

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

PRELIMINARY OFFICIAL STATEMENT

Dated October 21, 2009

Ratings:
Moody's: Applied For
S&P: Applied For
See ("OTHER INFORMATION - RATINGS" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes, subject to the matters described under "TAX MATTERS" herein, and the Bonds are not private activity bonds. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

THE BONDS WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

\$8,710,000*
CITY OF SUGAR LAND, TEXAS
(Fort Bend County)
WATERWORKS AND SEWER SYSTEM
REVENUE AND REFUNDING BONDS, SERIES 2009

Dated Date: November 15, 2009

Due: August 15, as shown on inside cover

PAYMENT TERMS . . . Interest on the \$8,710,000* City of Sugar Land, Texas, Waterworks and Sewer System Revenue and Refunding Bonds, Series 2009 (the "Bonds") will accrue from November 15, 2009, (the "Dated Date") and will be payable August 15 and February 15 of each year commencing February 15, 2010, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE BONDS - PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE/SECURITY FOR PAYMENT . . . The Bonds are issued pursuant to the general laws of the State of Texas, particularly Chapters 1207 and 1502, Texas Government Code, and an ordinance (the "Ordinance") passed by the City Council authorizing the issuance of the Bonds, and are special obligations of the City of Sugar Land (the "City"), payable, both as to principal and interest, solely from and secured by a first lien on and pledge of the Net Revenues of the City's waterworks and sanitary sewer system (the "System"). **The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "THE BONDS - AUTHORITY FOR ISSUANCE").

PURPOSE . . . Proceeds from the sale of the Bonds will be used (i) to refund certain obligations of the City described in Schedule I to this Official Statement (the "Refunded Bonds"), (ii) for extensions and improvements to the City's waterworks and sanitary sewer system and (iii) to pay certain costs incurred in connection with the issuance of the Bonds.

See Maturity Schedule on the inside cover

OPTIONAL REDEMPTION . . . The Bonds are not subject to redemption prior to maturity.

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

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the City and received by the underwriter shown below (the "Underwriter") and subject to the approving opinions of the Attorney General of Texas and the opinions of Vinson & Elkins L.L.P., Bond Counsel, Houston, Texas (see APPENDIX C, "FORM OF BOND COUNSEL'S OPINION"). Certain other matters will be passed upon for the Underwriter by [redacted], as Counsel to the Underwriter.

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on November 24, 2009.

TBD

* Preliminary, subject to change.

MATURITY SCHEDULE

\$8,710,000* Waterworks and Sewer System Revenue and Refunding Bonds, Series 2009

Principal	Maturity August 15	Interest Rate	Price or Yield ⁽¹⁾	CUSIP Numbers ⁽²⁾	Principal	Maturity August 15	Interest Rate	Price or Yield ⁽¹⁾	CUSIP Numbers ⁽²⁾
\$ 1,230,000	2010	%	%		\$ 1,045,000	2015	%	%	
1,150,000	2011				675,000	2016			
1,125,000	2012				660,000	2017			
1,105,000	2013				650,000	2018			
1,070,000	2014								

(Accrued Interest from November 15, 2009 to be added)

- (1) The initial reoffering prices or yields on the Bonds are furnished by the Underwriter (as defined herein) and represent the initial offering prices or yields to the public, which may be changed by the Underwriter at any time.
- (2) CUSIP numbers have been assigned to the Bonds by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. Neither the City nor the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

* Preliminary, subject to change.

THE CITY OF SUGAR LAND, TEXAS

ELECTED OFFICIALS

<u>City Council</u>	<u>Occupation</u>	<u>Position</u>
James A. Thompson	Founder & President, TEAM Associates	Mayor
Thomas Abraham	Independent Business Owner	Councilmember
Jacqueline Baly-Chaumette	Business Owner, Consultant	Councilmember
Donald L. Smithers	Retired	Councilmember
Donald G. Olson	Business Owner / Management Consultant	Councilmember
Russell C. Jones	Attorney	Councilmember
Michael S. Schiff	Advisory Services	Councilmember

APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Year Employed</u>
Allen Bogard	City Manager	1995
Karen Glynn	Assistant City Manager	1995
Karen Daly	Assistant City Manager	2007
Steve Griffith	Assistant City Manager	2005
Linda Symank	Director of Fiscal Services	2006
Jennifer Brown	Budget & Research Director	2000
Glenda Gundermann	City Secretary	1983
Joe Morris	City Attorney	1992

CONSULTANTS AND ADVISORS

Certified Public Accountants	Null-Lairson, PC Houston, Texas
Bond Counsel.....	Vinson & Elkins L.L.P. Houston, Texas
Financial Advisor.....	First Southwest Company Houston, Texas

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document constitutes an official statement of the City with respect to the Bonds that has been deemed “final” by the City as of the date except for the omission of no more than the information permitted by Rule 15c2-12

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

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

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

Neither the City, the Financial Advisor, the Underwriter nor Bond Counsel make any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company (“DTC”) or its book-entry-only system as described under “Book-Entry-Only System” as such information has been provided by DTC.

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

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

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

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APPENDICES

- GENERAL INFORMATION REGARDING THE CITY..... A
- EXCERPTS FROM THE ANNUAL FINANCIAL REPORT... B
- FORM OF BOND COUNSEL'S OPINION..... C

