose of maintaining, operating, laying, repairing and removing such pipelines and appurtenances.

6. MEASURING AND CONTROL EQUIPMENT. The District shall furnish, install, operate and maintain at its own expense at said delivery point or points the necessary equipment and devices of standard type for measuring properly and controlling the quantity of water delivered under this Agreement and which will permit the flow of water to the Purchaser at any rate equal to or less than the contracted maximum rate of delivery in gallons per minute contained in Paragraph 2. Such equipment will contain component facilities which will allow delivery of water in excess of such contracted maximum rate during emergency periods. For purposes of this Agreement, the term "emergency periods" shall mean periods during which the delivery of water in excess of the contracted maximum rate set forth herein is justified because of danger to life or property. Such meter or meters or other equipment so installed shall remain the property of the District. The Purchaser shall have access to such metering equipment at all reasonable times, but the reading, calibration and adjustment thereof shall be done only by the employees or independent contractors of the District. For the purpose of this Agreement, the original record or reading of the meter or meters shall be in a journal or other record book or

record keeping system of the District in its office in which the records of the employees or independent contractors of the District who take the readings are or may be transcribed or input into the District's computer system. Upon written request of the Purchaser, the District will give the Purchaser a copy of such journal, record book or computer printout, or permit the Purchaser to have access to the same in the office of the District during reasonable business hours.

The District shall calibrate its meters at such times as may be required under the rules and regulations of the Texas Commission on Environmental Quality. In addition, not more often than once in each calendar year, on a date as near to the end of a calendar month as practicable, the District shall calibrate its meters if requested in writing by the Purchaser to do so, in the presence of a representative of the Purchaser, and the parties shall jointly observe any adjustments which are made to the meters in case any adjustment shall be necessary, and if the check meters hereinafter provided for shall have been installed, the same shall also be calibrated by the Purchaser in the presence of a representative of the District and the parties shall jointly observe any adjustment in case any adjustment is necessary. If the Purchaser shall in writing request the District to calibrate its meters, the District shall give the Purchaser notice of the time when any such calibration is to be made. If the representative of the Purchaser is not present at the time set, the District may proceed with calibration and adjustment in the absence of any representative of the Purchaser.

The Purchaser may, at its option and own expense, install and operate a check meter to check each meter installed by the District, but the measurement of water for the purposes of this Agreement shall be solely by the District's meters, except in the cases hereinafter specifically provided to the contrary. All such check meters shall be of standard make and shall be subject at all reasonable times to inspection and examination by any employee or independent contractor of the District, but the reading, calibration and adjustment thereof shall be made only by the Purchaser, except during any period when the check meter may be used under the provisions hereof for measuring the amount of water delivered, in which case the reading, calibration and adjustment thereof shall be by the District with like effect as if such check meter or meters had been furnished or installed by the District.

If upon any test, the percentage of inaccuracy of any metering equipment is found to be in excess of two per cent (2%), registration thereof shall be corrected for a period extending back to the time when such inaccuracy began, if such time is ascertainable, and if such time is not ascertainable, then for a period extending back one-half (1/2) of the time elapsed since the last date of calibration, but in no event further back than a period of six (6) months. If for any reason any meters are out of service or out of repair so that the amount of water delivered cannot be ascertained or computed from the reading thereof, the water delivered through the period such meters are out of service or out of repair shall be estimated and agreed upon by the parties hereto upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check meter or meters if the same have been installed and are accurately registering. Otherwise, the amount of water delivered during such period may be estimated (i) by correcting the error if the percentage of the error is ascertainable by calibration tests or mathematical calculation, or (ii) by calculating the average of the quantity of water delivered each month during the most recent three-month period when the meter or meters were registering accurately.

7. UNIT OF MEASUREMENT. For the purpose of allocating operating charges under Paragraph 9(B), the unit of measurement for water delivered hereunder shall be 1,000 gallons of water, U.S. Standard Liquid Measure. For purposes of allocating fixed charges under Paragraph 9(A), the unit of measurement shall be based upon a rate of flow in millions of gallons per day ("MGD").

8. BILLING AND PAYMENT. The District shall read all of the meters monthly and will promptly render monthly bills to the Purchaser based on such readings. Such bills shall be due and payable within twenty-five (25) days from the date the same are deposited in the United States mail properly stamped and addressed to the Purchaser. If the Purchaser fails to pay any bill due to the District on or before its due date, the District may give notice of such delinquency to the Purchaser in writing and if all bills due and unpaid are not paid within fifteen (15) days after deposit of such notice properly stamped and addressed to the Purchaser in the United States mail, then the District shall be authorized to discontinue further water service until all bills due, including interest thereon at the maximum legal rate, have been paid in full.

In addition to the monthly bills described above, the District will bill the Purchaser annually for the cost of Primary Water and Secondary Water allocated to the Purchaser in Subparagraphs 2(B)(2) and 2(B)(3). The annual bills for Primary Water and Secondary Water will be based on rates established in the 1992 Water Supply Agreement, will be distributed in January of each year and will be payable to the District within fifteen (15) days of the Purchaser's receipt of such bill.

9. PRICE OF WATER. The parties hereto recognize that because the price which the District must pay for water in Lake Belton may vary from time to time, and further because the operation, maintenance and repair expenses of the District and debt service requirements¹ on its bonds issued to provide facilities with which to serve the Purchaser and other customers, will vary from time to time, that it is neither practical nor possible to fix a schedule of specific rates in this Agreement which will control the price paid by the Purchaser to the District for water delivered throughout the term of this Agreement. The parties further recognize, however, that the District's rates for water should at all times be the lowest possible rates which are consistent with good business management on the part of the District and with the commitment which District must make to the holders of its bonds or other obligations in order to provide funds with which to construct the facilities necessary to carry on its water supply operations. The District further recognizes its obligation as a public utility to serve all customers of the same class without discrimination either as to rates or types of service.

The District shall, from time to time, establish and publish standard rates for each classification of water customers, which rates shall not discriminate between customers of the same class. The District will establish rates for two classes of water customers: (1) the Fort Hood Military Reservation; and (2) civilian resale customers. Rates to be paid by the United States of America for water furnished to the Fort Hood Military Reservation shall be as prescribed in the Fort Hood Lease Agreement and the Fort Hood Water Service Contract, and any amendments, additions or supplements thereto.

¹ When used in this Agreement, the term "debt service requirements" shall mean (i) the principal, premium, if any, and interest when due on the District's bonds, refunding bonds and other obligations; (ii) any payments required by the District's bond orders or other authorizing documents to be made into debt service reserve funds and contingency funds; and (iii) any trustee or paying agent fees and expenses relating to the District's bonds and other obligations.

The costs of constructing the District's two existing transmission lines were not equally shared by all civilian resale customers. Therefore, for certain cost sharing purposes, such customers are divided into two (2) groups: (1) the customers of the District's Killeen Transmission System,² including the City of Killeen, the City of Copperas Cove, the City of Harker Heights, Bell County Water Control and Improvement District No. 3, and 439 Water Supply Corporation (hereinafter called "Killeen System Customers" when referred to as a group); and (2) the City of Belton as the only customer of the District's Belton Transmission System.³ The civilian resale customers' rates which are more particularly described below, shall consist of (1) certain fixed charges, (2) annual operation, maintenance and repair charges and the purchase price of water from the Authority for civilian usage (herein called "operating charges"), and (3) certain surcharges. Such rates shall be reviewed upon the written request of any customer at intervals of not less than one year.

(A) FIXED CHARGES:

(1) Common Fixed Charges (Original Treatment Plant).⁴ Common Fixed Charges (Original Treatment Plant), shall be shared by all of the District's civilian resale customers. The amount of such charges to be paid by a particular civilian resale customer shall be determined by the application to the total of such charges [less any credit to such amount which may result from payments received from any additional customers the District may contract with pursuant to the further provisions of this Agreement (hereinafter called "Additional Customers")] of a fraction, the numerator of which is the Original Maximum Daily Rate of Delivery⁵ for such customer and the denominator of which is 16.814 MGD. Such charges shall consist only of rentals or other payments which the District is obligated to pay the United States of America for use of governmental facilities.

