1. **Call to Order:** Having established a quorum present, Mayor Vera called the special city council meeting to order.

   Mayor Ruby Vera - Present   Alderman Sam Bluemel – Present

   Alderman Tommy Ortiz - Present   Alderman Ruben Juarez - Present

   Alderman Mike Fernandez – Present   Alderman Sam Smith - ABSENT

2. **Presentation/Discussion on proposed financing options for the purchase of water rights.**

   Victor Quiroga, Financial Advisor/Senior Vice President of Capital Markets-Public Finance with Frost Bank, presented and explained financing options for the purchasing of water rights. Mr. Quiroga mentioned that with the City's current tax note maturing in 2016 that would free up $45,000 in tax debt that can be applied to other debts such as this. Mr. Quiroga explained that General Obligation Bonds election-based issued dependent solely on tax revenues; Tax Notes do not require an election but the note must be paid within 7-years; Revenue Bonds is a financing option, however, there are many obstacles with possibly a higher interest rate than issuing a Certificate of Obligation; lastly, the Certification of Obligation is the recommended financing option for the purchase of water rights, which holds ad valorem property taxes as collateral but the note could be paid from a revenue source and is the best option to apply a low interest rate depending on the length of the term note. An example of a C-of-O terms of repayment for a note of $350,000 are: 1) 10-Years at 3.00% Interest Rate for an Annual Payment of $41,031 bearing a total interest cost of $60,310.00; 2) 15-Years at 3.50% Interest Rate for an Annual Payment of $30,389 bearing a total interest cost of $105,835.00; and, 3) 20-Years at 4.50% Interest Rate for an Annual Payment of $26,907 bearing a total interest cost of $188,140.00. The projected timetable for the issuance of certificates of obligation if City Council approves to move forward with issuing a C-of-O would require two Notice of Intent to Issue Certificates publication in October, then City Council would take action to lock0in interest rate and issuance of certificates in November, and in mid-December the Funds would be remitted to the City's bank account for the purpose of paying for the purchase. Mayor Vera asked how Investors would be notified of such certificates to be issued, and what's the chance that Investors won't buy into it? Mr. Quiroga explained that he has a list of Investors he solicits to, including the notice by publication of such certificates to be issued, which provides Investors an opportunity to make a proposal; and has been very successful in closing; however, the longer the term usually shortens the list of Investors wanting to make a deal. City Administrator Hernandez mentioned that Community National Bank has made a proposal to the City through a long-term commercial note, would they be contacted of this opportunity to invest in? Mr. Quiroga positively replied, and added that he'll be marketing to all interested banks including Community National Bank. Alderman Fernandez asked if after the certificates have been issued, how long could the City hold onto the funds before issuing; for purposes that should the City purchase the water at the end of the year then we would incur about $5,000 in permitting fees from EAA for 2015 and then again in 2016? Mr. Quiroga explained that from the time of issuance the City has three-years to spend the funds; and confirmed the funds will be deposited into the City's bank account and does not have to be spent until 2016 if that's how the City chooses to purchase the water. City Administrator Hernandez mentioned the City Council approved for the increase of the Water Pass-

Thru to $4.00 which would bring in about $26,000 a year that would essentially cover the 20-year term; however asked, if the City Council chooses to issue a certificate of obligation at a 10-year term if the difference of the annual payment could be applied as tax debt to provide for a shorter debt note? Mr. Quiroga explained that during each budget cycle the City Council makes the decision of how the debt payments would be funded, through a revenue source, tax debt, or the combination of both; which becomes an advantage if the revenue source can't support the annual payment without requiring the use of tax funds, and may not apply onto taxpayers each year or perhaps none at all, but is a workable option determined by City Council. Mayor Vera commented that having both revenue sources available to fund the payments for a shorter term is something to consider, especially after reflecting on the length of very-old past debts issued and overall costs of interest paid by the City.

3. **Discussion/Consider action on Resolution approving publication of the City's Notice of Intention to Issue Certificates of Obligation for the acquisition of permitted Edwards Aquifer Water Rights; complying with the requirements contained in Securities and Exchange Commission Rule 15c2-12; and providing an effective date.**
   Alderman Fernandez made a motion approving the Resolution; and Alderman Ortiz seconded the motion. The motion passed unanimously.

4. **Discussion/Consider Action on Agreement for Intentions to Purchase Water Rights.**
   City Administrator Hernandez explained to City Council of Shirley Bormann, Executor of Theresa M. Shadrock Estate requests to change agreement, as she agrees to sell water rights to the City of Natalia, and providing for such lease if necessary, but would prefer having two separate agreements, one for the water purchase and one for potential water lease, rather than having a combined agreement.
   Alderman Bluemel made the motion approving the agreement with the requested change; and Alderman Ortiz seconded the motion. The motion passed unanimously.

5. **Adjournment.** Alderman Fernandez made the motion adjourning the special meeting; and seconded by Alderman Juarez. The motion passed by unanimously.

Passed and approved this 19th day of October, 2015.

_____
Ruberta C. Vera, Mayor

Attest:

_____
Lisa S. Hernandez,
City Administrator/Secretary