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

OFFICIAL STATEMENT SUMMARY

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

- THE CITY**..... The City of Sugar Land, Texas (the "City") is a political subdivision and municipal corporation of the State of Texas (the "State"), located in Fort Bend County, Texas. The City covers approximately 32.18 square miles (see "INTRODUCTION - DESCRIPTION OF CITY").
- THE BONDS**..... The Bonds are issued as \$8,710,000* Waterworks and Sewer System Revenue and Refunding Bonds, Series 2009 (the "Bonds"). The Bonds are issued as serial bonds maturing 2010 through 2018, unless the Underwriter designates one or more maturities as a Term Bond (see "THE BONDS - DESCRIPTION OF THE BONDS").
- PAYMENT OF INTEREST** Interest on the Bonds accrues from November 15, 2009, and is payable February 15, 2010, and each February 15 and August 15 thereafter until maturity or prior redemption (see "THE BONDS - DESCRIPTION OF THE BONDS" and "THE BONDS - OPTIONAL REDEMPTION").
- AUTHORITY FOR ISSUANCE**..... The Bonds are issued pursuant to the general laws of the State, particularly Chapters 1207 and 1502, Texas Government Code, and an ordinance passed by the City Council of the City authorizing the issuance of the Bonds (the "Ordinance") (see "THE BONDS - AUTHORITY FOR ISSUANCE").
- SECURITY FOR THE BONDS** The Bonds constitute special obligations of the City, payable, both as to principal and interest, solely from and secured by a first lien on and pledge of the Net Revenues of the City's Waterworks and Sewer System. **Owners of the Bonds are not entitled to demand payment of the Bonds out of any money raised or to be raised by taxation** (see "THE BONDS - SECURITY AND SOURCE OF PAYMENT").
- REDEMPTION** The Bonds are not subject to redemption prior to maturity.
- TAX EXEMPTION**..... In the opinion of Bond Counsel, under existing law, the interest on the Bonds will be excludable from gross income for federal income tax purposes, subject to the matters described under "TAX MATTERS" herein, and the Bonds are not private activity bonds. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.
- USE OF PROCEEDS** Proceeds from the sale of the Bonds will be used to refund certain obligations of the City described in Schedule I to this Official Statement (the "Refunded Bonds"), for extensions and improvements to the City's waterworks and sanitary sewer system, and to pay certain costs incurred in connection with the issuance of the Bonds.
- RATINGS** The presently outstanding revenue debt of the City is rated "Aa3" by Moody's Investors Service, Inc. ("Moody's") and "AA" by Standard & Poor's Ratings Services, A Division of The McGraw-Hill Companies, Inc. ("S&P"), without regard to credit enhancement. Applications for contract ratings on the Bonds have been made to Moody's and S&P (see "OTHER INFORMATION - RATINGS").
- BOOK-ENTRY-ONLY SYSTEM** The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - BOOK-ENTRY-ONLY SYSTEM").
- PAYMENT RECORD** The City has never defaulted in payment of its bonds.

* Preliminary, subject to change.

FINANCIAL HIGHLIGHTS

Waterworks and Sewer System Revenue Bonds Outstanding (November 1, 2009) ⁽¹⁾	\$ 31,885,000
The Bonds.....	<u>8,710,000</u>
Total Revenue Debt.....	\$ 40,595,000
City Water Connections (September 30, 2009).....	25,390
City Wastewater Connections (September 30, 2009).....	23,837
Waterworks and Sewer System Statement of Operations (September 30, 2008) ⁽²⁾	
Total Revenues.....	25,758,146
Total Expenses.....	<u>10,816,973</u>
Waterworks and Sewer System Revenue Available for Debt Service.....	\$ 14,941,173
Maximum Annual City Revenue Debt Service (2010) ⁽³⁾	\$ 4,237,410
Coverage of Maximum Annual Debt Service by September 30, 2008 Net Revenues Available.....	3.53x

- (1) Excludes the Refunded Bonds.
(2) Most recent date for which audited statements are available.
(3) Projected; includes the Bonds and excludes the Refunded Bonds.

* Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$8,710,000*
CITY OF SUGAR LAND, TEXAS
WATERWORKS AND SEWER SYSTEM
REVENUE AND REFUNDING BONDS, SERIES 2009

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of \$8,710,000* City of Sugar Land, Texas, Waterworks and Sewer System Revenue and Refunding Bonds, Series 2009 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance to be adopted on the date of sale of the Bonds which will authorize the issuance of the Bonds (the "Ordinance"), except as otherwise indicated herein (see "SELECTED PROVISIONS OF THE BOND ORDINANCE").

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City of Sugar Land, Texas (the "City") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, First Southwest Company, Houston, Texas.

DESCRIPTION OF THE CITY

The City is a municipal corporation, duly organized and existing under the laws of the State of Texas (the "State"), including the City's Home Rule Charter. The City was incorporated in 1959 and first adopted its Home Rule Charter in November 1980. The Charter, as amended, provides for a Council-Manager form of government. The Council is composed of a Mayor and six Council Members, two of whom are elected at large and four of whom are elected by district. The Mayor and Council all serve two-year terms. The 1990 Census population for the City was 24,529, while the 2000 Census population was 63,358, an increase of 158.18%. The City encompasses 32.18 square miles.

PLAN OF FINANCING

PURPOSE

The Bonds are being issued (i) to refund certain obligations of the City described in Schedule I to this Official Statement (the "Refunded Bonds"), (ii) for extensions and improvements to the City's waterworks and sanitary sewer system and (iii) to pay certain costs incurred in connection with the issuance of the Bonds.

USE OF PROCEEDS

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

Deposit to Bond Redemption Fund	\$
Deposit to Project Fund	
Deposit to Reserve Fund	*
Costs of Issuance	
Total Uses of Funds	\$

REFUNDED BONDS

A portion of the proceeds from the sale of the Bonds will be used to refund the Refunded Bonds. The Refunded Bonds and the interest due thereon are to be paid on their scheduled interest payment dates and the date of redemption from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the Paying Agent for the Refunded Bonds").

In the Ordinance, the City will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Bonds from money held by the Paying Agent for the Refunded Bonds.

The Ordinance provides that from a portion of the proceeds of the sale of the Bonds to the Underwriter, together with other legally available funds of the City, if any, the City will deposit with the Paying Agent for the Refunded Bonds in a debt service fund the amount necessary to accomplish the discharge and final payment of the Refunded Bonds.

* Preliminary, subject to change.

By the deposit of cash with the Paying Agent for the Refunded Bonds, the City will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, and the ordinance authorizing the issuance of the Refunded bonds. As a result of such deposit, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds and such Refunded bonds will be deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the fund provided therefore.

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds are dated November 15, 2009, and mature, or are subject to mandatory redemption prior to maturity, on August 15 in each of the years and in the amounts shown on the inside cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on each February 15 and August 15, commencing February 15, 2010. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.**

Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein.

AUTHORITY FOR ISSUANCE

The Bonds are issued pursuant to the general laws of the State of Texas, particularly Chapters 1207 and 1502, Texas Government Code, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT

The Bonds are special obligations of the City, and along with the City's outstanding waterworks and sewer system revenue bonds and any additional parity bonds which may be issued in the future, are payable from and secured by a first lien on and pledge of the Net Revenues of System. "Net Revenues" are defined in the Ordinance as all gross revenues remaining after deducting Maintenance and Operation Expenses. "Maintenance and Operation Expenses" are defined in the Ordinance as reasonable and necessary expenses of operation (but only such repairs and extensions as, in the judgment of the governing body of the City, are necessary to keep the system in operation and render adequate service to the City and the inhabitants thereof) and maintenance of the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service, and all payments under contracts now or hereafter defined as operating expenses by the State Legislature. Depreciation shall never be considered as a Maintenance and Operation Expense.

As additional security, a Reserve Fund is required to be maintained in an amount at least equal to the average annual debt service requirements of the Bonds, the outstanding revenue bonds and any additional bonds issued on a parity with the Bonds. Any additional amount required to be accumulated in the Reserve Fund by reason of the issuance of the Bonds will be funded over a sixty month period in accordance with the provisions of the Ordinance (see "SELECTED PROVISIONS OF THE BOND ORDINANCE").