(2) Special Fixed Charges (Belton Transmission System). Special Fixed Charges (Belton Transmission System) shall be paid by the City of Belton only. Such charges (less any credit to such amount which may result from payments received from Additional Customers) shall consist of the entire debt service requirements relating to the portion of any

² The term "Killeen Transmission System" when used herein shall mean the separate pumping system, water pipelines and appurtenances of the District for the transmission and delivery of water from the District's water supply and treatment facilities to its Killeen System Customers.

³ The term "Belton Transmission System" when used herein shall mean the separate pumping system, water pipelines and appurtenances of the District for the transmission and delivery of water from the District's water supply and treatment facilities to the City of Belton.

⁴ The term "Original Treatment Plant" when used herein shall mean the District's water treatment plant (and appurtenances) as it existed on January 1, 1975, exclusive of the Killeen Transmission System and the Belton Transmission System.

⁵ For the purposes of this Agreement, "Original Maximum Daily Rate of Delivery" shall mean the maximum daily rate of delivery applicable to each civilian resale customer with respect to the Original Treatment Plant, as set forth below:

City of Killeen	8.000 MGD
City of Copperas Cove	3.000 MGD
Bell County Water Control & Improvement District No. 3	0.150 MGD
City of Harker Heights	1.500 MGD
439 Water Supply Corporation	0.164 MGD
City of Belton	4.000 MGD

bonds or obligations of the District hereafter issued (including refunding bonds) to construct modifications, additions, improvements or extensions to the Belton Transmission System.

(3) Special Fixed Charges (Killeen Transmission System). Special Fixed Charges (Killeen Transmission System) shall be shared by the Killeen System Customers only. Such charges (less any credit to such amount which may result from payments received from Additional Customers) shall consist of the entire debt service requirements relating to the portion of any bonds or obligations of the District hereafter issued (including refunding bonds) to construct modifications, additions, improvements or extensions to the Killeen Transmission System. Apportionment of such charges with respect to debt service requirements on bonds or obligations hereafter issued shall be made among the Killeen System Customers by the following methods:

(a) The amount of debt service on that portion of bond moneys used to construct modifications to the Killeen Transmission System shall be shared by the District's Killeen System Customers only. The amount to be paid by a particular Killeen System Customer shall be determined by the application to the total of such debt service (less any credit to such amount which may result from payments received from Additional Customers) of a fraction, the numerator of which shall be the customer's maximum daily rate of delivery from the District's water supply and treatment facilities, as they exist on the issuance date of the related bonds, and the denominator of which shall be the aggregate of all Killeen System Customers' maximum daily rate of delivery from the District's water supply and treatment facilities, as they exist on the issuance date of the related bonds.

(b) The amount of debt service on that portion of bond moneys used to construct an expansion of the Killeen Transmission System shall be shared by the District's Killeen System Customers only. The amount to be paid by a particular Killeen System Customer shall be determined by the application to the total of such debt service (less any credit to such amount which may result from payments received from Additional Customers) of a fraction, the numerator of which shall be such customer's incremental increase in maximum daily rate of delivery as a result of such expansion and the denominator of which shall be the aggregate of all the Killeen System Customers' incremental increases in maximum daily rate of delivery as a result of such expansion.

(4) Fixed Charges (Expansion and Modification Projects). Fixed Charges (Expansion and Modification Projects) shall include the entire debt service requirements on bonds or obligations of the District heretofore or hereafter issued for the following purposes: construct modifications to the District's then existing water supply and treatment facilities; construct facilities for the expansion of the District's water supply and treatment facilities; and construct facilities for the expansion of the Killeen Transmission System. Apportionment of such charges with respect to debt service requirements on bonds or obligations hereafter issued shall be made among civilian resale customers by the following methods:

(a) The amount of debt service on that portion of bond moneys used to construct modifications to the District's then existing water supply and treatment facilities shall be shared by all of the District's civilian resale customers. The

amount to be paid by a particular civilian resale customer shall be determined by the application to the total of such debt service (less any credit to such amount which may result from payments received from Additional Customers) of a fraction the numerator of which shall be the customer's maximum daily rate of delivery from the District's water supply and treatment facilities, as they exist on the issuance date of the related bonds, and the denominator of which shall be the aggregate of all civilian resale customers' maximum daily rate of delivery from the District's water supply and treatment facilities, as they exist on the issuance date of the related bonds.

(b) The amount of debt service on that portion of bond moneys used to construct an expansion of the District's then existing water supply and treatment facilities shall be shared by all of the District's civilian resale customers. The amount to be paid by a particular civilian resale customer shall be determined by the application to the total of such debt service (less any credit to such amount which may result from payments received from Additional Customers) of a fraction, the numerator of which shall be such customer's incremental increase in maximum daily rate of delivery as a result of such expansion and the denominator of which is the aggregate of all civilian resale customers' incremental increases in maximum daily rate of delivery as a result of such expansion.

With respect to each issue of bonds or other obligations of the District hereafter issued to finance an expansion or modification project as contemplated by this Subparagraph 9(A)(4), or as contemplated by Subparagraph 9(A)(2) with respect to the Belton Transmission System or as contemplated by Subparagraph 9(A)(3) with respect to the Killeen Transmission System, there shall be attached hereto an addendum setting forth the following information:

- (i) a description of the purpose(s) for the bonds (*i.e.* modifications to the then existing water supply and treatment facilities, expansion of then existing water supply and treatment facilities, modifications to the then existing Killeen Transmission System, expansion of the Killeen Transmission System, and/or modification or expansion of the Belton Transmission System);
- (ii) the aggregate principal amount and series designation (if applicable) of the bonds or other obligations being issued by the District and a percentage allocation of the debt service on such bonds or other obligations to the purposes for which they are being issued, as determined by the District in consultation with the District's engineers; provided, that upon completion of all projects to be constructed with the proceeds of any such bonds, the District and its engineers shall reconcile the actual expenditures of bond proceeds to the indicated purposes for which such bonds were issued and shall make any necessary adjustments to the allocation of debt service to such purposes; and
- (iii) for each stated purpose for which the bonds or other obligations are being issued, the aggregate incremental increase in maximum daily rate of delivery for the appropriate customer group (*i.e.* all civilian resale customers, Killeen System Customers or City of Belton) as a result of an expansion and a breakout (if

applicable) of the incremental increase in maximum daily rate of delivery for each member of the customer group as a result of such expansion; provided, that in the case of modifications to the then existing water supply and treatment facilities, the Killeen Transmission System or the Belton Transmission System that do not result in or are not accompanied by an incremental increase in the maximum daily rate of delivery, the addendum shall specify the appropriate ratios to be used in allocating debt service to the District's customers.

The District and the Purchaser acknowledge that the District has previously issued and has outstanding its Water System Revenue Bonds, Series 1997, dated September 1, 1997, in the original aggregate principal amount of \$33,000,000, as more particularly described in Addendum No. 1 to this Agreement, which addendum is attached hereto and is incorporated herein for all purposes as if set forth in full herein.

(B) OPERATING CHARGES:

Operating Charges shall make provision for the following costs and no other:

- (1) maintenance and operating expenses of all of the District's water supply, treatment and transmission facilities, including overhead and reasonable reserves for emergencies and contingencies;
- (2) the costs (not otherwise funded through the issuance of bonds) of repairing and replacing damaged, worn-out or obsolete parts of all of the District's water supply, treatment and transmission facilities, including reasonable reserves for ordinary and extraordinary repairs and replacements;
- (3) the cost of any additions to or modifications of all or any portion of the District's water supply, treatment and transmission facilities required by final orders or regulations of any agency with jurisdiction in the premises; and
- (4) the cost of water purchased or produced by the District, including a reasonable charge for loss and leakage, to the extent that such costs are not included in fixed charges as above provided.

Operating Charges shall be expressed in a specified sum for each 1,000 gallons of water and shall be apportioned among all of the District's water customers, including the United States of America, on the basis of the quantity of water delivered to each customer in each calendar month or billing period. Such charges for the first or partial calendar year after any enlargements or expansions of the District's water system are completed and placed in operation, in whole or in part, shall be estimated by the District, but thereafter the provision in the District's rate schedule for operating charges shall be based upon such actual costs as experienced during the previous calendar year; provided, that, if there is a substantial increase or decrease in operating costs during any calendar year, the operating charges for the then current year shall be adjusted accordingly.

Notwithstanding the foregoing, the Purchaser recognizes and agrees that the cost of Secondary Water allocated to the Purchaser pursuant to Subparagraph 2(B)(3) and the cost of

Primary Water allocated to the Purchaser pursuant to Subparagraph 2(B)(2) will be billed to the Purchaser on an annual basis in January of each year in accordance with the rates established in the 1992 Water Supply Agreement. As set forth in Paragraph 8, such bills are payable to the District within fifteen (15) days of the Purchaser's receipt thereof. The Purchaser further agrees to pay to the District such amounts as may be required under the 1992 Water Supply Agreement in connection with a reclassification of any Primary Water or Secondary Water allocated to the Purchaser from Option Water to Election Use Water. If such a reclassification is made pursuant to a request from the Purchaser, the payment required under the 1992 Water Supply Agreement in connection with such reclassification shall be remitted by the Purchaser to the District together with the submission of the Purchaser's request. If such a reclassification is made solely at the request of the District in accordance with the last sentence of Subparagraph 2(B)(4), the payment required under the 1992 Water Supply Agreement in connection with such reclassification shall be remitted by the Purchaser to the District within fifteen (15) days of receipt by the Purchaser of a notice from the District stating (i) that the request for a reclassification was made to the Authority and (ii) the amount of the required payment.

(C) SURCHARGES:

Purchaser recognizes that the District is entering into contracts with each of its civilian resale customers and that under such contracts the entire design capacity of its water supply, treatment and transmission facilities available for use by its civilian resale customers will be allocated among such customers. Consequently, Purchaser recognizes that its contract capacity cannot be exceeded without encroaching upon the design capacity allocated to other civilian resale customers and the Purchaser hereby agrees not to exceed such capacity. The District, in its sole discretion, may charge a reasonable surcharge, in an amount not to exceed \$20,000 per occurrence, to any civilian resale customer determined by the District to be in violation of its agreement not to exceed its allocated daily capacity. The amount of any surcharge actually received by the District shall be applied, in such manner as the District deems appropriate under the circumstances, as a credit to the payments which the other civilian resale customers are required to make under their respective contracts. The provisions of this Paragraph 9(C) shall not apply to excess quantities of water delivered to civilian resale customers during emergencies as provided in Paragraph 6, above.

10. FORCE MAJEURE. If the District should be prevented, wholly or in part, from furnishing water to the Purchaser under this Agreement by reason of an act of God, unavoidable accident, acts of the public enemy, strikes, floods, fires, governmental restraint or regulations, breaks in the District's pipelines, or for any other cause beyond the District's control, then the obligation of the District to deliver water to the Purchaser shall be temporarily suspended during the continuance of such force majeure.

No damage shall be recoverable by the Purchaser from the District by reason of the temporary suspension of delivery of water due to any of the causes above mentioned. If the District's ability to deliver water to the Purchaser is affected by any of the causes above mentioned, the District shall promptly notify the Purchaser in writing, giving the particulars as soon as practicable after the occurrence of the cause or causes for such interruption.

If the supply of water available to the District is insufficient for any reason to serve the requirements of all of its customers as a result of a period of drought or for any other reason, then the available amount of water will be allocated and prorated by the District in such manner that all shall suffer alike and preference be given to none.

11. ALTERATIONS AND REPAIRS. It is expressly recognized by Purchaser that the District may be compelled to make necessary alterations, repairs and extensions of new or additional water supply, treatment or transmission facilities from time to time during the life of this Agreement, and any suspension of delivery to Purchaser due to such operation shall not be cause for claim or damage on the part of the Purchaser, provided all reasonable effort is used by the District to provide the Purchaser with water in accordance with this Agreement. In such case, the District shall give the Purchaser as much advance notice as may be practicable of the suspension of delivery and of the estimated duration thereof.

12. TERM. Unless sooner terminated or extended by mutual written agreement of the parties hereto, this Agreement shall be in force and effect from the effective date hereof as determined in Paragraph 1, until the following bonds of the District and any refunding bonds issued in lieu of such bonds are paid in full:

(a) Water Revenue Bonds, Series 1997, dated September 1, 1997, and originally issued in the principal amount of \$33,000,000, to mature serially in each of the years 1999 through 2018, both inclusive (as more fully described in Addendum No. 1 hereto); and

(b) any bonds issued for the purpose of modifying or expanding the District's water supply, treatment or transmission facilities and identified in an addendum to this Agreement, as contemplated in Subparagraphs 9(A)(2), 9(A)(3) and 9(A)(4) above.

Upon the expiration of the term of this Agreement, the Purchaser shall have no right, express or implied, to continuing service from the District.

13. OPERATING EXPENSE. All moneys required to be paid by the Purchaser under this Agreement shall constitute an operating expense of the waterworks and/or combined waterworks and sewer system of the Purchaser (hereinafter called the "Purchaser's System"). The Purchaser agrees to fix and maintain such rates and collect such charges for the facilities and services provided by the Purchaser's System as will be adequate to permit the Purchaser to make prompt payment of all expenses of operating and maintaining the Purchaser's System, including payments under this Agreement, and to make prompt payment of the interest on and principal of the bonds or other obligations, if any, of the Purchaser payable, in whole or in part, from the revenues of the Purchaser's System. The Purchaser further agrees to comply with all of the provisions of the resolutions, ordinances or indentures authorizing its bonds or other obligations, if any, which are payable, in whole or in part, from the revenues of the Purchaser's System.

14. MODIFICATION; ASSIGNMENT; AND BENEFIT. This Agreement shall be subject to change or modification at any time but only with the mutual consent of the governing bodies of each of the parties hereto, but the Purchaser recognizes that the resolutions, orders or other documents authorizing the District's bonds or other obligations may contain covenants by the District not to consent to certain changes or modifications of this Agreement. This

Agreement shall not be assignable by either party hereto without the prior written consent of the governing bodies of the parties hereto. This Agreement shall be for the sole and exclusive benefit of the District, the Purchaser, and the owners and holders from time to time of the District's bonds or other obligations. The District is, however, granted the specific right to assign, mortgage, transfer, trust, pledge or otherwise hypothecate or encumber the Purchaser's obligations to make payments under this Agreement.

15. NATURE OF PURCHASER'S OBLIGATION. The parties hereto recognize that the price the Purchaser is required to pay for water hereunder is directly related to the District's obligations to pay the debt service requirements on its bonds or other obligations heretofore and hereafter issued for the purpose of providing its water supply, treatment and transmission system and the District's obligations as a public utility to operate and maintain such system in accordance with appropriate regulatory requirements and good business management practices. Consequently, the obligations of the Purchaser to pay for water pursuant to the provisions of this Agreement shall be absolute and unconditional, irrespective of any rights of set-off, recoupment or counterclaim the Purchaser might otherwise have against the District and Purchaser will not suspend or discontinue such payment or (except in accordance with Paragraph 12) terminate this Agreement for any cause whatsoever. This Paragraph 15 shall not be construed to release the District from the performance of any of its agreements contained herein or, except to the extent provided in this Paragraph 15, prevent or restrict the Purchaser from asserting any rights it may have against the District.

16. SURPLUS CAPACITY. The Purchaser may, with the approval of the District, enter into sub-contracts with other customers or persons pursuant to which part of the capacity to which the Purchaser is entitled may be sold to such other customers or persons. The consideration and terms of such a sub-contract between the Purchaser and others shall be determined by the sub-contracting parties, and the District shall not withhold its approval unless the District determines it is unable to comply with terms thereof. No such sub-contract or approval by the District shall relieve the Purchaser of its primary and unconditional obligation to make all payments to the District in accordance with the terms of this Agreement. To the extent, however, that the District actually receives payments in cash as a result of any such sub-contracts, the Purchaser's unconditional obligation to make payments to the District shall be reduced.

17. MILITARY CAPACITY. The Purchaser recognizes that, in connection with an expansion of the District's water supply, treatment and transmission system, part of the design capacity of the District's water supply, treatment and transmission facilities may be acquired by the United States of America for the use and benefit of Fort Hood Military Reservation; provided, that the United States of America bears the cost of any expanded capacity acquired by it.