PLEDGED REVENUES

The Net Revenues of the System are irrevocably pledged for the payment of the Bonds and interest thereon as provided in the Ordinance. The Bonds, the outstanding revenue bonds and any additional bonds based on a parity with the Bonds under the terms of the Ordinance are equally and ratably secured by a first lien on the Net Revenues of the System.

MANDATORY SINKING FUND REDEMPTION

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

NOTICE OF REDEMPTION

Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE

The City reserves the right to defease the Bonds in any manner now or hereafter permitted by law.

ADDITIONAL BONDS

The City may issue additional obligations payable from the Net Revenues on a parity with the Bonds, subject, however, to complying with certain conditions in the Ordinance. See "SELECTED PROVISIONS OF THE BOND ORDINANCE" for terms and conditions to be satisfied for the issuance of additional bonds.

BOOK-ENTRY-ONLY SYSTEM

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

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

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered certificates registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

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

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

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE BONDS - TRANSFER, EXCHANGE AND REGISTRATION" below.

PAYING AGENT/REGISTRAR

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

Principal of the Bonds will be payable to the registered owner at maturity or prior redemption upon presentation at the designated payment office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record (see "The Bonds – Record Date for Interest Payment" herein), or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding business day which is not such a Saturday, Sunday, or legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

TRANSFER, EXCHANGE AND REGISTRATION

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate designated amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds

RECORD DATE FOR INTEREST PAYMENT

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

BONDHOLDERS' REMEDIES

The Ordinance does not specify events of default with respect to the Bonds. If the City defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon on a periodic basis. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia* 197 S.W.3rd 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the City for breach of the Bonds or Ordinance covenants. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Act. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

WATERWORKS AND SEWER SYSTEM

WATER AND WASTEWATER FACILITIES

The City owns and operates its own water supply, storage, and distribution facilities and provides services to approximately 36,000 customers. Wastewater treatment is provided by the Sugar Land Regional Sewerage System Plant and the South Wastewater Treatment Plant (currently operated under contract by the Brazos River Authority).

WATERWORKS SYSTEM

The City's water system consists of 370 miles of water mains serving 24,207 distribution connections as of September 30, 2008. The City's water is supplied by 15 wells. In the fiscal year ended September 30, 2008, the system had average daily production of 13.6 million gallons and a maximum daily production capacity of 42.90 million gallons.

WASTEWATER SYSTEM

In 1973, the City, together with four other users, entered into a thirty-year contract with the Brazos River Authority ("BRA") to develop a regional wastewater treatment facility. The BRA is a regional authority established under the laws of the State of Texas. The City purchased the regional wastewater treatment facility in 2005. The City has entered into a contract with BRA to operate the City's two wastewater treatment plants. The annual payments to the BRA have been recorded in the City Water and Wastewater Fund as operating expenses. Payments during the year ended September 30, 2008, amounted to \$1.5 million. Total payments during the year ended September 30, 2009 are expected to be \$1.73 million.

HISTORICAL WATER CONSUMPTION (GALLONS)

Fiscal Year Ended 9/30	Estimated City Population ⁽¹⁾	Water Usage ⁽²⁾		Wastewater Average Daily Treatment ⁽²⁾	Net Available For Debt Service	City Water and Sewer Revenue Bond Ensluing Years' Debt Service Requirements	Coverage Of Debt
		Average Daily Production	Maximum Daily Production				
2004	69,129	12.020	21.610	8.75	\$ 6,009,142	\$ 2,043,056	2.94x
2005	70,758	13.700	23.300	8.21	10,810,283	3,455,560	3.13x
2006	74,472	13.700	24.470	8.10	14,106,544	3,672,483	3.84x
2007	76,228	11.223	21.570	8.48	12,819,448	3,599,533	3.56x
2008	79,279	13.642	42.900	8.11	14,941,173	4,649,366	3.21x
2009 ⁽³⁾	79,573	16.835	31.331	7.80	11,921,904	4,237,410	2.81x

(1) Source: City of Sugar Land.

(2) Millions of gallons.

(3) Year to Date as of August 31, 2009

TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED)

<u>Customer</u>	<u>Fiscal 2009⁽¹⁾ Water Usage In Gallons</u>
Ondeo Nalco Energy	132,584,100
Crown Cork & Seal	67,758,200
Schlumberger	27,621,100
Gables Austin Colony	24,130,000
Methodist Hospital	19,763,700
Gables First Colony	17,156,200
Crestline Hotels and Resorts Inc.	15,737,000
Fluor Engineering	13,903,000
Baker Petrolite	13,441,900
Gables Lions Head	13,305,000
	<u>345,400,200</u>

(1) Year to Date as of July 31, 2009

MONTHLY WATER RATES (EFFECTIVE OCTOBER 1, 2009)

Residential users must pay consumption charges based on an increasing block volume rate for each 1,000 gallons of water, or portion thereof, as follows:

<u>Volume Block (in gallons)</u>	<u>Rate (per 1,000 gallons or part thereof)</u>
0-3,000	\$1.08
Over 3,000 to 10,000	\$1.24
Over 10,000 to 20,000	\$1.43
Over 20,000	\$1.67

Commercial users must pay consumption charges based on a uniform volume rate of \$1.17 for each 1,000 gallons of water, or portion thereof.

In addition to other charges, each residential and commercial user must pay a service charge based on water meter size as follows:

<u>Meter Size (Inches)</u>	<u>Water Service Charge</u>
5/8 & 3/4	\$ 7.43
1	11.60
1 1/2	30.83
2	47.99
3	103.59
4	286.56
6	560.98
8	700.78

Landscape users must pay usage charges based on a uniform seasonal volume rate for each 1,000 gallons of water, or portion thereof, as follows:

<u>Landscape Meters - Seasonal Rates</u>	<u>Rate (per 1,000 gal)</u>
Winter (Oct - Apr)	\$1.16
Summer (May - Sept)	\$1.46

MONTHLY WASTEWATER RATES (EFFECTIVE OCTOBER 1, 2009)

Water and wastewater rates shall include a uniform volume charge of \$2.80 for each 1,000 gallons of water, or portion thereof, provided through the meter and a service charge based on the customer's water meter size as follows:

Meter Size (Inches)	Wastewater Service Charge
5/8 & 3/4	\$ 12.40
1	20.11
1 1/2	55.75
2	86.97
3	188.54
4	525.43
6	1,033.78
8	1,291.80

MONTHLY SURFACE WATER RATES (EFFECTIVE OCTOBER 1, 2009)

In addition to other volume charges, residential, commercial and landscape customers pay \$0.30 per 1,000 gallons for surface water. Participants in the City's Groundwater Reduction Plan pay a pumpage fee of \$0.60 per 1,000 gallons for surface water conversion. Municipal Utility Districts served by the City's water system outside th City limits pay a pumpage fee of \$0.77 per 1,000 gallons for surface water.