18. ADDITIONAL CUSTOMERS. The District shall have the right to contract with any customers or persons to treat, transmit or supply water through its water supply, treatment and transmission facilities and to enlarge or extend such facilities to provide such services. Any such contracts shall not, however, impair the right of the Purchaser to receive water at the maximum rate set forth in this Agreement, except with the written consent of the Purchaser. Further, any such contract shall require such a customer or person to pay the debt service requirements on any bonds or other obligations of the District which are issued to enlarge or

extend its water supply, treatment and transmission facilities to provide such service and an equitable share of the Fixed Charges and Operating Charges described in Paragraph 9. It is understood and agreed that for the District to serve any Additional Customer from the Belton Transmission System, it must have the written consent of the City of Belton.

19. SPECIFIC PERFORMANCE; NO WAIVER. It is not intended hereby to specify (and this Agreement shall not be considered as specifying) an exclusive remedy for any default by the District, but all such remedies (other than termination) existing at law or in equity may be availed of by the Purchaser and shall be cumulative. Recognizing, however, that the District's undertaking to provide and maintain services as provided herein is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the District agrees, in the event of any default on its part, that the Purchaser shall have available to it the equitable remedy of specific performance. No waiver or waivers of any breach or default (or any breaches or defaults) by either party hereto of any term, covenant, condition, or liability hereunder, or of performance by the other party of any duty or obligation hereunder, shall be deemed or construed to be a waiver of subsequent breaches or defaults of any kind.

20. WATER CONSERVATION PLAN. The Purchaser agrees to adopt a water conservation plan within 270 days from the date of this Agreement. Such water conservation plan shall meet the requirements of Texas Administrative Code Section 363.15, as in effect on the date of this Agreement.

21. CHOICE OF LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF TEXAS.

22. SEVERABILITY. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, administrative rule, regulation or finding, rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

23. FINANCIAL INFORMATION. To the extent and only during such time as the Purchaser is considered to be an "obligated person" (within the meaning of United States Securities and Exchange Rule 15c2-12 [the "Rule"]) with respect to any of the District's bonds issued to modify or expand the District's water supply, treatment or transmission facilities, the Purchaser agrees, for the benefit of the holders of any such bonds, to provide annually to each "nationally recognized municipal securities information repository" (within the meaning of the Rule) and "state information depository" (within the meaning of the Rule), within 180 days after the end of each fiscal year of the Purchaser ending in or after 1998, financial information and operating data with respect to the Purchaser of the general type included in the Purchaser's annual financial statement. Any financial statements of the Purchaser to be so provided shall be (i) prepared in accordance with the accounting principles the Purchaser may be required to employ from time to time pursuant to Texas law and (ii) audited, if the Purchaser commissions an audit of such statements and the audit is completed within the required time. If the audit is

not completed within the required time, then the Purchaser shall provide the audit when and if it becomes available.

EXECUTED this the 15 day of July, 2004, in Bell County, Texas.

BELL COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1

By: William 154 Jones
President, Board of Directors

ATTEST:

[Signature]
Secretary

CITY OF BELTON

Sam A. Lister
(Purchaser)

City Manager
(Title)

ATTEST:

Cara Jones
Secretary

Addendum No. 1

This Addendum No. 1 relates to that certain Water Supply Contract, dated as of September 25, 1997, as amended and restated by that certain Amended and Restated Water Supply Contract, made and entered into as of April 1, 2004 (the "Water Supply Contract"), by and between the Bell County Water Control and Improvement District No. 1 and the City of Belton, Texas, and is an addendum to the Water Supply Contract for all purposes, including, particularly, for the purposes of Paragraph 9 and Paragraph 12 of the Water Supply Contract.

Bond Name: Bell County Water Control and Improvement District No. 1 Water Revenue Bonds, Series 1997 (the "Bonds")

Principal Amount: \$33,000,000

- Purposes:**
- (1) Expansion of existing water supply and treatment facilities from approximately 53 MGD capacity to approximately 80 MGD capacity;
 - (2) Modifications to the Killeen Transmission System; and
 - (3) Modifications to the existing water supply and treatment facilities.

Pre-Construction Allocation of Bonds to Purposes:

- | | | |
|-----|---|-------|
| (1) | Expansion of existing water supply and treatment facilities | 80.5% |
| (2) | Modifications to the Killeen Transmission System | 7.9% |
| (3) | Modifications to existing water supply and treatment facilities | 11.6% |

Upon the completion of all projects to be constructed with the proceeds of the Bonds, the District and its engineers shall reconcile the actual expenditures of Bond proceeds to the percentage allocation of debt service on the Bonds to the purposes indicated above and shall notify the Purchaser in writing of any adjustments made to such allocations. Upon the giving of such notice, this Addendum No. 1 shall be deemed to be amended to conform to such adjusted allocation of Bonds to purposes. Any such adjustment may change the amount of the debt service requirements on the Bonds allocable to the Purchaser.

Allocation of Maximum Daily Rates of Delivery by Purposes:

- (1) Expansion of existing water supply and treatment facilities:

Aggregate Increase in Maximum Daily Rate of Delivery: 27.00 MGD

Incremental Increases in Maximum Daily Rate of Delivery for each Customer:

City of Killeen	11.249MGD
City of Copperas Cove	4.929 MGD
Bell County Water Control and Improvement District No. 3	0.500 MGD
City of Harker Heights	5.494 MGD
439 Water Supply Corporation	0.500 MGD
City of Belton	4.328 MGD

(2) Modifications to the Killeen Transmission System:

Debt Service Percentage for each Killeen Transmission System Customer:

City of Killeen	58.258%
City of Copperas Cove	27.359%
Bell County Water Control and Improvement District No. 3	1.596%
City of Harker Heights	11.191%
439 Water Supply Corporation	1.596%

(3) Modification of Existing Water Supply and Treatment Facilities:

Debt Service Percentage for each Customer:

City of Killeen	49.33%
City of Copperas Cove	23.16%
Bell County Water Control and Improvement District No. 3	1.35%
City of Harker Heights	9.48%
439 Water Supply Corporation	1.35%
City of Belton	15.33%

Fixed Charges Relating to the Bonds:

Based on the Pre-Construction Allocation of Bonds to Purposes set forth above, the principal amount of the Bonds to be allocated to and charged to the Purchaser is \$4,845,000. The debt service requirements relating to such principal amount shall be charged to the Purchaser as fixed charges in accordance with Paragraph 9 of the Water Supply Contract and shall be charged substantially in accordance with the schedule set forth in Exhibit A to this Addendum No. 1. The amounts shown in such schedule do not include any amounts that may be included in fixed charges for deposit into the debt service reserve fund for the Bonds or for payment of debt

service on any other bonds of the District. The amounts shown in the attached schedule are subject to change upon a modification in the Pre-Construction Allocation of Bonds to Purposes, as provided above. Further, the Purchaser recognizes that the District will bill and collect fixed charges allocable to the Purchaser through its monthly billing process.

FIRST AMENDMENT
TO
AMENDED AND RESTATED
WATER SUPPLY CONTRACT

THE STATE OF TEXAS §
 §
COUNTY OF BELL §

This First Amendment to Amended and Restated Water Supply Contract (the "First Amendment") is made and entered into as of this 1st day of May 2006, by and between the **Bell County Water Control and Improvement District No. 1** (the "District"), a conservation district and political subdivision of the State of Texas, created and operating under the provisions of Article XVI, Section 59, of the Constitution of Texas and Chapters 49 and 51, Texas Water Code, acting herein by and through its duly authorized officers, and the **City of Belton, Texas** (the "Purchaser"), duly organized under the laws of the State of Texas, acting herein by and through its duly authorized officers.