CITY WATER AND WASTEWATER FUND OPERATING STATEMENT

The following statement sets forth in condensed form the historical results of the operation of the City's Water and Wastewater System. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation and operating transfers.

	Fiscal Year Ended September 30,					
	2009 ⁽¹⁾	2008	2007	2006	2005	2004
Revenues:						
Charges for Services	\$ 20,986,869	\$ 25,167,063	\$ 21,330,181	\$ 22,532,746	\$ 17,149,720	\$ 15,812,450
Interest on Investments	149,036	591,083	879,741	786,543	299,758	128,635
Miscellaneous	229,634	-	282,252.00	-	-	-
Total Revenues	\$ 21,365,539	\$ 25,758,146	\$ 22,492,174	\$ 23,319,289	\$ 17,449,478	\$ 15,941,085
Operating Expenses:						
Personal Services	\$ 2,669,913	\$ 2,830,650	\$ 2,475,985	\$ 2,302,591	\$ 1,952,068	\$ 1,787,105
Supplies and Materials	508,297	772,192	468,374	417,353	304,081	286,562
Contractual Services	5,646,837	6,645,054	6,073,446	5,968,937 ⁽²⁾	3,959,227 ⁽³⁾	5,713,114
Repairs and Maintenance	175,762	114,669	228,086	157,123		
Other Expenses	442,826	454,408	426,835	366,741	423,819	2,145,162
Total Operating Expenses	\$ 9,443,635	\$ 10,816,973	\$ 9,672,726	\$ 9,212,745	\$ 6,639,195	\$ 9,931,943
Net Revenue Available for Debt Service	\$ 11,921,904	\$ 14,941,173	\$ 12,819,448	\$ 14,106,544	\$ 10,810,283	\$ 6,009,142
Debt Service Requirements	\$ 4,237,410	\$ 4,649,366	\$ 3,599,533	\$ 3,672,483	\$ 3,455,560	\$ 2,043,056
Coverage	2.81x	3.21x	3.56x	3.84x	3.13x	2.94x
Water Connections	25,390	24,818	24,207	23,578	22,037	21,696
Wastewater Connections	23,837	23,330	22,773	22,190	20,787	20,504

(1) Unaudited Year to Date Financials as of August 31, 2009

(2) The City entered into a new contract with BRA for the operation of the City's wastewater treatment plants.

(3) In prior years, the City made certain capital recovery payments to the BRA. On September 30, 2005, the City ceased making these payments to BRA.

COVERAGE AND FUND BALANCES

City System Net Revenue (September 30, 2008) ⁽¹⁾	\$ 14,941,173
2010 Principal and Interest Requirements ⁽²⁾	\$ 4,237,410
Coverage of 2010 Requirements by September 30, 2008 Net Revenues	3.53x
Average Annual Principal and Interest Requirements (2010-2030) ⁽²⁾	\$ 2,674,900
Coverage of Average Requirements by September 30, 2008 Net Revenue from Operations.....	5.59x
Maximum Future Principal and Interest Requirements (2011) ⁽²⁾	\$ 4,237,410
Coverage of Maximum Requirements by September 30, 2008 Net Revenue from Operations.....	3.53x
Waterworks and Sewer System Revenue Bonds Outstanding September 30, 2009 ⁽²⁾	\$ 65,559,219
Unrestricted Cash and Investments as of September 30, 2008 ⁽¹⁾	\$ 3,470,509

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- (1) Most recent date for which audited statements are available.
 - (2) Projected, includes the Bonds and excludes the Refunded Bonds.

* Preliminary, subject to change.

MUNICIPAL UTILITY DISTRICTS WITHIN THE CITY

The City has entered into utility agreements with six Municipal Utility Districts which are within the City’s boundaries: Fort Bend County Municipal Utility District No. 21, Eldridge Road Municipal Utility District, Burney Road Municipal Utility District, Telfair Municipal Utility Districts No. 137 and 138 and Fort Bend Municipal Utility District No. 10 in Lake Pointe. The Districts are to acquire and construct water, sanitary sewer, and drainage facilities to serve the area within the districts and may issue bonds to finance such facilities. Such agreements provide the following:

- (1) As water, sanitary sewer, and drainage facilities are acquired and constructed, the Districts will transfer the facilities to the City, reserving a security interest therein for the purpose of securing performance of the City under the agreements. At such time as the bonds of the Districts are discharged, the Districts will release the security interest and the City will own the improvements.
- (2) The water and wastewater rates charged by the City will be equal and uniform to those charged other similar users within the City, with all revenues belonging exclusively to the City.
- (3) The City has agreed to pay the Districts a tax rebate of the ad valorem taxes collected on land and improvements within the Districts. The rebates for the year ended September 30, 2008, were approximately \$864,708. Estimated payments for the period ending September 30, 2009 are \$2,528,206.

The City has entered into an agreement with various Fort Bend County Municipal Utility Districts (MUD’s) within the Greatwood, River Park and Tara subdivisions within the City’s extraterritorial jurisdiction (ETJ), for funding the operating expenses relating to a fire station located within the Greatwood subdivision. The City estimates to have received \$791,694 from the participating MUD’s for the year ending September 30, 2009 in connection with this agreement.

DEBT INFORMATION

PRO-FORMA WATERWORKS AND SEWER SYSTEM REVENUE DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Total	Less:	The Bonds ^{(1)*}			Total
	Outstanding Debt	Refunded Debt Service*	Principal	Interest	Total	Debt Service Requirements
2010	\$ 4,312,648	\$ 1,456,044	\$ 1,230,000	\$ 150,806	\$ 1,380,806	\$ 4,237,410
2011	4,237,490	1,400,449	1,150,000	176,475	1,326,475	4,163,516
2012	4,169,195	1,354,729	1,125,000	153,475	1,278,475	4,092,941
2013	4,103,261	1,307,945	1,105,000	130,975	1,235,975	4,031,291
2014	4,026,349	1,254,760	1,070,000	108,875	1,178,875	3,950,464
2015	3,957,559	1,206,355	1,045,000	84,800	1,129,800	3,881,004
2016	3,542,895	807,593	675,000	58,675	733,675	3,468,978
2017	3,492,520	776,848	660,000	40,113	700,113	3,415,785
2018	3,444,273	746,103	650,000	20,313	670,313	3,368,483
2019	2,676,890				-	2,676,890
2020	2,655,711				-	2,655,711
2021	2,338,861				-	2,338,861
2022	2,332,191				-	2,332,191
2023	1,987,299				-	1,987,299
2024	1,978,674				-	1,978,674
2025	1,971,004				-	1,971,004
2026	1,960,150				-	1,960,150
2027	1,527,450				-	1,527,450
2028	1,515,650				-	1,515,650
2029	316,100				-	316,100
2030	303,050				-	303,050
	<u>\$ 56,849,219</u>	<u>\$ 10,310,824</u>	<u>\$ 8,710,000</u>	<u>\$ 924,506</u>	<u>\$ 9,634,506</u>	<u>\$ 56,172,902</u>

(1) Interest on the Bonds has been estimated at market rates for the purpose of illustration.