WITNESSETH

WHEREAS, the District and the Purchaser previously have entered into that certain contract entitled "Amended and Restated Water Supply Contract," dated as of April 1, 2004 (the "Agreement"); and

WHEREAS, to provide for the water needs of the District's civilian resale customers, the District has previously entered into that certain Water Supply Agreement, dated as of January 1, 1992 (the "1992 Water Supply Agreement"), between the District and the Brazos River Authority (the "Authority"), pursuant to which the Authority has agreed to make water from Lake Belton available to the District in an amount not to exceed 49,509 acre-feet per year; and

WHEREAS, pursuant to the Agreement, the District allocated the water available under the 1992 Water Supply Agreement to the District's civilian resale customers; and

WHEREAS, the Purchaser has requested that the District enter into that certain System Water Availability Agreement, dated as of [May 1], 2006 (the "System Water Agreement"), between the District and the Authority, pursuant to which the Authority will make additional water from Lake Belton available to the District during the term of the System Water Agreement in an amount not to exceed 13,000 acre-feet per year (the "System Rate Water"), and to allocate to the Purchaser 1,000 acre-feet per year of the System Rate Water available to the District under the System Water Agreement; and

WHEREAS, the District and the Purchaser desire to amend the Agreement to acknowledge the execution and delivery of the System Water Agreement, to provide for the allocation of a portion of the System Rate Water to the Purchaser, and to provide for the payment by the Purchaser of the costs of the System Rate Water allocated to the Purchaser; and

WHEREAS, capitalized terms used in this First Supplement and not otherwise defined shall have the respective meanings given to such terms in the Agreement;

Therefore, in consideration of the mutual promises, obligations, agreements and benefits set out herein, the District and the Purchaser agree that the Agreement shall be amended as follows:

1. Paragraph 2 of the Agreement is amended by adding a new subparagraph (C) which shall read as follows:

(C) ADDITIONAL SYSTEM RATE WATER AVAILABLE TO THE DISTRICT:

(1) The System Water Agreement. To provide for the additional water needs of certain of its civilian resale customers, the District will enter into that certain System Water Availability Agreement, dated as of [May 1], 2006 (the "System Water Agreement"), between the District and the Authority. The System Water Agreement provides, among other things, that the Authority will make water from Lake Belton available to the District in each fiscal year of the Authority (such fiscal year currently being from September 1 through August 31), beginning in the year 2006 and continuing through the term of the System Water Agreement, in an amount not greater than 13,000 acre-feet per year (such 13,000 acre-feet of water per fiscal year being referred to herein as the "System Rate Water"). The System Water Agreement expires on August 31, 2031, but may be extended at the written request of the District for so long as, and to the extent, the Authority continues to have the right and ability to make available the amount of the System Rate Water available to the District under the System Water Agreement. The District agrees that, at the request of the Purchaser and to the extent reasonably practicable, it will exercise its option to extend the term of the System Water Agreement with respect to the System Rate Water allocated to the Purchaser.

(2) Allocation of System Rate Water. During the term of the System Water Agreement, the 13,000 acre-feet of System Rate Water available to the District under the System Water Agreement is allocated to and reserved for the beneficial use of the following entities in the following amounts (in acre-feet):

City of Killeen	10,000
City of Belton	1,000
City of Copperas Cove	1,000
The District	1,000

(3) Limitations on System Rate Water. The Purchaser acknowledges that the District's ability to supply System Rate Water to the Purchaser is subject in all respects to the terms and conditions of the System Water Agreement and the

Purchaser consents to such terms and conditions. The Purchase agrees to comply with all applicable laws and take such actions as may be reasonably necessary to allow the District to fully perform its obligations under the System Water Agreement relating to conservation of water, water quality and interbasin transfers. The Purchaser further acknowledges that the amount of water available to the Purchaser in any single fiscal year of the Authority will be limited to the System Rate Water allocated to the Purchaser in accordance with Subparagraph (C)(2) above.

Notwithstanding any other provision of this Agreement, the Purchaser recognizes the District's continuing right to modify any allocation of System Rate Water indicated in Subparagraph (C)(2) if the District determines that such modification is necessary to (i) comply with law, (ii) comply with any judgment, court order, decree or administrative rule, regulation ruling to which the District is or may become subject or (iii) conform to the provisions of any state or regional water plan. In the event of any such modification of the allocations indicated in Subparagraph (C)(2), all calculations made under this Agreement with respect to System Rate Water and made after the date of such modification shall be made utilizing the modified allocations of System Rate Water.

2. Paragraph 8 of the Agreement is amended by adding a new subparagraph at the end of Paragraph 8 which shall read as follows:

Further, and in addition to any bills described above and except as provided below, the District will bill the Purchaser annually for the cost of System Rate Water allocated to the Purchaser in Subparagraph 2(C)(2). The bills for System Rate Water will be based on rates established in the System Water Agreement, will be distributed in September of each year and will be payable to the District by September 15; provided, that the District reserves the right to select from the various payment options available to the District under the System Water Agreement and to modify the payment obligations of the Purchaser under this Agreement accordingly. In addition, if during any fiscal year of the Authority, the rate established for System Rate Water for such fiscal year pursuant to the System Water Agreement is increased by the Authority, the District will bill the Purchaser such additional amounts as are necessary to pay the additional cost of System Rate Water allocated to the Purchaser in Subparagraph 2(c)(2). Such bills will be payable to the District within 30 days after receipt by the Purchaser.

3. Paragraph 9(B) of the Agreement is amended by adding a new subparagraph at the end of Paragraph 9(B) which shall read as follows:

Further, and notwithstanding the foregoing, the Purchaser recognizes and agrees that, unless modified by the District pursuant to Paragraph 8, the cost of System Rate Water allocated to the Purchaser pursuant to Subparagraph 2(C)(2) will be billed to the Purchaser on an annual basis in September of each year in accordance with the rates established in the System Water Agreement and such bills are payable to the District on September 15 of each year. In addition, if

during any fiscal year of the Authority, the rate established for System Rate Water for such fiscal year pursuant to the System Water Agreement is increased by the Authority, the District will bill the Purchaser such additional amounts as are necessary to pay the additional cost of System Rate Water allocated to the Purchaser in Subparagraph 2(c)(2). Such bills will be payable to the District within 30 days after receipt by the Purchaser. The Purchaser further agrees to pay to the District, based on its pro rata share of the System Rate Water allocated in Subparagraph 2(C), such additional amounts as may be reasonably required to allow the District to fully perform all of its obligations under and to pay all amounts due or to become due to the Authority under the System Water Agreement; provided, that the Purchaser shall not be required to pay any such additional amounts that are payable to the Authority as a result of the gross negligence or willful misconduct of the District.

4. This First Amendment shall be construed in accordance with and governed by the laws of the State of Texas.

5. If any provision of this First Amendment shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, administrative rule, regulation or finding, rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this First Amendment invalid, inoperative or unenforceable to any extent whatever.

6. Except as specifically amended by this First Supplement, the Agreement shall remain unchanged and in full force and effect.

[EXECUTION PAGE FOLLOWS]

EXECUTED this the 23 day of May, 2006, in Bell County, Texas.

BELL COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1

By: *William A. Jones*
President, Board of Directors

ATTEST:

Robert G. Smith
Secretary



CITY OF BELTON, TEXAS

Sam A. Listi
(Purchaser)

City Manager
(Title)

ATTEST:

Chris Jones
Secretary

**SECOND AMENDMENT
TO
AMENDED AND RESTATED
WATER SUPPLY CONTRACT**

THE STATE OF TEXAS §

COUNTY OF BELL §

This Second Amendment to the Amended and Restated Water Supply Contract (the “Second Amendment”) is made and entered into as of this ____ day of _____ 2018, by and between the Bell County Water Control and Improvement District No. 1 (the “District”), a conservation district and political subdivision of the State of Texas, created and operating under the provisions of Article XVI, section 59, of the Constitution of Texas and Chapters 49 and 51, Texas Water Code, acting herein by and through its duly authorized officers, and the City of Belton, Texas (the “Purchaser”), duly organized under the laws of the State of Texas, acting herein by and through its duly authorized officers.

WITNESSETH

WHEREAS, the District and the Purchaser previously have entered into that certain contract entitled “Amended and Restated Water Supply Contract,” dated April 1, 2004, (the “Agreement”); and

WHEREAS, the District and the Purchaser amended the Agreement to acknowledge the execution and delivery of the System Water Agreement, to provide for the allocation of a portion of the System Rate Water to the Purchaser, and to provide for the payment by the Purchaser of the costs of the System Rate Water allocated to the Purchaser (the “First Amendment”); and

WHEREAS, the District and the Purchaser desire to amend the term of the Agreement; and

WHEREAS, capitalized terms used in this Second Amendment and not otherwise defined shall have the respective meanings given to such terms in the Agreement or First Amendment;

Therefore, in consideration of the mutual promises, obligations, agreements and benefits set out herein, the District and the Purchaser agree that the Agreement shall be amended as follows:

1. Paragraph 12 of the Agreement is amended by replacement of the existing paragraphs and subparagraphs with new paragraphs and subparagraphs which shall read as follows:

TERM. Unless sooner terminated or extended by mutual written agreement of the parties, hereto, this Agreement shall be in force and effect from the effective date hereof as determined in Paragraph 1, until the later of:

(a) Any bonds issued for the purpose of modifying or expanding the District's water supply treatment or transmission facilities as identified in addendum to this Agreement, as contemplated in Subparagraphs 9(A)(2), 9(A)(3) and 9(A)(4) above and any refunding bonds issued in lieu of such bonds are paid in full; or

(b) December 31, 2041.

Upon the expiration of the term of this Agreement, the Purchaser shall have no right, express or implied to continuing service from the District.

2. This Second Amendment shall be construed in accordance with and governed by the laws of the State of Texas.

3. If any provision of this Second Amendment shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, administrative rule, regulation or finding, rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Second Amendment invalid, inoperative or unenforceable to any extent whatever.

4. Except as specifically amended by this Second Amendment, the Agreement and any amendments thereto shall remain unchanged and in full force and effect.

BELL COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1

CITY OF BELTON, TEXAS

By: _____
President, Board of Directors

By: _____
Sam A. Listi, City Manager (Purchaser)

ATTEST:

ATTEST:

Secretary

Amy M. Casey, City Clerk



City of Belton

– Founded 1850 –

November 20, 2018

Ricky Garrett
General Manager
Bell County WCID #1
201 S. 38th Street
Killeen, TX 76543

Dear Mr. Garrett:

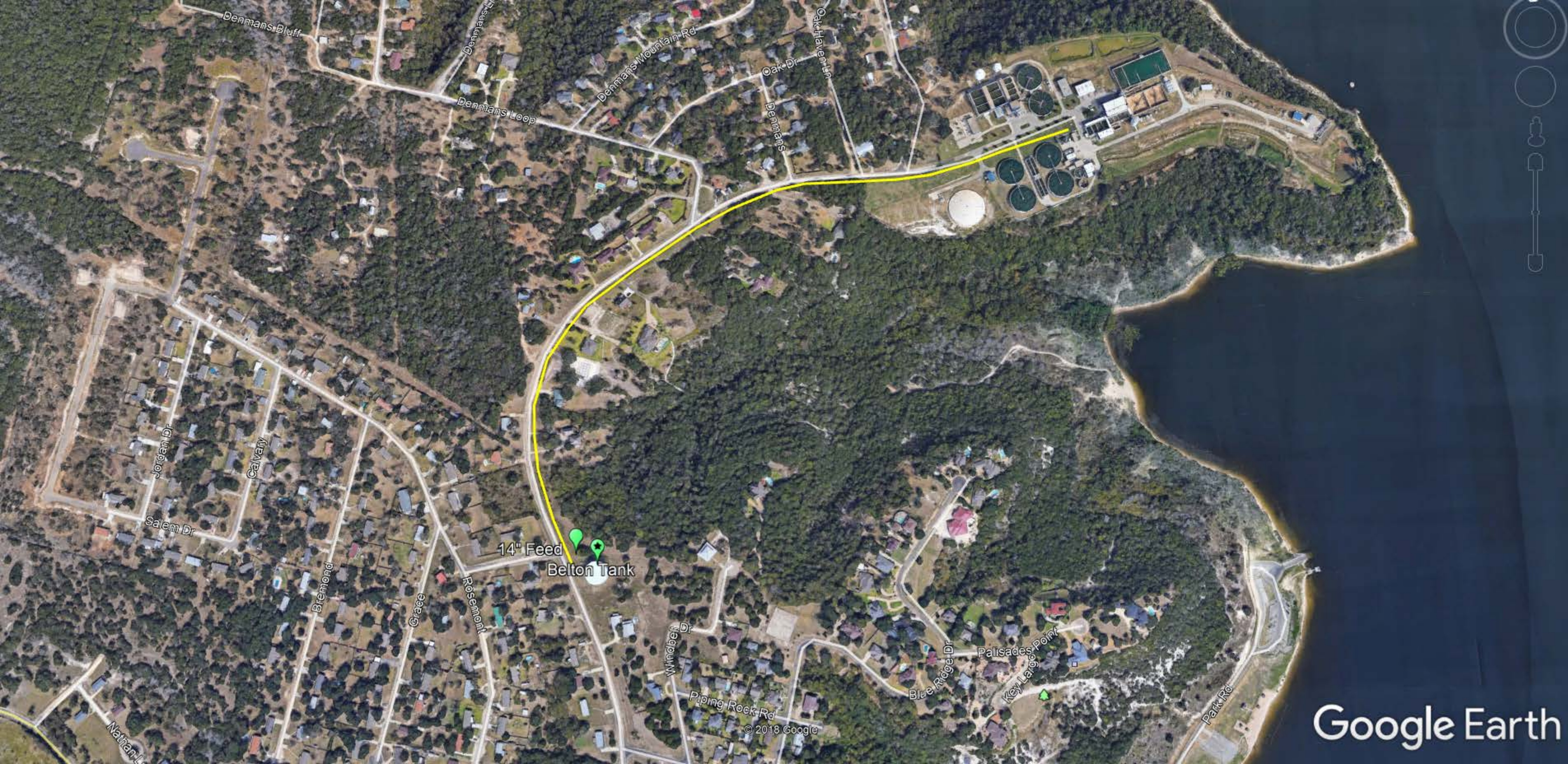
Over the past several months the City of Belton and the District have been in discussions about a project to upgrade the Belton Transmission System to achieve delivery of the contractual daily maximum amount of 10 mgd. The single 14" pipeline and the high service pumps appear to need upgrading. It is Belton's understanding the District plans to develop a Preliminary Engineering Report to analyze needed system enhancements. These design costs, as well as the capital costs to implement these changes, will be borne by Belton. Since this assessment and design will not be complete before our last debt payment on current bonds in June 2019, the City of Belton seeks a contract amendment to address this anticipated project.

The City of Belton desires to extend the term of our Agreement with Bell County Water Control and Improvement District No. 1 by mutual written agreement to the later of December 31, 2041 or until any future bonds issued for the purpose of modifying or expanding the District's water supply, treatment or transmission facilities and identified in an addendum to this Agreement are paid in full. We selected the December 31, 2041 date as it aligns with the District's Water Supply contract with the Brazos River Authority. We are open to discussing a different term if that is the desire of the District. A draft of the proposed Second Amendment to our Agreement is attached for your review.

We sincerely appreciate the District's consideration of this request, and I am happy to meet with you and the Board to discuss the proposed amendment.

Thank You,

Sam A. Listi
City Manager
City of Belton, Texas



Staff Report – City Council Agenda Item



Agenda Item #7

Consider an ordinance modifying the City's TMRS retirement plan by increasing the employee deposit rate from 5% to 6% and decreasing the Updated Service Credit from 100% to 50%.

Originating Department

Finance – Brandon Bozon, Director of Finance

Human Resources – Charlotte Walker, Director of Human Resources

Background Information

The City offers retirement benefits to employees through its participation in the Texas Municipal Retirement System (TMRS). Currently, employees deposit 5% of their salary to the system. Those deposits grow at a guaranteed rate of 5% annually, and the balance of the account is matched 2:1 by the City upon the employee's retirement. The dollar amount of an employee's retirement benefit payment is based upon the employee's account balance and their life expectancy or the life expectancy of their surviving beneficiary should they choose a benefit option that continues to pay beyond their life.

The City's current plan also includes a 100% Updated Service Credit (USC) provision. USC is an optional benefit feature of the TMRS retirement plan. The USC calculation, performed on a TMRS member's account, may grant supplemental dollar credits that can increase a member's benefit at retirement in certain situations. A city may adopt, revise or rescind the USC provision by ordinance. USC is designed to help a member's benefit maintain its value over the duration of the member's career. In calculating USC, TMRS looks at increases in the member's salary and any changes the City has made to its TMRS plan, such as the deposit rate or the City's matching ratio. More information on USC can be found in the attached TMRS flyer.