* Preliminary, subject to change.

AUTHORIZED BUT UNISSUED REVENUE BONDS

The City has no voted but unissued revenue bonds, as State law does not require the City to approve its revenue bonds through election.

ANTICIPATED ISSUANCE OF REVENUE BONDS

The City plans to issue approximately \$29,405,000 of revenue bonds in early November 2009.

PENSION FUND

The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide pension plan. The City makes monthly contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see APPENDIX B, "EXCERPTS FROM THE CITY OF SUGAR LAND, TEXAS ANNUAL FINANCIAL REPORT" – Note # 10.)

OTHER POST-EMPLOYMENT BENEFITS

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

- Eligible retirees may purchase health insurance from the City's healthcare provider at the City's cost to cover current employees
- Eligible retirees may purchase health insurance from the City's healthcare provider at the City's cost to cover current employees for dependents if the dependents were covered at the point of retirement

The City recognizes its share of the costs of providing these benefits when paid, on a "pay-as-you-go" basis. These payments are budgeted annually. The amount budgeted for the fiscal year ending September 30, 2009 is \$93,981. The appropriation for the fiscal year ending September 30, 2008 was \$56,301. At September 30, 2009, there were approximately 14 participants eligible to receive such benefits.

Commencing in fiscal 2009, the City will implement GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions." The City has engaged an actuarial valuation firm to estimate its post-retirement benefit liability. The results will be reported in the fiscal year 2009 comprehensive annual financial report. However, the actuarial liability is expected to be nominal.

For more information concerning the City's post-employment benefits, see the financial statements of the City, and the notes thereto.

SELECTED PROVISIONS OF THE BOND ORDINANCE

The Ordinance authorizes the issuance and sale of the Bonds and prescribes terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the City. Set forth below is a summary of certain provisions of the Ordinance. Such summary is not a complete description of the entire Ordinance and is qualified by reference to the Ordinance, copies of which are available from First Southwest Company, the City's Financial Advisor, upon request.

DEFINITIONS

"Additional Parity Bonds" means the additional parity revenue bonds permitted to be issued by the City pursuant to Section 6.1 of the Ordinance.

"Business Day" means any day which is not a Saturday, Sunday, or a day on which the Paying Agent/Registrar is authorized by law or executive order to close.

"Outstanding Parity Bonds" means the outstanding bonds of the City's Waterworks and Sewer System Revenue Bonds, Series 2002, the City's Waterworks and Sewer System Revenue Bonds, Series 2002A, the City's Waterworks and Sewer System Revenue Bonds, Series 2005, the City's Waterworks and Sewer System Revenue Bonds, Series 2006, the City's Waterworks and Sewer System Revenue Bonds, Series 2008 and the Bonds.

"Owner" or "Registered Owner", when used with respect to any Bond means the person or entity in whose name such Bond is registered in the Register. Any reference to a particular percentage or proportion of the Owners means the Owners at a particular time of the specified percentage or proportion in aggregate principal amount of all Bonds then outstanding under this Ordinance, exclusive of Bonds held by the City.

"Parity Bonds" means the Bonds, the Outstanding Parity Bonds, and each series of Additional Parity Bonds from time to time hereafter issued, but only to the extent such Parity Bonds remain outstanding within the meaning of this Ordinance.

"Reserve Fund Requirement" means the average annual principal and interest requirements on the Parity Bonds, which may be determined and redetermined each year by the City but in no event less frequently than upon the issuance of each series of Parity Bonds.

"Reserve Fund Surety Policy" means a surety bond, insurance policy, letter of credit, or other similar instrument issued by a financial institution, provided that the claims paying ability of such issuer is rated in one of the highest category of ratings by Standard & Poor's, a division of the McGraw Hill Companies, Inc., and Moody's Investors Service, Inc.

"Special Project" means, to the extent permitted by law, any waterworks or sanitary sewer system property, improvement or facility declared by the City not to be part of the System and substantially all of the costs of acquisition, construction, and installation of which are paid from proceeds of a financing transaction other than the issuance of bonds payable from ad valorem taxes or Net Revenues of the System, and for which all maintenance and operation expenses are payable from sources other than revenues of the System, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction and installation under such financing transaction.

“System” means all properties, facilities, improvements, equipment, interests, and rights constituting the waterworks and sanitary sewer system of the City, including all water production, treatment, storage and distribution facilities and all wastewater collection, transportation and treatment facilities formerly owned by Fort Bend County Municipal Utility District No. 13 and assumed by the City upon annexation and dissolution of said District and including all future extensions, replacements, betterments, additions, and improvements to the System, but excluding any Special Project.

RATES AND CHARGES

So long as any Parity Bonds remain outstanding, the City shall fix, charge and collect rates and charges for the use and services of the System which are fully sufficient to produce Net Revenues in each fiscal year at least equal to 110% of the principal and interest requirements scheduled to occur in such fiscal year on all Parity Bonds then outstanding plus an amount equal to the sum of all deposits required to be made to the Reserve Fund in such fiscal year; but in no event shall Net Revenues ever be less than the amount required to maintain the Interest and Sinking Fund and the Reserve Fund as provided in the Ordinance, and, to the extent that funds for such purpose are not otherwise available, to pay all other outstanding obligations payable from the Net Revenues of the System as and when the same become due.

The City will not grant or permit any free service from the System except for public buildings and institutions operated by the City.

SPECIAL FUNDS

The following special funds are approved and confirmed and such funds shall be maintained and accounted for as hereinafter provided, so long as any Parity Bonds remain outstanding:

- (a) Waterworks and Sewer System Revenue Bonds Revenue Fund (the “Revenue Fund”);
- (b) Waterworks and Sewer System Revenue Bonds Interest and Sinking Fund (the “Interest and Sinking Fund”); and
- (c) Waterworks and Sewer System Revenue Bonds Reserve Fund (the “Reserve Fund”).