Summary Information

Plan Changes

For several years, City Staff has been seeking a solution to increase the City's competitiveness with regard to its TMRS benefits. An update on the City's benefits and market position was provided to the City Council in May of 2017. In previous years, fiscal challenges and competing priorities made the recommendation of a TMRS plan change impractical. However, at this time, Staff recommends the following changes to the City's TMRS plan, which will allow the City to increase the competitiveness of its retirement offering in a financially sustainable manner:

1. Increase the Employee deposit rate from 5% to 6%. By increasing the deposit rate to 6%, an employee's cash balance at retirement (which is matched by the City 2:1), will be larger, and therefore yield a larger retirement benefit than the City's current TMRS contribution rate of 5%.
2. Decrease the USC provision from 100% to 50%. The intent of this adjustment is to limit the retroactive costs and limit the increase in the City's unfunded actuarial liability associated with the change to the employee deposit rate, in order to make the change fiscally feasible.

In combination, these two changes will increase the City's required TMRS contribution for calendar year 2019 from 7.64% to 8.06% of payroll, and will increase the City's unfunded actuarial liability by \$115,219. In contrast, changing the contribution rate from 5% to 6% without a companion decrease in the USC would increase the City's required TMRS contribution for calendar year 2019 from 7.64% to 10.20% of payroll, and would increase the City's unfunded actuarial liability by \$1,863,280.

All other elements of the TMRS system remain unchanged including:

- 2:1 employer match
- 5% guaranteed earnings on deposits
- 30% COLA
- 5 year vesting
- Retirement eligibility at 20 years of service or 60 years of age

Employee Impact

Of the City's 168 current employees, 162 will experience a benefit increase under the new plan should they choose to retire in the first year in which they are eligible. The amount of the benefit increase ranges from 1.4% to 19.8%, depending primarily on the amount of time the employee remains with the City and continues to contribute to their account at the higher rate. Future employees will experience a retirement benefit under the new plan that is up to 20% greater than what would be derived under the City's current plan.

Six employees could experience a decrease in benefits due to their particular employment history if they opt to retire as soon they are eligible. Management has met with these six employees and set forth a plan to ensure that any potential negative impact is mitigated.

Future Year Adjustments and City Contributions

The action proposed today will alter the City's plan beginning January 1, 2019. However, we will present a five-year model that will project a phased-approach to continued improvements to the City's TMRS benefits for Council discussion.

As noted above, the City's required contribution will increase from 7.64% to 8.06% of payroll starting in January 1, 2019. However, it is our recommendation that the actual contribution made be 8.50% of payroll in 2019. The purpose of this recommendation is two-fold. First, the additional contribution will help boost assets and improve the overall financial health of the City's pension plan. Second, it will establish an elevated baseline from which the City can increase contributions in future years in a sustainable manner in order to be in a position to enhance future benefits.

A model of potential City contributions is shown below:

Year	City Contribution
2019	8.50%
2020	8.80%
2021	9.10%
2022	9.40%
2023	9.70%
2024	10.00%

Based on the 2019 Plan Study provided by TMRS, the required City contribution for a plan with a 6% employee deposit rate and a 75% USC or 100% USC are 9.13% and 10.20%, respectively. If improving the USC was determined to be the priority, those changes could be adopted in approximately 2021 and 2024, respectively.

Based on the 2019 Plan Study provided by TMRS, the required City contribution for a plan with a 7% employee deposit rate and a 50% USC is 9.95%. If improving the plan by increasing the employee deposit rate to 7% was determined to be the priority, that change could be adopted in approximately 2024.

Fiscal Impact

For the nine months remaining in FY 2019, the impact of moving to the 8.50% City contribution is \$53,728. Due to a favorable renewal of other employee health, life and wellness benefits (compared to the anticipated increases included in the FY 19 budget), this amount can be accommodated in the operating budgets of the General Fund, Water & Sewer Fund, Drainage Fund, BEDC and Hotel-Motel Fund without requiring a budget amendment.

The recommended plan changes for 2019 will increase the unfunded actuarial liability of Belton's pension plan from \$2,042,223 to \$2,157,442 and decrease the funded ratio from 91% to 90.5%.

Recommendation

Recommend approval of the ordinance modifying the City's TMRS retirement plan by:

1. Increasing the employee deposit rate from 5% to 6%; and
2. Decreasing the Updated Service Credit from 100% to 50%.

Attachments

TMRS Letter

Ordinance

Updated Service Credit Flyer



December 5, 2018

Mr. Brandon Bozon
Finance Director
City of Belton
P.O. Box 120
Belton, TX 76513-0120

Dear Brandon:

We are pleased to enclose a model ordinance for your city to adopt:

***6% Employee Deposit Rate;
50% Updated Service Credits, including Transfers,
&
30% of CPI increase to annuitants
Annually Repeating***

By statute, when a city changes its employee deposit rate and the city currently offers Updated Service Credits/Annuity Increases on an annually repeating basis, the city must re-adopt these annually repeating provisions. This re-adoption is necessary because there are new USC costs associated with the new provisions. Therefore, the enclosed ordinance includes the city's re-adoption of these benefits.

By adopting this ordinance, your city will not need to adopt an ordinance each year to re-authorize calculations of these benefits. The Updated Service Credit/Annuity Increase will remain in effect for future years until it is discontinued by an ordinance adopted by the City Council.

If your city chooses to adopt these provisions, your 2019 contribution rate will be **8.06%**.

We will appreciate receiving a copy of this ordinance as soon as possible after its adoption.

Please feel free to contact me if you need assistance or additional information at 1-800-924-8677.

Sincerely,

Eric W. Davis
Deputy Executive Director

Enclosure



Plan Change Study

001114 Belton

Proposed Plans

Plan Provisions

Deposit Rate	5.00%	1	6.00% ✓
Matching Ratio	2 to 1	2 to 1	2 to 1
Updated Service Credit	100% (Repeating)	50% (Repeating) ✓	50% (Repeating) ✓
Transfer USC **	Yes	Yes ✓	Yes ✓
Annuity Increase	30% (Repeating)	30% (Repeating) ✓	30% (Repeating) ✓
20 Year/Any Age Ret.	Yes	Yes	Yes
Vesting	5 years	5 years	5 years

Contribution Rates

Normal Cost Rate	6.06%	2019	6.40%
Prior Service Rate	1.42%	1.50%	1.50%
Retirement Rate	7.48%	7.90%	7.90%
Supplemental Death Rate	0.16% (A & R)	0.16% (A & R)	0.16% (A & R)
Total Rate	7.64%	8.06% ✓	8.06%
Unfunded Actuarial Liability	\$2,042,223	\$2,157,442	\$2,157,442
Amortization Period	25 years	25 years	25 years
Funded Ratio	91.0%	90.5%	90.5%
Phase-In Total Rate	N/A	N/A	N/A
Stat Max	11.50%	12.50%	12.50%
Study Exceeds Stat Max	No	No	No

**This is the addition to the Initial Prior Service Rate for USC for transfers. There were 11 eligible transfer employees on the valuation date.

ORDINANCE 2018-41

AN ORDINANCE AUTHORIZING AND ALLOWING, UNDER THE ACT GOVERNING THE TEXAS MUNICIPAL RETIREMENT SYSTEM, "UPDATED SERVICE CREDITS" IN SAID SYSTEM ON AN ANNUAL BASIS FOR SERVICE PERFORMED BY QUALIFYING MEMBERS OF SUCH SYSTEM WHO AT THE EFFECTIVE DATE OF THE ALLOWANCE ARE IN THE EMPLOYMENT OF THE CITY OF BELTON; PROVIDING FOR INCREASED PRIOR AND CURRENT SERVICE ANNUITIES FOR RETIREES AND BENEFICIARIES OF DECEASED RETIREES OF THE CITY; TO INCREASE THE RATE OF DEPOSITS TO THE TEXAS MUNICIPAL RETIREMENT SYSTEM BY THE EMPLOYEES OF THE CITY; AND ESTABLISHING AN EFFECTIVE DATE FOR THE ORDINANCE.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF BELTON, TEXAS:

Section 1. Authorization of Updated Service Credits.

(a) On the terms and conditions set out in Sections 853.401 through 853.404 of Subtitle G of Title 8, Government Code, as amended (hereinafter referred to as the "TMRS ACT"), each member of the Texas Municipal Retirement System (hereinafter referred to as the "System") who has current service credit or prior service credit in the System in force and effect on the 1st day of January of the calendar year preceding such allowance, by reason of service in the employment of the City, and on such date had at least 36 months of credited service with the System, shall be and is hereby allowed "Updated Service Credit" (as that term is defined in subsection (d) of Section 853.402 of the TMRS Act).

(b) On the terms and conditions set out in Section 853.601 of the TMRS Act, any member of the System who is eligible for Updated Service Credits on the basis of service with this City, who has unforfeited credit for prior service and/or current service with another participating municipality or municipalities by reason of previous service, and was a contributing member on the 1st day of January of the calendar year preceding such allowance, shall be credited with Updated Service Credits pursuant to, calculated in accordance with, and subject to adjustment as set forth in said Section 853.601, both as to the initial grant hereunder and all future grants under this ordinance.

(c) The Updated Service Credit hereby allowed and provided for shall be **50%** of the "base Updated Service Credit" of the member (calculated as provided in subsection (c) of Section 853.402 of the TMRS Act).

(d) Each Updated Service Credit allowed hereunder shall replace any Updated Service Credit, prior service credit, special prior service credit, or antecedent service credit previously authorized for part of the same service.

(e) In accordance with the provisions of subsection (d) of Section 853.401 of the TMRS Act, the deposits required to be made to the System by employees of the several participating departments on account of current service shall be calculated from and after the effective date of this ordinance on the full amount of such person's compensation as an employee of the City.

Section 2. Increase in Retirement Annuities.

(a) On terms and conditions set out in Section 854.203 of the TMRS Act, the City hereby elects to allow and to provide for payment of the increases below stated in monthly benefits payable by the System to retired employees and to beneficiaries of deceased employees of the City under current service annuities and prior service annuities arising from service by such employees to the City. An annuity increased under this Section replaces any annuity or increased annuity previously granted to the same person.

(b) The amount of the annuity increase under this Section is computed as the sum of the prior service and current service annuities on the effective date of retirement of the person on whose service the annuities are based, multiplied by **30%** of the percentage change in Consumer Price Index for All Urban Consumers, from December of the year immediately preceding the effective date of the person's retirement to the December that is 13 months before the effective date of this Section.

(c) An increase in an annuity that was reduced because of an option selection is reducible in the same proportion and in the same manner that the original annuity was reduced.

(d) If a computation hereunder does not result in an increase in the amount of an annuity, the amount of the annuity will not be changed hereunder.

(e) The amount by which an increase under this Section exceeds all previously granted increases to an annuitant is an obligation of the City and of its account in the benefit accumulation fund of the System.

Section 3. Dates of Allowances and Increases.

The initial allowance of Updated Service Credit and Increase in Retirement Annuities hereunder shall be effective on **January 1, 2019**, subject to approval by the Board of Trustees of the System. An allowance of Updated Service Credits and an increase in retirement annuities shall be made hereunder on January 1 of each subsequent year until this ordinance ceases to be in effect under subsection (e) of Section 853.404 of the TMRS Act, provided that, as to such subsequent year, the actuary for the System has made the determination set forth in subsection (d) of Section 853.404 of the TMRS Act.

BE IT FURTHER ORDAINED:

Increased Deposit Rate: All employees of the City, who are members of the Texas Municipal Retirement System, shall make deposits to the System at the rate of **6%** of their individual earnings effective **1st day of January, 2019.**

Effective Date. Subject to approval by the Board of Trustees of the System, this ordinance shall be and become effective on the **1st day of January 2019.**

Passed and approved this the 11th day of December, 2018.

APPROVED:

Marion Grayson, Mayor

ATTEST:

Amy M. Casey, City Clerk

Updated Service Credit For Members

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What Is Updated Service Credit (USC)?

Updated Service Credit (USC) is an optional benefit feature of the TMRS retirement plan. The USC calculation, performed on a TMRS member's account, may grant supplemental dollar credits that can increase a member's benefit at retirement in certain situations. A city may adopt or rescind the USC provision by ordinance.

USC is designed to help a member's benefit maintain its value over the duration of the member's career. In calculating USC, TMRS looks at increases in the member's salary and at any changes the city has made to its TMRS plan, such as the deposit rate or the city's matching ratio.

How Does USC Work?

Generally, USC protects the retirement benefit by taking into account substantial increases in the employee's salary and any changes the city may have made to its TMRS plan. Although USC may increase the value of the benefit at retirement, USC neither affects the amount of money in your member account, nor the refunded amount you receive if you leave the city and withdraw your deposits and interest.

Some cities include a "TRANSFER" feature in the USC calculation. With this feature, if a member has deposits in other TMRS cities, the USC will include all service and account balances from each city.

Remember

- USC will only be part of your benefit if you retire and receive a monthly retirement payment, and the city has chosen this option as part of its plan.
- Once you receive USC, that credit will be part of the combined city and member account balance used to form your monthly benefit when you retire. USC will earn 5% interest every year until you retire.
- USC is included in your retirement estimates.
- Not all employees at the city will receive USC. If an employee has had no significant salary increases over his/her career or there's been no change to the city's matching ratio or member deposit rate, it's unlikely that employee will receive a USC.

How Can a City Adopt USC?

Cities adopt or modify USC by ordinance. Prior to adoption, TMRS prepares an actuarial study to determine the cost of the USC adoption. After receiving the TMRS study, the city determines whether it will adopt USC and the percentage (50%, 75%, or 100%) of Updated Service Credit.

The easiest way to tell if your city has USC is to use My City Plan on the TMRS website to check your city's specific plan. The USC percentage (50%, 75%, or 100% generally) and the effective year will be shown. An **R** beside the year indicates that your city has chosen to repeat the USC calculation every year. A **T** by the percentage indicates your city will include a transfer credit for service with other cities. If no percentage is shown, your city has not adopted USC.

How Is USC Calculated?

For the purposes of determining USC, a study date (the December 31 that is 13 months prior to the effective date of the USC adoption) is used to determine the average USC salary. A hypothetical balance is then calculated based on the average USC salary, the current employee deposit rate, city matching

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ratio, and 3% annual interest assumption. This hypothetical balance is then compared to the member’s actual deposits, earned interest, and matching funds. If the hypothetical balance is greater, then the difference between these two balances is the base updated service credit to which the percentage adopted is applied.

Other Important Questions about USC

Q. If my city grants USC, who will receive it?

- A. To be eligible for USC, you must have made at least 36 monthly deposits on or before the USC study date. The study date is 13 months before the date the city adopts the ordinance. Even a member who meets the qualification may not receive USC. If a city has not increased the member deposit rate or city matching ratio during the member’s career and the member has not received significant salary increases, the USC calculation may not result in a credit.

Q. What if I have worked at more than one city and they both offer USC?

- A. Each city is responsible for any USC earned in that city. If your current city offers a transfer provision, the USC calculation works just like the member’s regular calculation but factors in any service you may have with previous TMRS cities.

Q. Why can’t I see USC in my account statements?

- A. Although USC may increase the value of your retirement benefit, it is not reflected in the member contributions listed for your account. USC only becomes part of your benefit at the time you retire and draw an annuity. USC, if any, is included in the retirement estimates on your statement at the current level of your city’s (or cities’) adoption. ■

Example Calculation

Definitions

Average updated service compensation – the average salary for the 36 months preceding the study date. The highest and lowest monthly salaries are disregarded and the remaining 34 months are averaged.

Hypothetical reserves – the reserves that would have accumulated as of the study date under the plan of benefits in effect on the date of adoption, based on the average updated service compensation (above) and earning 3% annual interest.

Actual reserves – the balance as of the study date that includes member deposits, interest, city matching funds, and other credits funded by the city.

Sample USC Calculation: (Dollar amounts are for illustration only)

\$40,000 hypothetical reserves
\$38,000 actual reserves
\$2,000 base Updated Service Credit
× 100% (or other USC percentage adopted)
\$2,000 Updated Service Credit

Note: The member always keeps the greater of
1) the new USC that is granted, or
2) a previous USC granted, which earns 5% annual interest.

If the hypothetical reserves are not greater than the actual reserves, no additional USC is granted; however, the member does keep any previous USC granted (if any), which earns 5% interest each year.

USC_8/23/2017