The Revenue Fund shall be maintained as a separate account on the books of the City. The Interest and Sinking Fund and the Reserve Fund shall be maintained at an official depository bank of the City separate and apart from all other funds and accounts of the City and shall constitute trust funds which shall be held in trust for the benefit of the Owners of the Parity Bonds and the proceeds of which (except for interest income, which shall be transferred to the Revenue Fund) shall be and are hereby pledged to the payment of the Parity Bonds. All of the Funds named above shall be used solely as provided in the Ordinance so long as any Parity Bonds remain outstanding.

FLOW OF FUNDS

All Gross Revenues of the System shall be deposited as collected into the Revenue Fund. Money from time to time on deposit to the credit of the Revenue Fund shall be applied as follows in the following order of priority:

- (a) First, to pay Maintenance and Operation Expenses;
- (b) Second, to make all deposits into the Interest and Sinking Fund required by the Ordinance and any ordinance authorizing the issuance of Additional Parity Bonds;
- (c) Third, to make all deposits into the Reserve Fund required by the Ordinance and any ordinance authorizing the issuance of Additional Parity Bonds; and
- (d) Fourth, for any lawful purpose.

Whenever the total amounts on deposit to the credit of the Interest and Sinking Fund and the Reserve Fund shall be equivalent to the sum of the aggregate principal amount of all outstanding Parity Bonds plus the average aggregate of all interest accrued and to accrue thereon, no further payments need be made into the Interest and Sinking Fund or the Reserve Fund.

INTEREST AND SINKING FUND

On or before the last Business Day of each month so long as any Parity Bonds remain outstanding, after making all required payments and provision for payment of Maintenance and Operation Expenses, there shall be transferred into the Interest and Sinking Fund from the Revenue Fund

- (i) such amounts, in approximately equal monthly installments, as will be sufficient to accumulate the amount required to pay the interest scheduled to become due on the Parity Bonds on the next interest payment date; and
- (ii) such amounts, in approximately equal monthly installments, as will be sufficient to accumulate the amount required to pay the next maturing principal of the Parity Bonds, including the principal amounts of, and any redemption premium on, any Parity Bonds payable as a result of the exercise or operation of any optional or mandatory redemption provision contained in the Ordinance or in any ordinance authorizing the issuance of Additional Parity Bonds.

Money deposited to the credit of the Interest and Sinking Fund shall be used solely for the purpose of paying principal (at maturity or prior redemption or to purchase Parity Bonds issued as term bonds in the open market to be credited against mandatory redemption requirements), interest and any redemption premium on the Parity Bonds, plus all bank charges and other costs and expenses relating to such payment. On or before each principal and/or interest payment date on the Parity Bonds, the City shall transfer from the Interest and Sinking Fund to the paying agent an amount equal to the principal, interest and any redemption premium payable on the Parity Bonds on such date, together with an amount equal to all bank charges and other costs and expenses relating to such payment. The paying agents shall destroy all paid Parity Bonds and shall provide the City with appropriate certificates of destruction.

RESERVE FUND

Unless the Reserve Fund is fully funded, on or before the last Business Day of each month so long as any Parity Bonds remain outstanding, after making all required payments and provision for payment of Maintenance and Operation Expenses, and after making the transfers into the Interest and Sinking Fund required in the preceding Section, there shall be transferred into the Reserve Fund from the Revenue Fund such amounts, in approximately equal monthly installments, as shall be required so that the Reserve Fund shall contain, in no more than 60 months after the issuance of each issue of Parity Bonds, money and investments in an aggregate amount equal to the average annual principal and interest requirements on all Parity Bonds then outstanding. After such amount has accumulated in the Reserve Fund and so long thereafter as the Reserve Fund contains such amount, no further deposits shall be required to be made into the Reserve Fund, and any excess amounts may be transferred to the Revenue Fund. But if and whenever the balance in the Reserve Fund is reduced below such amount, monthly deposits into such Fund shall be resumed and continued in amounts at least equal to one-sixtieth (1/60th) of the average annual principal and interest requirements on the Parity Bonds until the Reserve Fund has been restored to such amount. The Reserve Fund shall be used to pay the principal of and interest on the Parity Bonds at any time when there is not sufficient money available in the Interest and Sinking Fund for such purpose and it may be used finally to pay and retire the last Parity Bonds to mature or be redeemed. At the option of the City, all or any part of the amount required to be on deposit in the Reserve Fund may be satisfied through the purchase of a Reserve Fund Surety Policy.

ADDITIONAL BONDS

The City reserves the right to issue, for any lawful purpose (including the refunding of any previously issued Parity Bonds or any other bonds or obligations of the City issued in connection with or payable from the revenues of the System), one or more series of Additional Parity Bonds payable from and secured by a first lien on the Net Revenues of the System on a parity with the Bonds, the outstanding Parity Bonds and any previously issued Additional Parity Bonds; provided, however, that no Additional Parity Bonds may be issued unless:

- (a) The Additional Parity Bonds mature on, and interest is payable on, the same days of the year as the Bonds;
- (b) The Interest and Sinking Fund and the Reserve Fund each contains the amount of money then required to be on deposit therein;
- (c) For either the preceding fiscal year or a 12 consecutive calendar month period ending no more than 90 days prior to adoption of the ordinance authorizing such Additional Parity Bonds, Net Revenues were equal to at least 125% of the average annual principal and interest requirements on all Parity Bonds that will be outstanding after the issuance of the series of Additional Parity Bonds then proposed to be issued, as certified by the City's Chief Financial Officer or Chief Accountant or by an independent certified public accountant or firm of independent certified public accountants; or
- (d) If the City cannot meet the test described in (c) above, but a change in the rates and charges applicable to the System becomes effective at least sixty (60) days prior to the adoption of the ordinance authorizing Additional Parity Bonds and the City's Chief Financial Officer or Chief Accountant certifies that, had such change in rates and charges been effective for the preceding fiscal year or 12 consecutive calendar month period ending no more than 90 days prior to adoption of said ordinance, the Net Revenues for such period would have met the test described in (c) above.
- (e) So long as all or any part of the City of Sugar Land, Texas, Waterworks and Sewer System Revenue Bonds, Series 2002 are owned by the TWDB, the certification required in (c) or (d) above will be provided by an independent certified public accountant or firm of independent certified public accountants.

THE CITY

GOVERNMENTAL STRUCTURE

The City of Sugar Land was incorporated in 1959 and adopted a Home Rule Charter in November 1980. The City operates under a Council-Manager form of government. The City Council consists of a Mayor and six council members, all of whom are elected for two year terms. The Mayor and two Council members are elected in even numbered years and four Council members are elected in odd numbered years. The Mayor and two Council members are elected at large, and the remaining four are elected by District.

The Mayor presides at City Council meetings and is entitled to vote on all matters considered by City Council. Powers of the City are vested in the City Council and include appointment of the City Manager, Boards and Commissions, adoption of the budget, authorization of bond issues, and adoption of ordinances and resolutions as deemed necessary, desirable and beneficial to the City. The City Manager is responsible for administrative and day to day operations of the City.

SERVICES PROVIDED BY THE CITY

The City provides water, sanitary sewer, airport, and park services. Additionally, it provides local law enforcement, fire protection, solid waste disposal, and building inspection; maintains its storm drainage facilities, bridges and streets; and operates community recreation facilities.

The City does not operate hospitals, a school system, transit services or a higher education system and does not spend City funds in providing welfare. Public schools within the boundaries of the City are administered by the school district with independent taxing authority.

FINANCIAL ACCOUNTING

The accounts of the City are organized on the basis of funds, each of which constitutes a separate entity for accounting purposes. With the City's implementation of GASB 34 in Fiscal Year 2002, the financial reporting was expanded to include entity-wide statements. The Statement of Net Assets and the Statement of Activities are the government wide statements and report information about the City as a whole. The most significant area of the fund accounting basis is the General Fund, which accounts for all revenues and expenditures of the City not accounted for in the various enterprise funds or the other funds maintained by the City. Other than ad valorem taxes, the primary sources of General Fund revenue include sales and use taxes, franchise fees, and miscellaneous sources, such as fines, penalties, licenses, fees, interest income from investments and other taxes. The Enterprise Funds consist of the Water and Wastewater Fund, the Surface Water Fund, the Airport Fund, and the Solid Waste Fund (collectively, the "Enterprise Funds"). The methods of accruing revenues and expenditures differ between the General Fund and Enterprise Funds⁽¹⁾. For a description of the accrual methods and the reporting entity definition, see Note 1 of the notes to the Financial Statements in Appendix B.

Other funds maintained by the City are the following: (i) the Special Revenue Funds, including expendable trust funds; (ii) the Internal Service Funds; (iii) the Debt Service Fund; and (iv) the Capital Projects Funds.

(1) The GASB 34 entity-wide statements reflect full accrual.

BUDGETING

Annual appropriated budgets are adopted for the General, Special Revenue, and Debt Service Funds using the same basis of accounting as for financial reporting. Unencumbered appropriations lapse at the end of the fiscal year.

Expenditures may not legally exceed budgeted appropriations at the department level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by City Council through a formal budget amendment. At any time in the fiscal year, the City Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The City Council has the power to transfer any unencumbered funds allocated by the budget to one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

Management has the power to transfer available funds allocated by the budget from one function or activity to another function or activity within the same department.

In cooperation with the department heads of the City and the Budget Office, the City Manager prepares an annual budget for all funds for the ensuing fiscal year, in a form and system deemed desirable by the City Manager. The City Manager shall submit to the Council, for its review, consideration and revision, both a letter describing the proposed new budget, as well as a balanced budget for the forthcoming fiscal year, not later than sixty (60) days prior to the end of the current fiscal year. The budget, as adopted, must set forth the appropriations for services, functions and activities of the various City departments and agencies, and shall meet all fund requirements provided by law and required by bond covenants.

INVESTMENTS

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

LEGAL INVESTMENTS

Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council. Both state law and the City's investment policies are subject to change. Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, and are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

ADDITIONAL PROVISIONS

Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict its investment in mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

CURRENT INVESTMENTS

As of August 31, 2009, the City's investable funds were invested in the following categories:

	Book Value	Market Value
Cash	\$ 36,124,907	\$ 36,124,907
TexPool	31,561,520	31,561,520
Agencies	18,031,900	18,103,200
	<u>\$ 85,718,327</u>	<u>\$ 85,789,627</u>

TexPool is a local government investment pool under the control of the Texas Comptroller of Public Accounts. Investment management and customer service are outsourced by the Comptroller. The pool's investment objectives include achieving a stable net asset value of \$1.00 per share. Daily investment or redemption of funds is allowed by the participants.

ANNEXATION POLICY

The City has expanded its geographic boundaries and its tax base through the annexation of contiguous unincorporated areas within the extraterritorial jurisdiction of the City. Upon annexation of a utility district by the City, Texas law generally requires that the City (1) take over all properties and assets of the district, (2) assume all debts, liabilities and obligations of the district, and (3) perform all functions and services of the district. When the City assumes district bonds or other obligations payable in whole or in part from ad valorem taxes, Texas law requires the City to levy and collect ad valorem taxes on all taxable property within the City in amounts sufficient to pay the principal of and interest on such assumed bonds and obligations. Under existing law, neither the annexation of districts nor the assumption of their outstanding bonds or other obligations requires voter authorization.

The City has adopted an annexation policy to consider general issues which may impact the City prior to the annexation of any area. The annexation policy requires a detailed financial analysis to be prepared for review by the City Council. Public information is provided to both the citizens of the City as well as the citizens of the areas proposed for annexation, and opportunity is provided for public input. The City's annexation plan must adhere to the overall goals of the City and must maintain the quality of life in the annexed areas as well as the City.

TAX MATTERS

TAX EXEMPTION

In the opinion of Vinson & Elkins L.L.P., Bond Counsel, under existing law, (i) interest on the Bonds is excludable from gross income for federal income tax purposes and (ii) the Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and as such, interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings exception for corporations.

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

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

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT or REMIC), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

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

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

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

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the captions "TAX MATTER – Tax Exemption" and "TAX MATTERS - Additional Federal Income Tax Considerations-Collateral Tax Consequences" generally applies, and should be considered in connection with the discussion in this portion of the Official Statement.

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org <<http://www.emma.msrb.org>>.

ANNUAL REPORTS

The City will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the headings "WATERWORKS AND SEWER SYSTEM" and "DEBT INFORMATION," and in APPENDIX B. The City will update and provide this information within six months after the end of each fiscal year.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

MATERIAL EVENT NOTICES

The City will also provide timely notices of certain events to certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "ANNUAL REPORTS."

AVAILABILITY OF INFORMATION

Effective July 1, 2009 (the "EMMA Effective Date"), the SEC implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole national municipal securities information repository with respect to filings made in connection with undertakings made under the Rule after the EMMA Effective Date. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the City in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB. The City will continue to make information filings, including material event notices, with the Texas state information repository (the "SID") so long as it is required to do so pursuant to the terms of any undertakings made under the Rule prior to the EMMA Effective Date.

LIMITATIONS AND AMENDMENTS

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "ANNUAL REPORTS" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS

The City has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The presently outstanding revenue debt of the City is rated "Aa3" by Moody's and "AA" by S&P. The City also has several issues outstanding which are rated "Aaa" by Moody's and "AAA" by S&P through insurance by various commercial insurance companies. Applications for contract ratings on this issue have been made to Moody's and S&P. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

LEGAL MATTERS

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bonds and to the effect that the Bonds are valid and legally binding special obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel in substantially the form attached hereto as Appendix C. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. In its capacity as Bond Counsel, Vinson & Elkins L.L.P. has not independently verified any of the factual information contained in this Official Statement or the Notice of Sale and Bidding Instructions nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement or the Notice of Sale and Bidding Instructions. Except with respect to the material reviewed by Bond Counsel, as described above, no person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company has agreed, in its Financial Advisory contract, not to bid for the Bonds, either independently or as a member of a syndicate organized to submit a bid for the Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the City, at an underwriting discount of \$ __. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

CERTIFICATION OF THE OFFICIAL STATEMENT

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

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

Mayor
City of Sugar Land, Texas

ATTEST

City Secretary

Schedule I*
SCHEDULE OF REFUNDED BONDS

Waterworks & Sewer System Revenue Refunding Bonds, Series 1999

Maturity Date	Interest	Par	Call	Call
<u>August 15</u>	<u>Rate</u>	<u>Amount</u>	<u>Date</u>	<u>Price</u>
2010	4.900%	\$ 555,000	12/1/2009	100.00
2011	5.000%	535,000	12/1/2009	100.00
2012	5.125%	555,000	12/1/2009	100.00
2013	5.200%	360,000	12/1/2009	100.00
2014	5.250%	350,000	12/1/2009	100.00
2015	5.250%	350,000	12/1/2009	100.00
		<u>\$ 2,705,000</u>		

Waterworks & Sewer System Revenue Refunding Bonds, Series 1997

Maturity Date	Interest	Par	Call	Call
<u>August 15</u>	<u>Rate</u>	<u>Amount</u>	<u>Date</u>	<u>Price</u>
2010	5.000%	\$ 300,000	12/1/2009	100.00
2011	5.000%	285,000	12/1/2009	100.00
2012	5.000%	270,000	12/1/2009	100.00
		<u>\$ 855,000</u>		

Waterworks & Sewer System Revenue Bonds, Series 1997

Maturity Date	Interest	Par	Call	Call
<u>August 15</u>	<u>Rate</u>	<u>Amount</u>	<u>Date</u>	<u>Price</u>
2010	4.000%	\$ 160,000	12/1/2009	100.00
2011	4.050%	190,000	12/1/2009	100.00
2012	4.100%	190,000	12/1/2009	100.00
2013	4.150%	270,000	12/1/2009	100.00
2014	4.200%	270,000	12/1/2009	100.00
2015	4.250%	270,000	12/1/2009	100.00
2016	4.300%	270,000	12/1/2009	100.00
2017	4.300%	270,000	12/1/2009	100.00
2018	4.350%	270,000	12/1/2009	100.00
		<u>\$ 2,160,000</u>		

First Colony Utility System Regional Waste Disposal
Contract Revenue Bonds, Series 1997

Maturity Date	Interest	Par	Call	Call
<u>August 15</u>	<u>Rate</u>	<u>Amount</u>	<u>Date</u>	<u>Price</u>
2010	4.000%	\$ 50,000	12/1/2009	100.00
2011	4.050%	50,000	12/1/2009	100.00
2012	4.100%	50,000	12/1/2009	100.00
2013	4.150%	440,000	12/1/2009	100.00
2014	4.200%	445,000	12/1/2009	100.00
2015	4.250%	445,000	12/1/2009	100.00
2016	4.300%	445,000	12/1/2009	100.00
2017	4.300%	445,000	12/1/2009	100.00
2018	4.350%	445,000	12/1/2009	100.00
		<u>\$ 2,815,000</u>		

* Preliminary, subject to change.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

POPULATION ESTIMATES

City of Sugar Land

<u>Fiscal Year</u>	<u>Population</u>	<u>Annual % Growth</u>
1999	61,587	3.60%
2000	62,637	1.70%
2001	63,328	1.10%
2002	65,255	3.04%
2003	66,129	1.34%
2004	69,129	4.54%
2005	70,758	2.36%
2006	74,472 ⁽¹⁾	5.25%
2007	76,228	2.36%
2008	77,982	2.30%
2009	79,573	2.04%

Source: City of Sugar Land.

(1) Increase due to annexations.

TOP EMPLOYERS

City of Sugar Land

<u>Employer</u>	<u>Number of Employees</u>
Fluor Corp.	3,154
Schlumberger Technology Corp.	2,200
Methodist Sugar Land Hospital	1,600
Nalco Company	448
Memorial Hermann - Sugar Land	430
Baker Petrolite, Inc.	415
Fairfield Industries	415
Tramontina	401
National Oilwell Varco, Inc.	340
St. Luke's Sugar Land Hospital	337

Source: City of Sugar Land.

LABOR FORCE AND UNEMPLOYMENT RATE

City of Sugar Land

Year ⁽¹⁾	Civilian Labor Force	Total Employment	Unemployment	Rate
2005	39,741	38,011	1,730	4.4%
2006	40,975	39,357	1,618	3.9%
2007	41,873	40,438	1,435	3.4%
2008	41,627	40,149	1,478	3.6%
2009 ⁽²⁾	41,712	39,611	2,101	5.0%

Fort Bend County

Year ⁽¹⁾	Civilian Labor Force	Total Employment	Unemployment	Rate
2005	236,520	224,153	12,367	5.2%
2006	245,613	233,909	11,704	4.8%
2007	250,638	240,334	10,304	4.1%
2008	259,044	247,350	11,694	4.5%
2009 ⁽²⁾	261,994	244,035	17,959	6.9%

Source: Texas Workforce Commission.

- (1) Because of methodology changes in geographical areas below the state level, data from 2005 and 2004 or earlier is not considered comparable.
- (2) Averages through August 2009.

NEW BUILDING CONSTRUCTION PERMITS

Fiscal Year	New Commercial Construction Value	New Residential Construction Value
1999	\$ 61,745,139	\$ 45,148,629
2000	44,381,129	54,586,730
2001	73,696,858	35,668,431
2002	81,205,725	41,612,777
2003	67,566,754	66,132,771
2004	78,674,241	47,099,346
2005	148,668,948	39,080,598
2006	156,214,028	90,428,117
2007	222,919,352	155,316,336
2008	148,706,947	126,966,231
2009 ⁽¹⁾	99,384,740	99,260,452

Source: City of Sugar Land.

⁽¹⁾ As of August 31, 2009

APPENDIX B

EXCERPTS FROM THE
CITY OF SUGAR LAND, TEXAS
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2008

The information contained in this Appendix consists of excerpts from the City of Sugar Land, Texas Annual Financial Report for the Year Ended September 30, 2008, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION