

**EIGHTH AMENDED AND RESTATED ORDER AUTHORIZING THE  
ISSUANCE OF HARRIS COUNTY, TEXAS, GENERAL OBLIGATION  
COMMERCIAL PAPER NOTES, SERIES D, SERIES D-2 AND SERIES D-3 IN  
AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$700,000,000  
FOR THE PURPOSE OF PROVIDING MONEY FOR CERTAIN  
AUTHORIZED PURPOSES; APPROVING AND AUTHORIZING CERTAIN  
AUTHORIZED OFFICERS AND EMPLOYEES TO ACT ON BEHALF OF  
THE COUNTY IN THE SELLING AND DELIVERY OF SUCH NOTES,  
WITHIN THE LIMITATIONS AND PROCEDURES SPECIFIED HEREIN;  
MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION  
THEREWITH; RESOLVING OTHER MATTERS INCIDENT AND RELATED  
TO THE ISSUANCE, SALE, DELIVERY AND SECURITY OF THE NOTES,  
INCLUDING THE APPROVAL OF OFFERING MEMORANDA AND  
RATIFYING AND CONFIRMING THE TERMS AND PROVISIONS OF THE  
CREDIT AGREEMENT, THE ISSUING AND PAYING AGENT AGREEMENT  
AND COMMERCIAL PAPER DEALER AGREEMENT**

THE STATE OF TEXAS       §  
  §  
COUNTY OF HARRIS       §

The Commissioners Court of Harris County, Texas, convened at a regular meeting of such Court at the Harris County Administration Building in the City of Houston, Texas, on January 10, 2023, and the roll was called of the duly constituted members of such Commissioners Court, to-wit:

Lina Hidalgo	County Judge
Rodney Ellis	Commissioner, Precinct 1
Adrian Garcia	Commissioner, Precinct 2
Tom S. Ramsey, P.E.	Commissioner, Precinct 3
Lesley Briones	Commissioner, Precinct 4

and all of such persons were present except \_\_\_\_\_, thus constituting a quorum, when among other business, the following was transacted:

Commissioner \_\_\_\_\_ introduced an order and made a motion that the same be adopted. Commissioner \_\_\_\_\_ seconded the motion for adoption of the order.

The motion, carrying with it the adoption of the order, prevailed by the following vote:

Yes      No      Abstain

Lina Hidalgo

Rodney Ellis

Adrian Garcia

Tom S. Ramsey, P.E.

Lesley Briones

The County Judge thereupon announced that the motion had duly and lawfully carried and that the order had been duly and lawfully adopted. The order thus adopted follows

**EIGHTH AMENDED AND RESTATED ORDER AUTHORIZING THE ISSUANCE OF HARRIS COUNTY, TEXAS, GENERAL OBLIGATION COMMERCIAL PAPER NOTES, SERIES D, SERIES D-2 AND SERIES D-3 IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$700,000,000 FOR THE PURPOSE OF PROVIDING MONEY FOR CERTAIN AUTHORIZED PURPOSES; APPROVING AND AUTHORIZING CERTAIN AUTHORIZED OFFICERS AND EMPLOYEES TO ACT ON BEHALF OF THE COUNTY IN THE SELLING AND DELIVERY OF SUCH NOTES, WITHIN THE LIMITATIONS AND PROCEDURES SPECIFIED HEREIN; MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; RESOLVING OTHER MATTERS INCIDENT AND RELATED TO THE ISSUANCE, SALE, DELIVERY AND SECURITY OF THE NOTES, INCLUDING THE APPROVAL OF OFFERING MEMORANDA AND RATIFYING AND CONFIRMING THE TERMS AND PROVISIONS OF THE CREDIT AGREEMENT, THE ISSUING AND PAYING AGENT AGREEMENT AND COMMERCIAL PAPER DEALER AGREEMENT**

WHEREAS, Chapter 1431, Texas Government Code, as amended ("Chapter 1431"), and other applicable law authorize Harris County, Texas (the "County") to issue notes for certain authorized purposes, and to provide for the payment of principal of and interest on such obligations through the levy of an annual ad valorem tax, within the limits provided by law, on all taxable property within the County;

WHEREAS, pursuant to Chapter 1431, the County may exercise the authority granted to the governing body of an issuer with regard to the issuance of obligations under Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), and as a result may enter into credit agreements with respect to such notes and take other actions so that the aforesaid notes are issued as commercial paper notes;

WHEREAS, on September 29, 1998, the Commissioners Court of the County adopted an order (the "Order") (1) authorizing the issuance of the County's General Obligation Commercial Paper Notes, Series D, in a maximum aggregate principal amount of \$50,000,000 Outstanding at any time (the "Series D Notes") and (2) approving a credit agreement (the "Credit Agreement"), originally dated as of September 1, 1998, with The Bank of Nova Scotia, acting through its New York Agency (the "Credit Provider") pursuant to which the Credit Provider agreed to provide a line of credit with respect to the principal portion of the Series D Notes;

WHEREAS, on November 2, 1999, the Commissioners Court of the County adopted an order (1) authorizing the issuance of the County's General Obligation Commercial Paper Notes, Series D-1, in a maximum aggregate principal amount of \$150,000,000 Outstanding at any time (the "Series D-1 Notes" or the "Series D-1 Note Program"), (2) approving an Amended and Restated Credit Agreement, dated November 1, 1999, with the Credit Provider to provide a line of credit with respect to the principal portion of the Series D Notes, the Series D-1 Notes and the County's General Obligation Commercial Paper Notes, Series A-1 (the "Series A-1 Notes") and (3) making certain amendments to the Order;

WHEREAS, on August 6, 2002, the Commissioners Court adopted an order, among other actions, (1) amending the Order in a manner which the County deemed desirable and did not, in the judgment of the County, have a material adverse effect on the interests of the Owners of Outstanding Notes, (2) terminating the Series D-1 Note Program, (3) reallocating the portion of the Commitment under the Amended and Restated Credit Agreement supporting the Series D-1 Notes to the Series D Notes, (4) increasing the maximum aggregate principal amount of the Series D Notes to \$200,000,000 Outstanding at any time, (5) approving a Second Amended and Restated Credit Agreement, Second Amended and Restated Dealer Agreement, Amended and Restated Issuing and Paying Agent Agreement and updated Offering Memorandum with respect to the Series D Notes and (6) authorizing the issuance of Series D Notes for projects other than public works at the Astrodome Complex (now Reliant Park);

WHEREAS, at an election (the “2007 Election”) held on November 6, 2007, the voters of the County approved a proposition to issue notes for (1) purchasing, constructing, improving and equipping medical and health care buildings, including purchasing or improving sites for such buildings, including a Medical Examiner’s Forensic Center, in the amount of \$80,000,000, (2) purchasing, constructing, improving and equipping courthouses, including purchasing or improving sites for courthouses, including a Family Law Center, in the amount of \$70,000,000, and (3) acquiring or improving land, buildings or historically significant objects for park purposes or for historic or prehistoric preservation purposes, which may include joint facilities with other political subdivisions, in the amount of \$95,000,000, all as more fully described, authorized and provided in the legal proceedings of the 2007 Election;

WHEREAS, on April 22, 2008, the Commissioners Court adopted an order, among other actions, (1) amending the Order to add in a manner which the County deemed desirable and did not, in the judgment of the County, have a material adverse effect on the interests of the Owners of Outstanding Notes, (2) amending the Order to change the Authorized Purposes with respect to the unissued notes, as provided in Section 6.1(a)(iv) of the Order, and (3) approving a Third Amended and Restated Credit Agreement, Second Amended and Restated Dealer Agreement, Amended and Restated Issuing and Paying Agent Agreement and updated Offering Memorandum with respect to the Series D Notes;

WHEREAS, on July 27, 2010, the Commissioners Court adopted an order, among other actions, (1) amending the Order in a manner which the County deemed desirable and did not, in the judgment of the County, have a material adverse effect on the interests of the Owners of Outstanding Notes, (2) authorizing the execution and delivery of a substitution Credit Agreement and (3) approving an updated Offering Memorandum with respect to the Series D Notes;

WHEREAS, at an election (the “2013 Election”) held on November 5, 2013, the voters of the County approved a proposition to issue bonds in the amount of \$70,000,000 for the purpose of acquiring, constructing and improving land and buildings within and for the County for an adult detention central joint processing center and related facilities, including a heating and cooling plant and parking facilities;

WHEREAS, on February 11, 2014, the Commissioners Court adopted an order, among other actions, (1) amending the Order to change the Authorized Purposes with respect to unissued Notes, as provided in Section 6.1(a)(vi) of the Order; (2) approving the preparation, execution and delivery of a Fourth Amended and Restated Order to incorporate into a single document the amendments set forth therein; and (3) approving an updated Offering Memorandum with respect to the Series D Notes;

WHEREAS, at an election held on November 3, 2015 (the “2015 Election”), the voters of the County approved a proposition in the amount of \$60,000,000 for the purpose of acquiring, constructing and improving land, buildings, or in the aid and maintenance thereof for parks and a proposition in the amount of \$24,000,000 for constructing and improving land, buildings or aid and maintenance thereof for veterinary public health adoption and care center and associated buildings;

WHEREAS, on April 26, 2016, the Commissioners Court adopted an order, among other actions, (1) amending the Order to change the Authorized Purposes with respect to the unissued Notes, as provided in Section 6.1(a)(vi) of the Order; (2) approving the preparation, execution and delivery of a Fifth Amended and Restated Order to incorporate into a single document the amendments set forth therein; and (3) approving an updated Offering Memorandum with respect to the Series D Notes;

WHEREAS, on October 23, 2018, the Commissioners Court adopted an order, among other actions, (1) authorizing the issuance of the County’s General Obligation Commercial Paper Notes, Series D-2, in a maximum aggregate principal amount of \$200,000,000 Outstanding at any time (the “Series D-2 Notes”) and the issuance of the County’s General Obligation Commercial Paper Notes, Series D-3, in a maximum aggregate principal amount of \$200,000,000 Outstanding at any time (the “Series D-3 Notes,” and together with the Series D-2 Notes, the “Notes”), (2) approving the preparation, execution and delivery of a Sixth

Amended and Restated Order to incorporate into a single document the amendments set forth therein; (3) approving and authorizing the execution and delivery of a Credit Agreement in connection with the Series D-2 Notes and a Credit Agreement in connection with the Series D-3 Notes; and (4) approving and authorizing an Issuing and Paying Agent Agreement for the Series D-2 Notes and Series D-3 Notes, Dealer Agreements for the Series D-2 Notes and Series D-3 Notes and updated Offering Memorandums with respect to the Series D-2 Notes and Series D-3 Notes;

WHEREAS, at an election held on November 8, 2022 (the “2022 Election”), the voters of the County approved a proposition in the amount of \$100,000,000 for the purpose of constructing, improving, renovating, equipping and acquiring land and interest in land, buildings, facilities, courthouses and related equipment for public safety purposes, a proposition in the amount of \$900,000,000 for construction, maintenance, operation and road drainage of macadamized, graveled or paved roads, or in aid thereof, including acquiring land and rights-of-way therefor, road drainage, bike lanes, sidewalks and shared use paths, and replacement and improvement of road bridges and culverts and a proposition in the amount of \$200,000,000 for constructing, improving, renovating, equipping and acquiring land and interest in land, buildings and facilities for county parks and recreational purposes;

WHEREAS, on November 15, 2022, the Commissioners Court adopted an order, among other actions (1) increasing the maximum aggregate principal amount of the General Obligation Commercial Paper Notes, Series D-2 from \$200,000,000 to \$300,000,000, (2) approving the preparation, execution and delivery of a Seventh Amended and Restated Order in connection with the increase in maximum aggregate principal amount for the Series D-2 Notes and to incorporate into a single document the amendments set forth therein, (3) approving and authorizing the execution and delivery of an amendment to the Series D-2 Credit Agreement in connection with the Series D-2 Notes, (4) approving and authorizing an updated Offering Memorandum with respect to the Series D-2 Notes and (5) ratifying and confirming the terms and provisions of the Issuing and Paying Agent Agreement and Dealer Agreement for the Series D-2 Notes;

WHEREAS, on January 10, 2023, the Commissioners Court adopted an order, among other actions (1) amending the Order to change the Authorized Purposes with respect to the unissued Notes, as provided in Section 6.1(a)(vi) of the Order; (2) approving the preparation, execution and delivery of an Eighth Amended and Restated Order to incorporate into a single document the amendments set forth therein; and (3) approving an updated Offering Memoranda with respect to the Notes;

WHEREAS, this Eighth Amended and Restated Order constitutes a restatement of the Order, as amended and restated on November 2, 1999, August 6, 2002, April 22, 2008, February 11, 2014, April 26, 2016, October 23, 2018 and November 22, 2022;

WHEREAS, the County has appointed a budget officer, which office has not been abolished, and such officer has recommended, and the Commissioners Court of the County desires to authorize, the issuance of the Notes (hereinafter defined) for certain authorized purposes pursuant to Chapter 1431, and such authorized purposes constitute public purposes under the Constitution and laws of the State of Texas;

WHEREAS, the County hereby ratifies and confirms that each of the Credit Agreements (hereinafter defined) constitutes a “credit agreement” within the meaning of Chapter 1371; and

WHEREAS, arrangements relating to this financing have been settled and the County hereby ratifies and confirms that the issuance of the Notes, and the prior execution and delivery of each of the Credit Agreements and the related Loan Notes (hereinafter defined), subject to the terms, conditions and limitations therein prescribed, have been approved and are ratified and confirmed at this time;

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSIONERS COURT OF THE COUNTY THAT:

## ARTICLE I

### DEFINITIONS AND INTERPRETATIONS

Section 1.1      DEFINITIONS. Throughout this Order (except in the FORM OF NOTES), in addition to the terms defined in the recitals of this Order, the following terms and expressions used herein shall have the meaning specified in this Section.

“2007 Election” means that election held within the County on November 6, 2007 that authorized the issuance by the County, in one or more installments, of obligations for certain Authorized Purposes, and provided for the payment of principal of and interest on such obligations through the levy of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the County.

“2013 Election” means that election held within the County on November 5, 2013 that authorized the issuance by the County, in one or more installments, of obligations for certain Authorized Purposes, and provided for the payment of principal of and interest on such obligations through the levy of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the County.

“2015 Election” means that election held within the County on November 3, 2015 that authorized the issuance by the County, in one or more installments, of obligations for certain Authorized Purposes, and provided for the payment of principal of and interest on such obligations through the levy of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the County.

“2022 Election” means that election held within the County on November 8, 2022 that authorized the issuance by the County, in one or more installments, of obligations for certain Authorized Purposes, and provided for the payment of principal of and interest on such obligations through the levy of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the County.

“Act” means, together, Chapters 1371 and 1431, Texas Government Code, as amended.

“Attorney General” means the Attorney General of the State of Texas.

“Authorized Denomination” means, with respect to the Notes, \$100,000 principal amount, and integral multiples of \$1,000 thereafter.

“Authorized Purposes” means the purposes for which Notes may be issued, as described in Section 2.1(b) hereof, as the same may be modified or amended from time to time pursuant to Section 6.1(a)(vi).

“Authorized Representative” means that person designated as the Authorized Representative in writing and delivered to the Issuing and Paying Agent and the Dealer pursuant to Section 3.5 hereof. The initial Authorized Representatives shall be the County Judge, the County Clerk, the Executive Director, Office of Management and Budget, Deputy Executive Director, Office of Management and Budget or such person(s) designated in writing by the County Judge, County Clerk, Executive Director, Office of Management and Budget or Deputy Executive Director, Office of Management and Budget, to serve in such capacity pursuant to Section 3.5 hereof.

“Business Day” means any day other than (i) a Saturday, Sunday or other day on which commercial banks located in the states of New York or Texas are authorized or required by law or executive order to close or (ii) a day on which the New York Stock Exchange is closed.

“Commissioners Court” means the Commissioners Court of Harris County, the governing body of the County.

“Commitment” means the maximum amount available to be drawn as Loans under the Series D Credit Agreement, the Series D-2 Credit Agreement and the Series D-3 Credit Agreement, respectively, for the payment of principal on the Series D Notes, Series D-2 Notes and the Series D-3 Notes, as applicable, as such amounts may be reduced and reinstated from time to time as provided in each Credit Agreement.

“County” means Harris County, Texas.

“Credit Agreement” or “Credit Agreements” means the Series D Credit Agreement, the Series D-2 Credit Agreement and the Series D-3 Credit Agreement, as applicable.

“Credit Provider” or “Credit Providers” means the Series D Credit Provider, the Series D-2 Credit Provider and the Series D-3 Credit Provider, as applicable.

“Dealer” or “Dealers” means the County’s commercial paper dealer or co-dealers appointed pursuant to Section 3.4 of this Order.

“Dealer Agreement” or “Dealer Agreements” mean the Series D Dealer Agreement, the Series D-2 Dealer Agreement and the Series D-3 Dealer Agreement, as applicable.

“DTC” means The Depository Trust Company, New York, New York, or any successor securities depository.

“DTC Letter of Representations” means an agreement by and among the County, the Issuing and Paying Agent and DTC, substantially in the form attached hereto as Exhibit B, regarding DTC’s services as securities depository for the Notes and DTC’s book-entry only system of transfer for the Notes.

“DTC Participant” means brokers and dealers, banks, trust companies, clearing operations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlements of securities transactions among DTC Participants.

“Elections” means, together, the 2007 Election, 2013 Election, 2015 Election and 2022 Election.

“Fiscal Year” means the fiscal year of the County, currently beginning on October 1 of any year and ending on the last day of September of the next succeeding year.

“Interest Rate” means the interest rate borne by any Note.

“Issuing and Paying Agent” means U.S. Bank Trust Company, National Association, when acting in such capacity, or any successor issuing and paying agent appointed pursuant to this Order.

“Issuing and Paying Agent Agreement” means that agreement between the County and the Issuing and Paying Agent, dated October 23, 2018, the terms and conditions of which are hereby ratified and confirmed, as the same may from time to time be in effect.

“Loan” means a loan to the County pursuant to each Credit Agreement.

“Loan Note” or “Loan Notes” means any promissory note executed and delivered by the County to the order of the Series D Credit Provider, the Series D-2 Credit Provider and/or the Series D-3 Credit Provider to evidence a Loan made by any Credit Provider to the County under any Credit Agreement.

“Master Note” means the form of Note issued in book-entry form only and registered in the name of Cede & Co., as nominee of DTC or another securities depository pursuant to Section 2.8, which, is intended to evidence the County’s aggregate obligations under the Notes.

“Maximum Rate” means the lesser of (i) maximum “net effective interest rate” allowable under Chapter 1204, Texas Government Code, as amended, which is currently 15%, or (ii) such lesser maximum rate as shall from time to time be authorized by Commissioners Court, which initially shall be 10%.

“Maximum Maturity Date” means, with respect to any Note issued prior to April 15, 2008, July 1, 2017 (which is a date prior to the fifteenth anniversary of the date of the Attorney General’s approval of the proceedings relating to the amendments to the Order approved by the Commissioners Court on August 6, 2002); (ii) any Note issued on or after April 15, 2008 but prior to March 1, 2014, February 15, 2029 (which is a date prior to the fifteenth anniversary of the date of the Attorney General’s approval of proceedings relating to the amendments to the Order approved by the Commissioners Court on February 11, 2014); (iii) any note issued on or after March 1, 2014 but prior to April 26, 2016, June 1, 2031 (which is a date prior to the fifteenth anniversary of the date of the Attorney General’s approval of the proceedings relating to the amendments to the Order approved by the Commissioners Court on April 26, 2016); (iv) any Note issued on or after April 26, 2016 but prior to November 15, 2022, November 1, 2033 (which is a date prior to the fifteenth anniversary of the date of the Attorney General’s approval of the proceedings relating to the amendments to the Order approved by the Commissioners Court on October 23, 2018); (v) any Note issued on or after November 15, 2022, but not pursuant to the 2022 Election, December 1, 2037 (which is a date prior to the fifteenth anniversary of the date of the Attorney General’s approval of the proceedings relating to the amendments to the Order approved by the Commissioners Court on November 15, 2022); (vi) any Note issued on or after January 10, 2023 pursuant to the 2022 Election, December 1, 2053; and (vii) provided, however, that, for any Notes issued pursuant to an Election, no Note may mature beyond the maximum maturity date approved at the election pursuant to which such Note has been authorized.

“Note” or “Notes” means the County’s General Obligation Commercial Paper Notes, Series D, the County’s General Obligation Commercial Paper Notes, Series D-2 and the County’s General Obligation Commercial Paper Notes, Series D-3 authorized by this Order, as applicable, and whenever such Notes are authorized to be issued in book-entry only form pursuant to Section 2.8, such term shall refer to the County’s obligations under the Notes, which obligations shall be evidenced by one or more Master Notes as herein provided.

“Order” means this order authorizing the issuance and sale of the Notes, as it may from time to time be amended or supplemented pursuant to the provisions contained herein.



“Outstanding” means, as of the date of determination, all Notes therefore delivered under this Order, except:

(1) Notes therefore cancelled and delivered to the County or to the Issuing and Paying Agent for cancellation;

(2) Notes upon transfer of or in exchange for and in lieu of which other Notes have been delivered pursuant to this Order; and

(3) Notes under which obligations of the County have been released, discharged or extinguished in accordance with the terms thereof;

provided, however, that while the Notes are issued in book-entry only form, as authorized by Section 2.8, “Outstanding” shall mean, as of the date of determination, all Notes theretofore authorized to be issued under such book-entry only system and not theretofore released, discharged or extinguished in accordance with the terms of such book-entry system or the terms of this Order.

“Person” means any individual, corporation, partnership, joint venture, unincorporated association, association, trust, joint stock company, unincorporated organization, government or government agency or other legal entity capable of carrying on a trade or business.

“Principal Amount” means, with respect to any Note, the stated principal amount of such Note, and with respect to any Loan or Loan Note, the outstanding principal balance thereof.

“Register” means the books of registration for the Notes maintained by the Issuing and Paying Agent.

“Registered Owner” or “Owner” means the Person or entity in whose name any Note is registered in the Register.

“Series D Credit Agreement” means the credit agreement with respect to the Series D Notes entered into between the County and the Series D Credit Provider pursuant to Section 3.3, as such agreement from time to time may be amended or supplemented in accordance with the terms thereof, or any other credit agreement(s) between the County and Credit Provider(s) provided in lieu thereof in accordance with the provisions of Series 3.3. The Series D Credit Agreement may provide credit, liquidity or both, and may be in any form and may bear any title so long as it constitutes a credit agreement within the meaning of the Chapter 1371.

“Series D Credit Provider” means any provider of credit pursuant to a Series D Credit Agreement. The Series D Credit Provider is JPMorgan Chase Bank, National Association.

“Series D Dealer Agreement” means the second amended and restated agreement between the County and Goldman Sachs & Co. dated August 6, 2002 and as the same shall from time to time be in effect, pursuant to the provisions of Section 3.4 hereof.

“Series D-2 Credit Agreement” means the credit agreement with respect to the Notes entered into between the County and the Series D-2 Credit Provider pursuant to Section 3.3, as such agreement from time to time may be amended or supplemented in accordance with the terms thereof, or any other credit agreement(s) between the County and Credit Provider(s) provided in lieu thereof in accordance with the provisions of Section 3.3. The Series D-2 Credit Agreement may provide credit, liquidity or both, and may be in any form and may bear any title so long as it constitutes a credit agreement within the meaning of the Chapter 1371.

“Series D-2 Credit Provider” means any provider of credit pursuant to a Series D-2 Credit Agreement. The Series D-2 Credit Provider is State Street Bank and Trust Company.

“Series D-2 Dealer Agreement” means the agreement between the County and J.P. Morgan Securities LLC dated October 1, 2018 the terms and conditions of which are hereby ratified and confirmed and as the same shall from time to time be in effect, pursuant to the provisions of Section 3.4 hereof.

“Series D-3 Credit Agreement” means the credit agreement with respect to the Notes entered into between the County and the Series D-3 Credit Provider pursuant to Section 3.3, as such agreement from time to time may be amended or supplemented in accordance with the terms thereof, or any other credit agreement(s) between the County and Credit Provider(s) provided in lieu thereof in accordance with the provisions of Section 3.3. The Series D-3 Credit Agreement may provide credit, liquidity or both, and may be in any form and may bear any title so long as it constitutes a credit agreement within the meaning of the Chapter 1371.

“Series D-3 Credit Provider” means any provider of credit pursuant to a Series D-3 Credit Agreement. The initial Series D-3 Credit Provider is Wells Fargo Bank, National Association.

“Series D-3 Dealer Agreement” means the agreement between the County and J.P. Morgan Securities LLC dated October 1, 2018 and as the same shall from time to time be in effect, pursuant to the provisions of Section 3.4 hereof.

Section 1.2     **RULES OF CONSTRUCTION.** (a) For all purposes of this Order, unless the context requires otherwise, all references to designated Articles, Sections and other subdivisions are to the articles, sections and other subdivisions of this Order.

(b)     Except where the context otherwise requires, terms defined in this Order to impart the singular number shall be considered to include the plural number and vice versa.

(c)     Except where the context otherwise requires, “includes,” “includes,” and “including” shall be deemed to be followed by “without limitation” whether or not they are in fact followed by such word or words of like import.

Section 1.3     **INTERPRETATIONS.** The table of contents, titles and headings of the articles and sections of this Order have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof.

## **ARTICLE II**

### **AUTHORIZATION OF NOTES**

Section 2.1     **GENERAL AUTHORIZATION.** (a) Pursuant to authority conferred by and in accordance with the provisions of the Elections and Chapters 1371 and 1431, Texas Government Code, as amended, and Chapter 331, Texas Local Government Code, the Notes shall be and are hereby authorized to be issued in an aggregate Principal Amount not to exceed (a) TWO HUNDRED MILLION DOLLARS (\$200,000,000) Outstanding at any one time for the Series D Notes, (b) THREE HUNDRED MILLION DOLLARS (\$300,000,000) Outstanding at any one time for the Series D-2 Notes, and (c) TWO HUNDRED MILLION DOLLARS (\$200,000,000) Outstanding at any one time for the Series D-3 Notes, in accordance with and subject to the terms, conditions and limitations

contained herein, for the purposes of (1) financing projects described in Section 2.1(b) hereof and (2) refinancing, renewing or refunding Notes or Loan Notes issued pursuant to the provisions hereof. The Loan Notes shall be and are authorized to be issued in a Principal Amount not to exceed (a) TWO HUNDRED MILLION DOLLARS (\$200,000,000) Outstanding at any one time for the Series D Notes, (b) THREE HUNDRED MILLION DOLLARS (\$300,000,000) Outstanding at any one time for the Series D-2 Notes, and (c) TWO HUNDRED MILLION DOLLARS (\$200,000,000) Outstanding at any one time for the Series D-3 Notes for the purpose of evidencing the County's obligation to repay Loans, if any, made by the Credit Providers, as applicable, to the County pursuant to each Credit Agreement; provided, however, that the aggregate Principal Amount of Notes and Loans at any time evidenced by Outstanding Notes and the Loan Notes shall never exceed \$200,000,000 (for the Series D Notes), \$300,000,000 (for the Series D-2 Notes) and \$200,000,000 (for the Series D-3 Notes). For purposes of this Section 2.1, any portion of Outstanding Notes or the Loan Notes to be paid from money on deposit with the Issuing and Paying Agent and from the available proceeds of Notes or other obligations of the County issued on the day of calculation, including Loans, shall not be considered Outstanding. Subject to any limitations contained herein, in the Elections and in Chapters 1371 and 1431, Texas Government Code, as amended, the authority to issue Notes from time to time under the provisions of this Order shall exist until the Maximum Maturity Date.

(b) The Notes may be issued to pay contractual obligations incurred or to be incurred for (1) the construction of public works to wit: the construction or renovation of the Civil Justice Center, Juvenile Justice Center, Juvenile Detention Center, County Courthouses (including, but not limited to, a Family Law Center), and a Medical Examiner's Forensic Center, (2) the purchase of automobiles and other vehicles, equipment and machinery, including computers, materials and supplies for the operation of the County's precincts and departments (including particularly those relating to tax assessment and collection, juvenile services, budgeting, administration and auditing, facility maintenance, law enforcement, health and roads) and other authorized needs and purposes of the County, (3) purchasing, constructing, improving and equipping medical and health care buildings, including purchasing or improving sites for such buildings, including a Medical Examiner's Forensic Center, in the amount of \$80,000,000 (of which \$5,180,000 remains unissued) as more fully described, authorized and provided in the legal proceedings of the 2007 Election, (4) purchasing, constructing, improving and equipping courthouses, including purchasing or improving sites for courthouses, including a Family Law Center, in the amount of \$70,000,000 (of which \$70,000,000 remains unissued), as more fully described, authorized and provided in the legal proceedings of the 2007 Election; (5) acquiring or improving land, buildings or historically significant objects for park purposes or for historic or prehistoric preservation purposes, which may include joint facilities with other political subdivisions, in the amount of \$29,000,000 (of which \$0 remains unissued), as more fully described, authorized and provided in the legal proceedings of the 2007 Election; (6) acquiring, constructing and improving land and buildings within and for the County for an adult detention central joint processing center and related facilities, including a heating and cooling plant and parking facilities, in the amount of \$70,000,000 (of which \$0 remains unissued) as more fully described, authorized and provided in the legal proceedings of the 2013 Election; (7) acquiring, constructing and improving land, buildings, or in the aid and maintenance thereof for parks, in the amount of \$60,000,000 (of which \$35,382,000 remains unissued) as more fully described, authorized and provided in the legal proceedings of the 2015 Election, provided that the amount of Notes issued for park purposes pursuant to the 2015 Election, together with the amount of notes issued under the Harris County, Texas General Obligation Commercial Paper Notes, Series B Program for park purposes pursuant to the 2015 Election, may not exceed \$60,000,000; (8) construction and improving land, buildings, or in the aid and maintenance thereof, for the veterinary public health adoption and care center and associated buildings, in the amount of \$24,000,000 (of which \$0 remains unissued) as more fully described, authorized and provided in the legal proceedings of the 2015 Election; (9) constructing, improving, renovating, equipping and acquiring land and interest in land,

buildings, facilities, courthouses and related equipment for public safety purposes, in the amount of \$100,000,000 pursuant to the 2022 Election (of which \$100,000,000 remains unissued); (10) construction, maintenance, operation and road drainage of macadamized, graveled or paved roads, or in aid thereof, including acquiring land and rights-of-way therefor, road drainage, bike lanes, sidewalks and shared use paths, and replacement and improvement of road bridges and culverts, in the amount of \$900,000,000 pursuant to the 2022 Election (of which \$900,000,000 remains unissued), provided, that the amount of Notes issued for road purposes pursuant to the 2022 Election, together with the amount of notes issued under the Harris County, Texas General Obligation Commercial Paper Notes, Series C Program for road purposes pursuant to the 2022 Election, may not exceed \$900,000,000; (11) constructing, improving, renovating, equipping and acquiring land and interest in land, buildings and facilities for county parks and recreational purposes, in the amount of \$200,000,000 pursuant to the 2022 Election (of which \$200,000,000 remains unissued), provided, that the amount of Notes issued for park purposes pursuant to the 2022 Election, together with the amount of notes issued under the Harris County, Texas General Obligation Commercial Paper Notes, Series B Program for park purposes pursuant to the 2022 Election, may not exceed \$200,000,000; (12) for any other purposes authorized under the Act, including but not limited to any public works; and (13) professional services, including services provided by engineers, architects, attorneys, auditors, financial advisors and fiscal agents, in connection with the contractual obligations described in clauses (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11) and (12). Notes may also be issued to refinance, renew or refund Notes, Loans, Loan Notes, and to pay the costs and expenses of the issuance of the Notes, including fees for professional services.

On each date that the Notes are initially issued (*i.e.*, other than to refinance, renew or refund Notes or Loan Notes), the Authorized Representative shall designate the Authorized Purposes for which such Notes are issued and the Elections pursuant to which such Notes are issued.

Section 2.2 TERMS APPLICABLE TO NOTES. (a) The Notes shall be designated “Harris County, Texas General Obligation Commercial Paper Notes, Series D,” or “Harris County, Texas General Obligation Commercial Paper Notes, Series D-2” or “Harris County, Texas General Obligation Commercial Paper Notes, Series D-3”, as applicable, and shall be dated as of their date of issuance. Under and pursuant to the authority granted hereby and subject to the limitations contained herein, the Notes are authorized to be issued, sold and delivered from time to time in such Principal Amounts (in Authorized Denominations) and bearing interest at such Interest Rates (not to exceed the Maximum Rate) payable at maturity of each Note as determined by an Authorized Representative, numbered in ascending consecutive numerical order in the order of their issuance and to mature and become due and payable on such date as an Authorized Representative shall determine at the date of sale; provided, however, that no Note shall (i) mature after the Maximum Maturity Date, (ii) have a term in excess of 270 days, (iii) have a term beyond the third Business Day prior to the scheduled expiration date for the Credit Agreement relating to such Note or (iv) be issued at any time that a “no issuance notice” has been issued by the applicable Credit Provider pursuant to the applicable Credit Agreement which provides that such Note would not be entitled to the security provided by the applicable Credit Agreement; and further provided, however, that no Loan Note shall mature after the Maximum Maturity Date.

(b) The Notes shall be issued in registered form without interest coupons. The principal of and interest on the Notes shall be payable in lawful money of the United States of America, without exchange or collection charges to the Owners or holders thereof, upon presentation and surrender of the Notes at the principal corporate trust office of the Issuing and Paying Agent.

Section 2.3 FORM OF NOTES. The Notes and the Certificate of Authentication to appear on each of the Notes and any Master Notes shall be substantially in the forms set forth in Exhibit A to this Order, with such appropriate insertions, omissions, substitutions and other variations as are permitted or required by this Order, and may have such letters, numbers or other marks of identification,

including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association (“CUSIP Numbers”), such legends and endorsements thereon and such opinions of bond counsel as may, consistent herewith, be approved by an Authorized Representative. Any portion of the text of any Note or Master Note may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Note or Master Note. The Notes and Master Note shall be printed, lithographed, engraved or produced in any other similar manner, or typewritten, all as determined and approved by the Authorized Representative.

Section 2.4 EXECUTION; AUTHENTICATION. (a) The Notes shall be executed for and on behalf of the County by the County Judge and countersigned by the County Clerk and registered by the County Treasurer, under the County’s seal reproduced or impressed thereon and attested by the County Clerk. The signature of such officers on the Notes may be manual or facsimile. Notes bearing the manual or facsimile signatures of individuals who are or were the proper officers on the date of passage of this Order shall be deemed to be duly executed on behalf of the County, notwithstanding that such individuals or any of them shall cease to hold such offices at the time of the initial sale and delivery of any Notes authorized to be issued hereunder and with respect to Notes delivered in subsequent sales, exchanges and transfers, all as authorized and provided in Chapter 1201, Texas Government Code as amended.

(b) No Note shall be entitled to any right or benefit under this Order, or be valid or obligatory for any purpose, unless there appears on such Note a certificate of authentication substantially in the form provided in Exhibit A, executed by the Issuing and Paying Agent by manual signature, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly certified or registered and delivered.

Section 2.5 ISSUING AND PAYING AGENT. (a) The prior selection and appointment of U.S. Bank Trust Company, National Association, to serve as the Issuing and Paying Agent for the Notes is hereby ratified and confirmed. The Issuing and Paying Agent Agreement entered into with the Issuing and Paying Agent is hereby ratified and confirmed. Execution and delivery of the Issuing and Paying Agent Agreement by the County Judge and any other documents called for thereunder (including any amendments required pursuant to Section 2.8 in order to implement a book-entry system for the Notes and any authorizations with respect to the investment of any County funds held by the Issuing and Paying Agent) is also hereby authorized and approved. Pursuant to the terms of Chapter 1371, the County delegates to the Authorized Representative the authority to appoint, replace or consent to the replacement or appointment of any Issuing and Paying Agent and/or to execute and enter into or to consent on behalf of the County a Paying Agent/Registrar Agreement.

(b) The County covenants to maintain and provide an Issuing and Paying Agent at all times while the Notes are Outstanding, which shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state and authorized under such laws to exercise trust powers. If a change in the Issuing and Paying Agent for the Notes occurs, the County agrees to promptly cause a written notice thereof to be sent to the Dealer, the Credit Provider and the Rating Agencies. Such notice shall give the address of the successor Issuing and Paying Agent. A successor Issuing and Paying Agent may be appointed without the consent of the Owners. The Issuing and Paying Agent, upon reasonable request from the County, will provide to the County a list of all Outstanding Notes setting forth the Principal Amount, the issue date, the Note number, the maturity date and the rate and amount, of interest for each Outstanding Note.

(c) Amounts held by the Issuing and Paying Agent which represent principal of and interest on the Notes remaining unclaimed after the expiration of three years from the date such amounts have become due and payable shall be reported and disposed of by the Issuing and Paying Agent in

accordance with the provisions of Texas law, including, to the extent applicable, Title 6 of the Texas Property Code, as amended.

Section 2.6     NOTES MUTILATED, LOST OR DESTROYED OR STOLEN. If any Note shall become mutilated, the County, at the expense of the Registered Owner of such Note, shall execute and the Issuing and Paying Agent shall authenticate and deliver a new Note of like tenor and number in exchange and substitution for the Note so mutilated, but only upon surrender to the Issuing and Paying Agent of the Note so mutilated. If any Note shall be lost destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the County and the Issuing and Paying Agent and if such evidence shall be satisfactory to them and indemnity satisfactory to them shall be given, the County, at the expense of the Registered Owner, shall cause the Issuing and Paying Agent to, authenticate and deliver a new Note of like tenor in lieu of and in substitution for the Note so lost, destroyed or stolen. In the event any such Note shall have matured, the Issuing and Paying Agent, instead of issuing a duplicate Note, may pay the same without surrender thereof after making such requirement as it deems fit for its protection, including a lost instrument bond. Neither the County nor the Issuing and Paying Agent: shall be required to treat both the original Note and any duplicate Note as being Outstanding for the purpose of determining the Principal Amount of Notes which may be issued hereunder, but both the original and the duplicate Note shall be treated as one and the same. The County and the Issuing and Paying Agent may charge the Registered Owner of such Note their reasonable fees and expenses for such service.

Section 2.7     NEGOTIABILITY, REGISTRATION AND EXCHANGEABILITY. The Notes issued hereunder are negotiable instruments under the laws of the State of Texas and investment securities under the terms of Chapter 8, Business and Commerce Code, Texas Codes Annotated, as amended, and each successive Registered Owner in accepting any of the Notes shall be conclusively deemed to have agreed that such Notes shall be and have all of the qualities and incidents of negotiable instruments and investment securities under such laws.

The Issuing and Paying Agent shall keep the Register at its principal corporate trust office in which, subject to such reasonable regulations as it may prescribe, the Issuing and Paying Agent shall provide for the registration and transfer of the Notes in accordance with the terms of this Order. The Issuing and Paying Agent shall also keep a copy of the Register in the State of Texas at the Issuing and Paying Agent's office in Houston, Texas, and such copy shall be kept current by the Issuing and Paying Agent.

Notes may be exchanged by the Registered Owners for other Notes of like tenor and character and of Authorized Denominations and having the same issue date, maturity and Interest Rate and of like aggregate Principal Amount as the Notes surrendered for exchange, upon surrender of the Notes to be exchanged at the office of the Issuing and Paying Agent. Whenever any Notes are so surrendered for exchange, the Issuing and Paying Agent shall deliver new Notes of like tenor and character as the Notes exchanged, registered to the original Registered Owner, to any successor Registered Owner, executed on behalf of, and furnished by, the County, to the Registered Owner thereof requesting the exchange.

The County and the Issuing and Paying Agent may charge the Registered Owner a sum sufficient to reimburse them for any expenses incurred in making any exchange. The Issuing and Paying Agent or the County may also require payment of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. Such charges and expenses shall be paid before any such new Note shall be delivered.

New Notes delivered upon any exchange shall evidence the same debt as the Notes surrendered, shall be secured by this Order and shall be entitled to all of the security and benefits hereof to the same extent as the Notes surrendered.

The County reserves the right to change the exchange provisions at any time on or prior to the delivery thereof in order to comply with applicable laws and regulations of the State of Texas or of the United States of America in effect at the time of issuance thereof. The Issuing and Paying Agent shall be promptly notified of any change in the exchange provisions of the Notes.

**Section 2.8 THE DEPOSITORY TRUST COMPANY.** (a) The County has determined to issue the Notes in book-entry form and hereby appoints The Depository Trust Company, New York, New York ("DTC") to serve as the initial securities depository for the Notes and to maintain a book-entry only system of recording the ownership and transfer of ownership of beneficial interests in the Notes in accordance with this Section 2.8. So long as DTC acts as the securities depository for the Notes, the County's obligations with respect to the Notes shall be evidenced by one or more Master Notes (in lieu of individual certificates representing each of the individual Notes) registered in the name of Cede & Co., as nominee of DTC, as Registered Owner of the Master Notes and held in the custody of DTC.

(b) Notwithstanding any provision of this Order to the contrary, unless the County shall otherwise direct, one or more Master Notes (evidencing all of the County's obligations under the Notes) shall be issued in lieu of individual Notes, which Master Notes shall be registered in the name of Cede & Co., as nominee of DTC, as the Registered Owner of the Master Notes, and held in the custody of DTC. Beneficial owners of Notes will not receive physical delivery of Notes except as provided hereinafter as long as DTC shall continue to serve as securities depository for the Notes as provided herein, all transfers and beneficial ownership interests in the Notes will be made by book-entry only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership interests in the Notes is to receive, hold or deliver any Notes; provided, that, if DTC fails or refuses to act as securities depository for the Notes, the County shall take the actions necessary to provide for the issuance of certificates to the Registered Owners of such Notes.

(c) With respect to Master Notes registered in the name of Cede & Co., as nominee of DTC, the County and the Issuing and Paying Agent shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom a DTC Participant holds an interest in the Notes. Without limiting the immediately preceding sentence, the County and the Issuing and Paying shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Notes, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner, as shown in the Register, of any notice with respect to the Notes, including any notice of redemption or (iii) the payment to any DTC Participant or any other person, other than a Registered Owner, as shown in the Register, of any amount with respect to the principal of, premium, if any, or interest on the Notes.

(d) In the event that (i) DTC determines not to continue to act as securities depository for the Notes (which determination shall become effective not less than ninety (90) days after written notice to such effect is given to the County and the Issuing and Paying Agent); (ii) the County or the Issuing and Paying Agent determines (which determination is conclusive as to DTC, any DTC Participant and the beneficial owners of the Notes) that DTC is incapable of discharging its responsibilities described herein and in the DTC Letter of Representations; or (iii) the County or the Issuing and Paying Agent determines (which determination is conclusive as to DTC, any DTC Participant and the beneficial owners of the Notes) that it is in the best interests of the beneficial owners of the Notes not to continue DTC's book-entry only system of transfer for the Notes, then the County shall use its best efforts to appoint a successor securities depository, qualified to act as such under Section 17A of the Securities Exchange Act of 1934, as amended. In the event of such an appointment, the County shall notify (a) DTC of the appointment of such successor securities depository and transfer one or more separate Notes to such successor securities depository or (b) DTC Participants of the availability through DTC of Notes and transfer one or more separate Notes to

DTC Participants having Notes credited to their DTC accounts. In such event, the Master Notes and Notes shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Registered Owners transferring or exchanging Notes shall designate, in accordance with the provisions of this Order.

In the event that the County fails to appoint a successor securities depository for the Notes, the County shall execute and cause to be authenticated and delivered replacement Notes, in certificate form, to the beneficial owners of the Notes.

(e) Notwithstanding any other provision of this Order to the contrary, as long as any Master Notes or the Notes are registered in the name of Cede & Co., as nominee of DTC, (i) all payments with respect to the principal of and interest on the Notes and all notices with respect to such Notes shall be made and given, respectively, in accordance with DTC's Letter of Representations; (ii) the requirements of this Order of holding, delivering or transferring Notes shall be deemed modified to require the appropriate person or entity to meet the requirements of DTC, and (iii) delivery of the Master Notes and the Note will be in accordance with arrangements among the County, the Issuing and Paying Agent and DTC.

(f) If at any time DTC ceases to hold the Master Notes or the Notes in book-entry only form, all references herein to DTC shall be of no further force or effect.

(g) The terms and provisions of the DTC Letter of Representations are hereby approved, and the County Judge is hereby authorized to execute and deliver such DTC Letter of Representations on behalf of the County in multiple counterparts, and the County Clerk is hereby authorized and directed to attest thereto and to place the County's seal thereon.

Section 2.9 NOTE PAYMENT ACCOUNT. (a) The prior establishment of the "Harris County, Texas, General Obligation Commercial Paper Notes, Series D Note Payment Account" (the "Series D Note Payment Account"), "Harris County, Texas, General Obligation Commercial Paper Notes, Series D-2 Note Payment Account" (the "Series D-2 Note Payment Account") and the "Harris County, Texas, General Obligation Commercial Paper Notes, Series D-3 Note Payment Account" (the "Series D-3 Note Payment Account") and together with the Series D Note Payment Account, Series D-2 Note Payment Account and the Series D-3 Note Payment Account (the "Note Payment Accounts") is hereby ratified and confirmed. The Note Payment Accounts shall each contain the following subaccounts:

- (i) Interest Payment Subaccount; and
- (ii) Principal Payment Subaccount (which may contain within it one or more subaccounts for Loans).

(b) The County shall deposit into each Interest Payment Subaccount of each Note Payment Account no later than the first Business Day of each month (and more frequently as needed) amounts sufficient to pay all interest on the Notes maturing in such month and all interest on the Loan Notes payable in such month for which there are not amounts already on deposit in each Interest Payment Subaccount, which amounts shall be used for the purpose of paying interest on maturing Notes and interest on the Loan Notes.

(c) The proceeds from the sale of Notes issued for the purpose of refunding, renewing and refinancing the Principal Amount of other Notes issued under this Order shall be deposited to the



credit of each Principal Payment Subaccount of each Note Payment Account and shall be used for the purpose of paying the Principal Amount of maturing Notes or the Principal Amount of the Loan Notes.

(d) The proceeds of Loans under each Credit Agreement shall be deposited to the credit of the Principal Payment Subaccount (or a special subaccount therein for such purpose) of the applicable Note Payment Account and used solely for the purpose of paying the Principal Amount of maturing Notes.

(e) To the extent funds described in Subsection (c) and (d) above are not available or sufficient for the payment of the Principal Amount of the Notes and the Loan Notes as they mature, the County shall pay to the Issuing and Paying Agent such additional amounts as shall be necessary for such purpose for deposit into each Principal Payment Subaccount of the applicable Note Payment Account to be used for such purpose.

(f) In order to assist the County in fulfilling its obligations under Article VII, or if otherwise beneficial to the County, the Authorized Representative may request that separate accounts or subaccounts be established for the Notes, all of which shall constitute the Note Payment Account.

(g) On or before each maturity date of Notes or Loan Notes, the County shall transfer from each Note Payment Account to the Issuing and Paying Agent an amount equal to the principal and interest payable on such Notes or Loan Notes on such date, together with an amount equal to all bank charges and others costs and expenses relating to such payment.

Section 2.10 CANCELLATION. All Notes which at maturity are surrendered to the Issuing and Paying Agent for the collection of the Principal Amount thereof and payment of interest thereon at the Interest Rate or are surrendered for exchange pursuant to the provisions hereof shall, upon payment or issuance of new Notes, be cancelled by the Issuing and Paying Agent and forthwith transmitted to the County, and the County thereafter shall have the custody of all thereof

Section 2.11 FISCAL AND OTHER AGENTS. In furtherance of the purposes of this Order, the County may from time to time appoint and provide for the payment of such additional fiscal, paying or other agents or trustees as it may deem necessary or appropriate in connection with the Notes. Notice of any such appointment shall be provided promptly to the Credit Provider.

### **ARTICLE III**

#### **ISSUANCE AND SALE OF NOTES; CREDIT AGREEMENT; AND DEALER**

Section 3.1 ISSUANCE AND SALE OF NOTES. (a) Subject to applicable terms, limitations and procedures contained herein, the Notes may be sold in such manner, at public or private sale, and bearing interest at such Interest Rates as an Authorized Representative shall approve at the time of sale thereof.

(b) The Notes shall be sold at par, and delivered by the Issuing and Paying Agent in accordance with telephonic, computer or written instructions of the Authorized Representative and in the manner specified below and in the Issuing and Paying Agent Agreement. If such instructions are given by telephone, they shall be confirmed by facsimile transmission, electronically or in writing. Such instructions shall specify such Principal Amounts, Interest Rates, dates of issue, maturities and other terms and conditions which are hereby authorized and permitted to be fixed by an Authorized Representative at the time of sale of the Notes.

Section 3.2 PROCEEDS OF SALE OF NOTES. A Note Proceeds Account (and subaccounts therein) for the Notes may be created or established. Proceeds from each sale of the Notes (other than Notes issued to refund, renew or refinance other Notes, Loan or Loan Notes) shall be deposited into each Note Proceeds Account (or subaccounts therein). Amounts in such account shall be used for Authorized Purposes, including costs of issuance.

Section 3.3 CREDIT PROVIDERS AND CREDIT AGREEMENTS. (a) Each of the Credit Agreements were previously approved and the terms and conditions thereof are hereby ratified and confirmed and the execution and delivery of the Credit Agreements and any other documents called for thereunder is hereby ratified and confirmed. The Commissioners Court has determined that the Series D-2 Credit Agreement constitutes a “credit agreement” within the meaning of Chapter 1371.

(b) The County reserves the right to substitute one or more Credit Agreements for the Credit Agreements, with one or more Credit Providers, so long as:

(i) such substitution (or any assignment of all or any part of any Credit Agreement) does not cause any rating agency then rating the Notes to withdraw, lower or suspend its short-term rating assigned to any Notes then Outstanding, as evidenced by written notice to the County;

(ii) the substitute Credit Agreement shall have a term of at least 271 days or until at least three Business Days after the last maturing Note;

(iii) the substitute Credit Agreement shall not cause the County to violate its covenants in Section 5.2 hereof; and

(iv) the substitute Credit Agreement shall be approved by the Attorney General of Texas to the extent required by law.

(c) So long as any Notes remain Outstanding, the County covenants to maintain a Credit Agreement in full force and effect, pursuant to the terms of Section 5.2 of this Order.

(d) The County Judge is hereby authorized and directed to execute and deliver from time to time (and the County Clerk may attest) requests for or agreements relating to the extension of the term or final maturity of any Credit Agreement from time to time in effect and to take such other action as shall be necessary to obtain extensions of the term of any such Credit Agreement up until the Maximum Maturity Date or until such time as a substitute Credit Agreement is authorized hereunder.

Section 3.4 COMMERCIAL PAPER DEALERS; DEALER AGREEMENTS. So long as any Notes remain Outstanding, the County shall maintain in full force and effect one or more agreements pursuant to which it shall have appointed a Dealer or Dealers for the Notes. The prior execution and delivery of the Dealer Agreements by the County Judge is hereby ratified and confirmed. The County expressly reserves the right, without prior notification to or consent from the Owners of any Outstanding Notes to enter any supplemental agreements with the Dealer or with any successor Dealer selected by the County.

Section 3.5 AUTHORIZED REPRESENTATIVE. So long as any Notes remain Outstanding, the County shall at all times appoint an Authorized Representative for the purposes set forth in the Order, the Issuing and Paying Agent Agreement, the Credit Agreements and the Dealer Agreements and for the purpose of renewing any existing Credit Agreement upon the terms and conditions set out therein and herein. The persons from time to time holding the titles of Executive

Director, Office of Management and Budget and Deputy Executive Director, Office of Management and Budget are hereby designated as the initial Authorized Representatives. The Authorized Representatives shall have the authority to appoint (subject to the requirements of this Order, the Issuing and Paying Agent Agreement, the Credit Agreements and the Dealer Agreements) one or both of the Debt Manager, Office of Management and Budget and the Debt Management Analyst to act on behalf of the Authorized Representative. Any such appointment(s) shall be in writing and shall be delivered to the Dealers, Issuing and Paying Agent and Credit Providers within reasonable time after such appointment(s). The Authorized Representative is directed to follow such procedures and guidelines as may be adopted elsewhere with respect to the County's commercial paper programs. Such restrictions may include restrictions as to the amount of commercial paper notes that may be issued during any period of time or the Maximum Rate or amount of interest which such commercial paper notes may bear during such period of time, which limitations may be for budgetary purposes or otherwise as determined by the County. The County Judge may designate a commercial paper working group to meet periodically to assist in the development of such procedures and guidelines and to monitor the operation of the County's commercial paper programs.

Section 3.6     OTHER AGREEMENTS. To the extent permitted by the Act or other applicable law, but only to the extent not inconsistent with the terms of the Outstanding Notes, the County expressly reserves the right to enter into, purchase or otherwise obtain one or more other agreements, commitments or guarantees with respect to interest and interest rates on or related to the Notes (including, without limitation, agreements relating to interest rate caps, collars, indexing, swaps and otherwise) and with respect to any derivatives or derivative products which the County may from time to time authorize in connection with or relating to its obligations under the Notes and this Order without further approval of the Attorney General of the State of Texas.

## **ARTICLE IV**

### **SECURITY AND SOURCES OF PAYMENT OF NOTES**

Section 4.1     SECURITY AND PLEDGE. To provide security for the payment of the principal of and interest on the Notes and amounts due under the Credit Agreements, including the Loan Notes, as the same shall become due and payable, there is hereby granted a lien on and pledge of the following, subject to the provisions of this Order permitting the application thereof for the purposes and on the terms and conditions set forth herein: (i) the proceeds from the sale of Notes from time to time hereafter issued to pay Principal Amounts of Outstanding Notes and the Principal Amount of the Loan Notes; (ii) proceeds from the sale of refunding bonds issued by the County from time to time hereafter for the purpose of paying the Principal Amounts of and interest on the Notes and the Loan Notes; (iii) Loans drawn to pay the Principal Amounts of Outstanding Notes; (iv) amounts held in each Note Payment Account established for the Notes; and (v) the proceeds of the ad valorem tax levy as set forth below in Section 4.2.

Section 4.2     AD VALOREM TAX LEVY. During any year while the Notes or the Loan Notes (including both principal and interest) are Outstanding or unpaid, the Commissioners Court shall compute and ascertain a rate and amount of ad valorem taxes which will be sufficient to raise and produce the money required to provide for the payment of the interest thereon as such interest comes due and to provide and maintain a sinking fund adequate to pay the principal thereon as such principal matures (but never less than 2% of the County's outstanding indebtedness, including the Principal Amount of the Notes and the Outstanding Principal Amount of the Loan Notes based upon any Loan then Outstanding at the time of such tax levy); and such tax shall be based on the latest approved tax rolls of the County, with full allowance being made for tax delinquencies and the cost of tax collection. Such rate and amount of ad valorem taxes are hereby levied, and are hereby ordered to be levied, within the limits provided by

law, against all taxable property in the County for each year while any of the Notes or the Loan Notes or interest thereon are Outstanding; such tax shall be assessed and collected in each such year; and the proceeds of such tax shall be appropriated and applied to the payment of the interest on and principal of the Notes and the Loan Notes.

Section 4.3 Deleted on August 6, 2002.

Section 4.4 ALLOCATION; OTHER LAWFULLY AVAILABLE FUNDS. (a) There is hereby allocated, from lawfully available funds of the County, amounts sufficient to pay principal of and interest on the Notes reasonably anticipated to be issued and payable prior to the collection of the first tax levy for the Notes based upon Interest Rates actually authorized and/or the highest Interest Rates which the Authorized Representative is authorized to approve for payment during such period of time.

(b) In determining the amount of taxes to be levied and amount of other funds to be allocated to the payment of principal and interest on the Notes from and after the first tax levy, the County may take into account any other sources of funding that are lawfully available or are to be lawfully available for payment of such principal and interest on the Notes and may take into account the Credit Agreement and any legal limitation regarding the Maximum Rate or amount of interest that the Authorized Representative may be authorized to approve in the issuance and sale of Notes from time to time.

Section 4.5 INVESTMENT OF FUNDS. Pending its use, money in any funds, accounts and subaccounts established or maintained hereunder may be invested by the County, or at the direction of the County, in such investments as are permitted by the laws of the State of Texas and the written investment policy of the County; provided, however, that such investment does not inhibit the punctual payment of the principal of and interest on the Notes and provided further that no funds allocable to the payment of principal of and interest on the Notes shall be invested in any investments that would cause the withdrawal, lowering or suspension of any rating then assigned to the Notes by any rating agency, as evidenced by written notice to the County.

## **ARTICLE V**

### **COVENANTS OF THE COUNTY**

Section 5.1 LIMITATION ON ISSUANCE. (a) Unless this Order and the Credit Agreements are amended and modified by the Commissioners Court in accordance with the provisions hereof, the County covenants and agrees that there will not be issued and Outstanding under this Order at any time more than \$200,000,000 (for the Series D Notes), \$300,000,000 (for Series D-2 Notes) and \$200,000,000 (for Series D-3 Notes) in aggregate Principal Amount of Notes and Loan Notes.

(b) The County covenants and agrees that the total Principal Amount of all Notes Outstanding at any one time under this Order shall not exceed the available Commitment under the Series D Credit Agreement, the available Commitment under the Series D-2 Credit Agreement or the available Commitment under the Series D-3 Credit Agreement.

(c) The County covenants and agrees that it shall limit the issuance of Notes in such a manner that it will never cause an increase in the total Principal Amount of Notes and Loans Outstanding under this Order to exceed the amount for which the County has sufficient funds available for payment as the same become due and payable, taking into account the taxes levied by the County pursuant to Section 4.2 hereof plus all other amounts lawfully available to the County for such payment

pursuant to the Credit Agreements and from other lawful sources.

Section 5.2     MAINTENANCE OF AN AVAILABLE CREDIT AGREEMENT. The County agrees and covenants that at all times while there are Outstanding Notes it will maintain one or more Credit Agreements providing essentially the same level of liquidity to the County as provided by the Credit Agreements, in a Commitment amount sufficient to pay the Principal Amount of all such Notes. No Notes shall be issued if to do so would cause the aggregate Principal Amount of all Notes covered by each Credit Agreement to exceed the Commitment under each Credit Agreement. The availability for borrowing of such amounts under the Credit Agreements may be subject to reasonable conditions precedent including, but not limited to, bankruptcy of the County and absence of default by the County under any of its general obligation debt. In furtherance of the foregoing covenant, the County agrees that it will not issue any Notes or make any borrowings which will result in a violation of such covenant, will not amend the Credit Agreements in a manner which will cause a violation of such covenant and, if and to the extent necessary to maintain compliance with such covenant, will arrange for new Credit Agreements prior to, or contemporaneously with, the expiration of the Credit Agreements or any subsequent Credit Agreement.

## **ARTICLE VI**

### **AMENDMENTS**

Section 6.1     AMENDMENT OF ORDER. (a) Amendments Without Consent. This Order may be modified or amended at any time without notice to or the consent of any Owner of Outstanding Notes, solely for any one or more of the following purposes:

(i)            To add to the covenants and agreements of the County contained in this Order, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the County in this Order;

(ii)           To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this Order for the purpose of more clearly expressing the intent of this Order;

(iii)           To supplement the security for the Outstanding Notes issued hereunder, replace or provide additional Credit Agreements, or change the form of the Notes issued hereunder or make such other changes in the provisions hereof as the County may deem necessary or desirable and which shall not, in the judgment of the County, have a material adverse effect on the interests of the Owners of the Outstanding Notes issued hereunder;

(iv)           To make any changes or amendments requested by any bond rating agency then rating or requested to rate Notes issued hereunder, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the County, materially adversely affect the interests of the Owners of the Outstanding Notes issued hereunder;

(v)            To provide for the replacement of the Dealers or the Dealer Agreements or the Issuing and Paying Agent or the Issuing and Paying Agent Agreement as permitted herein;

(vi)           To change the Authorized Purposes with respect to any unissued Notes; or

(vii) To make any other modifications and amendments that will not become effective until the earlier of (x) 270 days or (y) the Business Day next following the final maturity of the Notes Outstanding on the day such modification or amendment is adopted.

(b) Amendments With Consent. Subject to the other provisions of this Order, the Owners of a majority in aggregate Principal Amount of Outstanding Notes issued hereunder shall have the right from time to time to approve any amendment, other than amendments described in Subsection (a) of this Section, to this Order which may be deemed necessary or desirable by the County; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the Owners of all of the Outstanding Notes issued hereunder, the amendment of the terms and conditions in this Order or in the Notes so as to:

(i) Make any change in the maturity of the Outstanding Notes issued hereunder;

(ii) Modify the terms of payment of the principal of or interest on the Outstanding Notes issued hereunder, or impose any conditions with respect to such payment;

(iii) Affect the rights of the Owners of less than all Notes issued hereunder then Outstanding; or

(iv) Change the minimum percentage of the Principal Amount of Notes issued hereunder necessary for consent to such amendment.

(c) Notice. If at any time the County shall desire to amend this Order in a manner requiring the consent of the Owners of a majority in aggregate Principal Amount of Outstanding Notes, as provided in Section 6.1(b), the County shall cause notice of the proposed amendments to be sent not less than fourteen days prior to the date of approval of the amendments by the County by first class U.S. mail, postage prepaid, to each Owner at the address therefor shown on the Register at the close of business on the Business Day next preceding the date of mailing. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner to whom the notice was addressed receives such notice. Such notice shall briefly set forth the nature of the proposed amendments and the proposed effective date thereof and shall state that a copy thereof is on file at the office of the Authorized Representative and the principal corporate trust office of the Issuing and Paying Agent for inspection by all Owners of Notes issued hereunder.

(d) Receipt of Consents. Whenever at any time prior to the effective date of the proposed amendments the County shall receive an instrument or instruments executed by the Owners of at least a majority in aggregate Principal Amount of Outstanding Notes issued hereunder, which instrument or instruments shall refer to the proposed amendments described in such notice and which specifically consent to and approve such amendments in substantially the form of the copy thereof on file as aforesaid, the amendments shall become effective, with County approval, in substantially the same form.

(e) Effect of Amendments. Upon the adoption by the County any order to amend this Order pursuant to the provisions of this Section, this Order shall be deemed to be amended in accordance with the amendatory order, and the respective rights, duties and obligations of the County and all the Owners of then Outstanding Notes issued hereunder and all future Notes issued hereunder shall thereafter be determined, exercised and enforced under this Order, as amended.

(f) Consent Irrevocable. Any consent given by any Owner of Outstanding Notes issued hereunder pursuant to the provisions of this Section shall be irrevocable during the period commencing on the date of the County's receipt of the consent and ending on the proposed effective date stated in the County's notice, and shall be conclusive and binding upon all future Owners of the same Notes during such period. Such consent may be revoked at any time after the proposed effective date stated in the notice by the Owner who gave such consent, or by a successor in title, by filing notice thereof with the County, but such revocation shall not be effective if the Owners of a majority in aggregate Principal Amount of Outstanding Notes issued hereunder, prior to the attempted revocation, consented to and approved the amendments.

(g) Ownership. For the purpose of this Section, the fact of ownership of Notes hereunder by any Owner and the amount and the numbers of such Notes and the date of the holding of the same may be proved by the affidavit of the person claiming to be such Owner if such affidavit shall be deemed by the County to be satisfactory, or by a certificate executed by any trust company, bank, banker or any other depository, wherever situated, if such certificate shall be deemed by the County to be satisfactory, showing that at that date therein mentioned such person had on deposit with such trust company, bank, banker or other depository the Notes described in such certificate. The County may conclusively assume that such ownership continues until it receives written notice to the contrary.

Section 6.2 NOTICES TO RATING AGENCIES. The Authorized Representative shall give to each credit rating agency that has issued a rating on the Notes notice of each proposed amendment to this Order, and each increase or decrease in the Commitment for the Series D Notes, the Series D-2 Notes or the Series D-3 Notes under or other amendment to any Credit Agreement.

Section 6.3 OTHER CONSENTS. The County further agrees to provide any notices to and obtain any consents from the Credit Providers, Dealers, Issuing and Paying Agent or others to the extent required by the Credit Agreements, Dealer Agreements and Issuing and Paying Agent Agreement.

## **ARTICLE VII**

### **TAX COVENANTS**

Section 7.1 TAX EXEMPTION. The County intends that the interest on the Notes shall be excludable from gross income of the owners thereof for federal income tax purposes pursuant to Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended, (the "Code") and all applicable temporary, proposed and final regulations (the "Regulations") and procedures promulgated thereunder and applicable to the Notes. For this purpose, the County covenants that it will monitor and control the receipt, investment, expenditure and use of all gross proceeds of the Notes (including all property the acquisition, construction or improvement of which is to be financed directly or indirectly with the proceeds of the Notes) and take or omit to take such other and further actions as may be required by Sections 103 and 141 through 150 of the Code and the Regulations to cause interest on the Notes to be and remain excludable from the gross income, as defined in Section 61 of the Code, of the owners of the Notes for federal income tax purposes. Without limiting the generality of the foregoing, the County shall comply with each of the following covenants:

(a) The County will use all of the proceeds of the Notes to (i) provide funds for Authorized Purposes and (ii) to pay the costs of issuing the Notes. The County will not use any portion of the proceeds of the Notes to pay the principal of or interest or redemption premium on, any other obligation of the County or a related person.

(b) The County will not directly or indirectly take any action or omit to take any action, which action or omission would cause the Notes to constitute “private activity bonds” within the meaning of Section 141(a) of the Code.

(c) Principal of and interest on the Notes will be paid solely from ad valorem taxes collected by the County, investment earnings on such collections, certain other lawfully available funds and, as available, proceeds of the Notes.

(d) Based upon all facts and estimates now known or reasonably expected to be in existence on the date the Notes are delivered, the County reasonably expects that the proceeds of the Notes will not be used in a manner that would cause the Notes or any portion thereof to be an “arbitrage bond” within the meaning of Section 148 of the Code.

(e) At all times while the Notes are outstanding, the County will identify and properly account for all amounts constituting gross proceeds of the Notes in accordance with the Regulations. The County will monitor the yield on the investments of the proceeds of the Notes and, to the extent required by the Code and the Regulations, will restrict the yield on such investments to a yield which is not materially higher than the yield on the Notes. To the extent necessary to prevent the Notes from constituting “arbitrage bonds,” the County will make such payments as are necessary to cause the yield on all yield restricted nonpurpose investments allocable to the Notes to be less than the yield that is materially higher than the yield on the Notes.

(f) The County will not take any action or knowingly omit to take any action which, if taken or omitted, would cause the Notes to be treated as “federally guaranteed” obligations for purposes of Section 149(b) of the Code.

(g) The County represents that not more than fifty percent (50%) of the proceeds of the Notes will be invested in nonpurpose investments (as defined in Section 148(f)(b)(A) of the Code) having a substantially guaranteed yield for four years or more within the meaning of Section 149(g)(3)(A)(ii) of the Code, and the County reasonably expects that at least eighty-five percent (85%) of the spendable proceeds of the Notes will be used to carry out the governmental purpose of the Notes within the three-year period beginning on the date of issue of the Notes.

(h) The County will take all necessary steps to comply with the requirement that certain amounts earned by the County on the investment of the gross proceeds of the Notes, if any, be rebated to the federal government. Specifically, the County will (i) maintain records regarding the receipt, investment, and expenditure of the gross proceeds of the Notes as may be required to calculate such excess arbitrage profits separately from records of amounts on deposit in the funds and accounts of the County allocable to other obligations of the County or moneys which do not represent gross proceeds of any obligations of the County and retain such records for at least six years after the day on which the last outstanding Note is discharged, (ii) account for all gross proceeds under a reasonable, consistently applied method of accounting, not employed as an artifice or device to avoid in whole or in part, the requirements of Section 148 of the Code, including any specified method of accounting required by applicable Regulations to be used for all or a portion of any gross proceeds, (iii) calculate, at such times as are required by applicable Regulations, the amount of excess arbitrage profits, if any, earned from the investment of the gross proceeds of the Notes and (iv) timely pay, as required by applicable Regulations, all amounts required to be rebated to the federal government. In addition, the County will exercise reasonable diligence to assure that no errors are made in the calculations required by the preceding sentence and, if such an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter, including payment to the federal government of any delinquent amounts owed to it, interest thereon and any penalty.



(i) The County will not directly or indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Notes that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if such arrangement had been at arm's length and had the yield on the Notes not been relevant to either party.

(j) The County will timely file or cause to be filed with the Secretary of the Treasury of the United States the information required by Section 149(e) of the Code with respect to the Notes on such form and in such place as the Secretary may prescribe.

(k) The County will not issue or use the Notes as part of an "abusive arbitrage device" (as defined in Section 1.148-IO(a) of the Regulations). Without limiting the foregoing, the Notes are not and will not be a part of a transaction or series of transactions that attempts to circumvent the provisions of Section 148 of the Code and the Regulations, by (i) enabling the County to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage, or (ii) increasing the burden on the market for tax-exempt obligations.

(l) Proper officers of the County charged with the responsibility for issuing the Notes are hereby directed to make, execute and deliver certifications as to facts, estimates or circumstances in existence as of the date of issuance of the Notes and stating whether there are facts, estimates or circumstances that would materially change the County's expectations. On or after the date of issuance of the Notes, the County will take such actions as are necessary and appropriate to assure the continuous accuracy of the representations contained in such certificates.

(m) The covenants and representations made or required by this Section are for the benefit of the Note holders and any subsequent Note holder, and may be relied upon by the Note holders and any subsequent Note holder and bond counsel to the County.

In complying with the foregoing covenants, the County may rely upon an unqualified opinion issued to the County by nationally recognized bond counsel that any action by the County or reliance upon any interpretation of the Code or Regulations contained in such opinion will not cause interest on the Notes to be includable in gross income for federal income tax purposes under existing law.

Notwithstanding any other provision of this Order, the County's representations and obligations under the covenants and provisions of this Section 7.1 shall survive the defeasance and discharge of the Notes for as long as such matters are relevant to the exclusion of interest on the Notes from the gross income of the owners for federal income tax purposes.

## **ARTICLE VIII**

### **MISCELLANEOUS**

Section 8.1 ORDER TO CONSTITUTE A CONTRACT; EQUAL SECURITY; ENFORCEMENT. In consideration of the acceptance of the Notes by the Owners thereof from time to time and the acceptance of the Credit Agreement by the Credit Provider, this Order shall be deemed to be and shall constitute a contract between the County and the Owners from time to time of the Notes and the Credit Provider and the annual assessment and collection of annual ad valorem taxes pursuant to the tax levy and pledge made in this Order by the County and the covenants and agreements set forth in this Order to be performed by the County shall be for the equal and proportionate benefit, security and protection of all Owners of the Notes and the Credit Provider without preference, priority or distinction

as to security or otherwise of any of the Notes or any Loan Notes over any of the others by reason of time of issuance, sale or maturity thereof or otherwise of any cause whatsoever, except as expressly provided in or permitted by this Order. The payment of the Notes and the Loan Notes and performance by the County of its obligations hereunder and under the Credit Agreement may be enforced by mandamus or other appropriate proceeding; provided that mandamus is limited to non-discretionary duties of the County.

Section 8.2 SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Notes issued hereunder.

Section 8.3 PAYMENT AND PERFORMANCE ON BUSINESS DAYS. Except as provided to the contrary in the Form of Notes, whenever under the terms of this Order or the Notes, the performance date of any provision hereof or thereof, including the payment of the principal of and interest on the Notes, shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the Notes, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the date of performance or payment.

Section 8.4 LIMITATION OF BENEFITS WITH RESPECT TO THIS ORDER. With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied from the provisions of this Order or the Notes is intended or should be construed to confer upon or give to any person other than the County, the Owners of the Notes, the Issuing and Paying Agent, the Dealer and the Credit Provider, any legal or equitable right, remedy or claim under or by reason of or in respect to this Order or any covenant, condition, stipulation, promise, agreement or provision herein contained. The Order and all of the covenants, conditions, stipulations, promises, agreements and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the County, the Owners of the Notes, the Issuing and Paying Agent, the Dealer and the Credit Provider as herein provided.

Section 8.5 APPROVAL OF ATTORNEY GENERAL. No Notes herein authorized to be issued shall be sold or delivered by County until the Attorney General shall have approved this Order, each Credit Agreement and other agreements and proceedings as may be required in connection therewith, all as is required by the Act.

Section 8.6 APPROVAL OF OFFERING MEMORANDA. The County hereby approves, and authorizes the use thereof by the Dealer in the offering of the Notes, the form of each initial Offering Memorandum for the Notes (the "Offering Memoranda"), substantial drafts of which are attached hereto in Exhibit C-1, C-2 and C-3. The Authorized Representative is hereby authorized to approve any amendments and modifications and supplements thereto and the form of any subsequent or updated Offering Memoranda, to be used by the Dealer in the offering of the Notes, and the use thereof by the Dealer in connection therewith.

Section 8.7 NO RECOURSE AGAINST COUNTY OFFICIALS. No recourse shall be had for the payment of principal of or interest on any Notes for any claim based thereon or on this Order or the Credit Agreement against any official, officer, agent or employees of the County or any person executing any Notes or any Credit Agreement.

Section 8.8     COSTS OF ISSUANCE. A portion of the proceeds of the Notes shall be applied to pay costs and expenses arising in connection with their issuance.

Section 8.9     FURTHER PROCEEDINGS. The County Judge, County Clerk, the Executive Director, Office of Management and Budget, Deputy Executive Director, Office of Management and Budget, the County Attorney, the County Treasurer or any one or more of such officials shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the seal and on behalf of the County such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Order, the Credit Agreements, the Dealer Agreements, the Issuing and Paying Agent Agreement, the Notes and the Loan Notes. In case any officer whose signature appears on any Note shall cease to be such officer before the delivery of such Note, such signature shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until such delivery. In addition, subject to the further approval of the Commissioners Court, the County Judge, the Executive Director, Office of Management and Budget, and Deputy Executive Director, Office of Management and Budget, are hereby authorized to approve, subsequent to the date of the adoption of this Order, any amendments, revisions, modifications or deletions to the Credit Agreements, Dealer Agreements and Issuing and Paying Agent Agreement, including, but not limited to, extensions thereto, as may be required by any bond rating agency, as a condition to the granting or maintenance of a rating on the Notes or as may be necessary or desirable to carry out the purposes of this Order or protect the interests of the County. Further, the County Judge, the Executive Director, Office of Management and Budget, Deputy Executive Director, Office of Management and Budget, are hereby authorized to execute and/or deliver any certificates or other instruments requested by the Attorney General of the State of Texas concerning the County's ad valorem tax levy, its issuance of Notes and Loan Notes, and the calculation of funds sufficient to comply with this Order.

Section 8.10   OPEN MEETING. It is hereby found, determined and declared that a sufficient written notice of the date, hour, place and subject of the meeting of the Commissioners Court at which this Order was adopted was posted at a place convenient and readily accessible at all times to the general public at the Harris County Administration Building for the time required by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code and that this meeting has been open to the public as required by law at all times during which this Order and the subject matter thereof has been discussed, considered and formally acted upon. The Commissioners Court further ratifies, approves and confirms such written notice and the contents and posting thereof.

Section 8.11   REPEALER. All orders, resolutions and ordinances, or parts thereof, inconsistent herewith are hereby repealed to the extent of such inconsistency.

Section 8.12   EFFECTIVE DATE. This Order shall be in force and effect from and after its passage on the date shown below.

ADOPTED, PASSED AND APPROVED this 10th day of January, 2023.

HARRIS COUNTY, TEXAS

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County Judge

ATTEST:

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County Clerk

(SEAL)

*[Signature Page to Order]*

## EXHIBIT A

### FORM OF SERIES [D] [D-2] [D-3] NOTES

Note Number _____ -1	Amount \$_____
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UNITED STATES OF AMERICA  
STATE OF TEXAS

HARRIS COUNTY, TEXAS  
GENERAL OBLIGATION COMMERCIAL PAPER NOTE  
SERIES \_\_\_\_

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Number of Days</u>	<u>Interest Rate</u> %	<u>Interest Amount</u> \$
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REGISTERED OWNER:

PRINCIPAL AMOUNT:

On the Maturity Date set forth above, for value received, HARRIS COUNTY, TEXAS (the “County”) promises to pay to the order of the party identified above, or registered assigns, upon presentation and surrender hereof at the principal corporate trust office of the Issuing and Paying Agent executing the “Certificate of Authentication” endorsed hereon and appearing below, or its successor, the Principal Amount set forth above, together with interest thereon, at the Interest Rate per annum set forth above computed on the actual number of days elapsed over a 365-day year, from the Issue Date set forth above to the Maturity Date set forth above, both principal of and interest on this obligation being payable in lawful money of the United States of America.

This Commercial Paper Note is one of an issue of commercial paper notes (the “Commercial Paper Notes”) that has been duly authorized and issued in accordance with the provisions of orders adopted by the Commissioners Court of the County on September 29, 1998, as amended and restated on November 2, 1999, August 6, 2002, April 22, 2008, February 11, 2014, April 16, 2016, October 23, 2018, November 15, 2022 and January 10, 2023 (collectively, the “Order”), for the Authorized Purposes set forth in the Order and to refinance, renew or refund the principal amounts of Commercial Paper Notes previously issued pursuant to the provisions of the Order and certain amounts advanced under the Credit Agreement, all in accordance and in strict conformity with the laws of the State of Texas, including Chapter 331, Texas Local Government Code, Chapter 1431, Texas Government Code, as amended, and the Elections. Capitalized terms used herein and not otherwise defined shall have the meaning given such terms in the Order.

Provision has been made for the payment of the principal amount of this Commercial Paper Note, together with the principal amount of other Commercial Paper Notes of this series and certain advances pursuant to the Credit Agreement, from the proceeds of sales of additional Commercial Paper Notes and advances under the Credit Agreement. Provision has further been made for the payment of the interest on and the principal of this Commercial Paper Note, together with the other Commercial Paper Notes of this series and the County's obligations under the Credit Agreement, by the levy of an annual ad valorem tax sufficient to provide for the payment of the interest on and

principal of such Commercial Paper Notes, as such interest comes due and as such principal matures, and such obligations under the Credit Agreement, and such ad valorem taxes have been levied and ordered to be levied, within the limits provided by law, against all taxable property in the County and such taxes have been irrevocably pledged for payment of such interest and principal and obligations.

It is hereby certified and recited that all acts, conditions and things required by law and the Order to exist, to have happened and to have been performed precedent to and in the issuance of this Commercial Paper Note, do exist, have happened and have been performed in regular and in due time, form and manner as required by law and that the issuance of this Commercial Paper Note, together with all other Commercial Paper Notes and the Loan Notes, is not in excess of the principal amount of such obligations permitted to be issued under the Order and the Constitution and laws of the State of Texas.

This Commercial Paper Note has all the qualities and incidents of a negotiable instrument under the laws of the State of Texas and an “investment security” under Chapter 8, Texas Business and Commerce Code, as amended.

This Commercial Paper Note shall not be entitled to any benefit under the Order or be valid or become obligatory for any purpose until this Commercial Paper Note shall have been authenticated by the execution by the Issuing and Paying Agent of the Certificate of Authentication hereon.

[SIGNATURE PAGE FOLLOWS]

IN TESTIMONY WHEREOF, this Commercial Paper Note has been executed with the manual or facsimile signatures of the County Judge, countersigned by the County Clerk and registered by the County Treasurer, and the seal of the County has been manually impressed or printed in facsimile hereon.

HARRIS COUNTY, TEXAS

\_\_\_\_\_  
County Judge

REGISTERED:

COUNTERSIGNED:

\_\_\_\_\_  
County Treasurer

\_\_\_\_\_  
County Clerk

(SEAL)

## ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto (print or type name, address and zip code of transferee): \_\_\_\_\_ (Social Security or other identifying number) within Commercial Paper Note and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within Commercial Paper Note on the books kept for registration thereof, with full power of substitution in the premises.

DATED: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_

NOTICE: The signature on this assignment must correspond to the name of the registered owner as it appears on the face of the within Commercial paper Note in every particular, without any alteration, enlargement or change whatsoever.



## **CERTIFICATE OF AUTHENTICATION**

This Commercial Paper Note is one of the Commercial Paper Notes delivered pursuant to the within mentioned Order.

U.S. BANK TRUST COMPANY, NATIONAL  
ASSOCIATION, as Issuing and Paying Agent

By: \_\_\_\_\_  
Authorized Signatory

**EXHIBIT B**

**DTC LETTER OF REPRESENTATIONS**



**BOOK-ENTRY-ONLY MUNICIPAL COMMERCIAL PAPER — TECP  
(MASTER NOTE) PROGRAM**

**Letter of Representations**

[To be Completed by Issuer, Issuing Agent, and Paying Agent]

Harris County, Texas

[Name of Issuer]

Bankers Trust Company DTC #1503

[Name and DTC Participant Number of Issuing Agent]

Bankers Trust Company DTC #1503

[Name and DTC Participant Number of Paying Agent]

September 29, 1998

[Date]

Attention: General Counsel's Office  
**The Depository Trust Company**  
55 Water Street; 49th Floor  
New York, NY 10041-0099

Re: Harris County, Texas

General Obligation Commercial Paper Notes

Series D 3 (a) (2)

[Description of Program, including reference to the provision of the Securities Act of 1933, as amended,  
pursuant to which Program is exempt from registration.]

Ladies and Gentlemen:

This letter sets forth our understanding with respect to certain matters relating to the issuance by Issuer from time to time of notes under its Municipal Commercial Paper — TECP program described above (the "Securities"). Issuing Agent will act as issuing agent with respect to the Securities. Paying Agent will act as paying agent with respect to the Securities.

Paying Agent has entered into a Money Market Instrument Certificate Agreement with The Depository Trust Company ("DTC") dated as of December 1, 1993, pursuant to which Paying Agent will act as custodian of a Master Note Certificate evidencing the Securities, when issued. Paying Agent will amend Exhibit A to such Certificate Agreement to include the program described above, prior to issuance of the Securities.

To induce DTC to accept the Securities as eligible for deposit at DTC and to act in accordance with its Rules with respect to the Securities, Issuer, Issuing Agent, and Paying Agent make the following representations to DTC:

1. The Securities shall be evidenced by a Master Note Certificate in registered form registered in the name of DTC's nominee, Cede & Co., and such Master Note Certificate shall represent 100% of the principal amount of the Securities. The Master Note Certificate shall include the substance of all material provisions set forth in the DTC model Municipal Commercial Paper — TECP Master Note, a copy of which previously has been furnished to Issuing Agent and Paying Agent, and may include additional provisions as long as they do not conflict with the material provisions set forth in the DTC model.

2. Issuer or Issuing Agent has obtained from the CUSIP Service Bureau a written list of approximately 900 nine-character numbers (the basic first six characters of which are the same and uniquely identify Issuer and the Securities to be issued under its Municipal Commercial Paper — TECP program described above). The CUSIP numbers on such list have been reserved for future assignment to issues of the Securities. At any time when fewer than 100 of the CUSIP numbers on such list remain unassigned, Issuer or Issuing Agent shall promptly obtain from the CUSIP Service Bureau an additional written list of approximately 900 such numbers.

3. When Securities are to be issued through DTC, Issuing Agent shall give notice to Paying Agent and issuance instructions to DTC in accordance with DTC's Procedures, including DTC's Issuing/Paying Agent General Operating Procedures (the "Procedures"), a copy of which previously has been furnished to Issuing Agent and Paying Agent. The giving of such issuance instructions, which include delivery instructions, to DTC shall constitute: (a) a representation that the Securities are issued in accordance with applicable law; and (b) a confirmation that the Master Note Certificate evidencing such Securities, in the form described in Paragraph 1, has been issued and authenticated.

4. If issuance of Securities through DTC is scheduled to take place one or more days after Issuing Agent has given issuance instructions to DTC, Issuing Agent may cancel such issuance by giving a cancellation instruction to DTC in accordance with the Procedures.

5. At any time that Paying Agent has Securities in its DTC accounts, it may request withdrawal of such Securities from DTC by giving a withdrawal instruction to DTC in accordance with the Procedures. Upon DTC's acceptance of such withdrawal instruction, Paying Agent shall reduce the principal amount of the Securities evidenced by the Master Note Certificate accordingly.

6. In the event of any solicitation of consents from or voting by holders of the Securities, Issuer, Issuing Agent, or Paying Agent shall establish a record date for such purposes (with no provision for revocation of consents or votes by subsequent holders) and shall, to the extent possible, send notice of such record date to DTC not less than 15 calendar days in advance of such record date.

7. Paying Agent may override DTC's determination of interest and principal payment dates, in accordance with the Procedures.

8. Notice regarding the amount of variable interest and principal payments on the Securities shall be given to DTC by Paying Agent in accordance with the Procedures.

9. All notices sent to DTC shall contain the CUSIP number of the Securities.

10. Paying Agent shall confirm with DTC daily by CUSIP number the face value of the Securities outstanding, and Paying Agent's corresponding interest and principal payment obligation, in accordance with the Procedures.

11. DTC may direct Issuer, Issuing Agent, or Paying Agent to use any other number or address as the number or address to which notices may be sent.

12. Payments on the Securities, including payments in currencies other than the U.S. Dollar, shall be made by Paying Agent in accordance with the Procedures.

13. In the event that Issuer determines that beneficial owners of Securities shall be able to obtain certificated Securities, Issuer or Paying Agent shall notify DTC of the availability of certificates. In such event, Issuer or Paying Agent shall issue, transfer, and exchange certificates in appropriate amounts, as required by DTC and others.

14. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to Issuer or Paying Agent (at which time DTC will confirm with Issuer or Paying Agent the aggregate amount of Securities outstanding by CUSIP number). Under such circumstances, at DTC's request Issuer and Paying Agent shall cooperate fully with DTC by taking appropriate action to make available one or more separate certificates evidencing Securities to any DTC Participant having Securities credited to its DTC accounts.

15. Issuer: (a) understands that DTC has no obligation to, and will not, communicate to its Participants or to any person having an interest in the Securities any information contained in the Master Note Certificate; and (b) acknowledges that neither DTC's Participants nor any person having an interest in the Securities shall be deemed to have notice of the provisions of the Master Note Certificate by virtue of submission of such Certificate to DTC.

16. Nothing herein shall be deemed to require Issuing Agent or Paying Agent to advance funds on behalf of Issuer.

**Note:**

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

Harris County, Texas

By: Robert Eckels  
(Authorized Officer's Signature)

ROBERT ECKELS, COUNTY JUDGE

Bankers Trust Company

By: Victor Roberts  
(Authorized Officer's Signature)

Bankers Trust Company

By: Victor Roberts  
(Authorized Officer's Signature)

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By: Richard B. Larson

## SCHEDULE A

### SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$150 million, one certificate will be issued with respect to each \$150 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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, but Beneficial Owners are 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 Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

5. 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.

[6. Redemption notices shall be sent to Cede & Co. If less than all of the Securities 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.]

7. Neither DTC nor Cede & Co. will consent or vote with respect to Securities. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal and interest payments on the Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records.]

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

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

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

**EXHIBIT C-1**

**FORM OF OFFERING MEMORANDUM FOR THE SERIES D NOTES**



# **COMMERCIAL PAPER SPECIAL OFFERING MEMORANDUM**

## **HARRIS COUNTY, TEXAS**

### **GENERAL OBLIGATION COMMERCIAL PAPER NOTES, SERIES D**

Goldman Sachs & Co. LLC (the “Dealer”) is offering for sale on behalf of Harris County, Texas (the “County”) the Harris County, Texas General Obligation Commercial Paper Notes, Series D (the “Notes”) in the aggregate principal amount not to exceed \$200,000,000 outstanding at any one time. Capitalized terms used in this Offering Memorandum shall have the meanings assigned to such terms in the Order (defined below), except as otherwise indicated herein.

Interest on the Notes is payable on an actual/365-day year basis, and the Notes will be sold at par.

The Notes are authorized pursuant to Chapter 331, Texas Local Government Code, as amended, Chapters 1371 and 1431, Texas Government Code, as amended, and an order of the Commissioners Court of the County, adopted on September 29, 1998, as amended and restated on November 2, 1999, August 6, 2002, April 22, 2008, February 11, 2014, April 26, 2016, October 23, 2018, November 15, 2022 and January 10, 2023 (collectively, the “Order”). Portions of the Notes are issued pursuant to elections held on November 6, 2007 (the “2007 Election”), November 5, 2013 (the “2013 Election”), November 3, 2015 (the “2015 Election”) and November 8, 2022 (the “2022 Election”). (The foregoing authorities are collectively referred to herein as the “Authorizing Law”).

Pursuant to the Authorizing Law, the County is authorized to sell the Notes in one or more installments for certain authorized purposes, and provide for the payment of principal of and interest on the Notes through the levy of an annual limited ad valorem tax.

The Notes are exempt from registration under Section 3(a)(2) of the Securities Act of 1933, as amended. In the opinion of Orrick, Herrington & Sutcliffe LLP (“Note Counsel”), the interest on the Notes is excludable from gross income for federal income tax purposes under existing law. (See Appendix C for Note Counsel’s form of legal opinion.)

The County has entered into the Credit Agreement (as defined herein under “Liquidity Facility”) with JPMorgan Chase Bank, National Association (the “Bank”), whereby the Bank has agreed to provide a revolving line of credit up to \$200,000,000 for the payment from time to time of principal of any or all maturing Notes. The Credit Agreement expires on August 19, 2025; subject to extension or earlier termination as provided therein. See “THE NOTES – Liquidity Facility.”

Prospective Note purchasers are advised that upon the occurrence of a Special Event of Default under the Credit Agreement, the obligation of the Bank to make Advances under the Credit Agreement shall automatically and immediately terminate or suspend as the case may be without tender, notice or payment, and to the extent permitted by law, all Obligations of the County to the Bank thereunder shall immediately become due and payable. See “THE NOTES – Events of Default and Remedies” and “THE NOTES – Special Events of Default and Remedies.”

If for any reason sufficient funds are not available under the Credit Agreement for the Notes (including in the event of the occurrence of a Special Event of Default, as defined in the Credit Agreement and defined herein) to pay the principal thereof when due and payable on their respective maturity dates, the County cannot provide any assurance that it will have sufficient funds on hand and available to make such payment of principal of the Notes supported by the Credit Agreement or to make such payments in a timely manner. Payments of amounts owing in respect of such Notes shall thereafter be made in accordance with the terms of the Order as amounts are available for such purpose.

THE NOTES 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 NOTES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE NOTES HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED

AS A RECOMMENDATION THEREOF. THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

This Offering Memorandum includes descriptions and summaries of certain events, matters and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Offering Memorandum in its entirety and to each such document, copies of which may be obtained from the County. Any statements made in this Offering Memorandum or the appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

This Offering Memorandum is delivered in connection with the sale of securities referred to herein and may not be reproduced or used, in whole or in part, for any other purposes. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized by the County to give any information or to make any representation other than those contained herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by the County, the Dealer, or any other person. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE DEALER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Dealer has provided the following sentence for inclusion in this Offering Memorandum. The Dealer has reviewed the information in the Offering Memorandum in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of the transaction, but the Dealer does not guarantee the accuracy or completeness of such information

Dated: [\_\_\_\_\_], 2022

**Goldman Sachs & Co. LLC, as Dealer**

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## **THE COUNTY**

### **Administration**

Harris County is a southeast Texas county and a major component of the Houston Primary Metropolitan Statistical Area. The County's population was estimated to be 4.7 million as of July 1, 2021, according to the Bureau of the Census estimates, Harris County Appraisal District data and historical trends.

The County Judge and the four County Commissioners who comprise the Commissioners Court, the County Tax Assessor-Collector and the County Treasurer, all of whom are elected officials, and the County Auditor have responsibility for the financial administration of the County.

The Commissioners Court is the governing body of the County. It has certain powers expressly granted to it by the Texas Legislature (the "Legislature") and powers necessarily implied from such grant. Its duties include approval of the County budget, determination of County tax rates, approval of contracts in the name of the County, calling elections, issuance of bonds and appointments of certain County officials.

The County Judge, Lina Hidalgo, is the presiding officer of the Commissioners Court. The County Judge is elected by voters, on a County-wide basis, to a four-year term of office.

The County Commissioners are Rodney Ellis, Adrian Garcia, Tom S. Ramsey and Lesley Briones. Each County Commissioner represents one of the four precincts into which the County is divided and is elected by the voters of the applicable precinct to a four-year term of office.

The County Assessor-Collector and Voter Registrar, Ann Harris Bennett, is an elected official of the County responsible for assessing and collecting ad valorem taxes and processing voter registration in the County. The County Tax Assessor-Collector and Voter Registrar is elected by voters, on a County-wide basis, to a four-year term of office.

The County Treasurer, Carla L. Wyatt, is an elected official of the County and the chief custodian of County funds, whose duties include the receipt of all monies belonging to the County from whatever source they may be derived, the deposit of such funds in a designated depository, and the payment and application or disbursement of such funds, in such manner as the Commissioners Court may require or direct not inconsistent with law. The County Treasurer is elected by voters, on a County-wide basis, to a four-year term of office.

The County Auditor, Michael Post, CPA, MBA, has oversight responsibility for the financial books and records of the County and its officials. The duties of the County Auditor include prescribing accounting procedures, preparing statutorily required financial reports, budgetary oversight, and performing financial and compliance audits. The County Auditor is appointed for a two-year term by the State District Judges of the County.

The County Clerk, Teneshia Hudspeth, is an elected official of the County. The County Clerk's office maintains the records of the County's Commissioners Court, Probate Courts and the Civil Courts at Law. The County Clerk is elected by voters, on a County-wide basis, to a four-year term of office.

The County Attorney, Christian D. Menefee, an elected official of the County, advises and represents the County and its officers and employees in connection with legal matters. The County Attorney is elected by voters, on a County-wide basis, to a four-year term of office.

The County Administrator, David Berry, is appointed by Commissioners Court and is charged with day-to-day oversight of County government and providing guidance and coordination to all County departments.

The County Budget Director, Daniel Ramos, is appointed by Commissioners Court and is responsible for the County Budget, preparing proposed annual budgets and has responsibility for both the County's investments and debt management.

### **Ad Valorem Tax Levy and Tax Data**

Article VIII, Section 9 of the Texas Constitution imposes a limit of \$0.80 per \$100 assessed valuation for all purposes of a county's general fund, permanent improvement fund, road and bridge fund and jury fund, including debt service on bonds or other debt issued against such funds (the "\$0.80 Tax Limitation"). The County has consolidated all of these constitutional purposes into a general fund tax levy, subject to the \$0.80 Tax Limitation (the "General Fund Tax"). The Notes are payable from the General Fund Tax. Administratively, the Attorney General of the State of Texas (the "Attorney General") will not approve limited tax obligations in an amount which produces debt service requirements exceeding which can be paid from \$0.40 of the foregoing \$0.80 Tax Limitation, as calculated at the time of issuance.

The Texas Constitution also authorizes the County to levy, with voter approval, (1) a tax, without legal limit as to rate or amount, to pay debt service on the County's road bonds, and (2) a special road and bridge fund tax, not to exceed \$0.15 per \$100 of assessed valuation for restricted purposes.

The Commissioners Court adopts tax rates for the County by September 1 of each year, or as soon thereafter as is practicable. Title 1 of the Texas Tax Code (the "Property Tax Code") provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the latter of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and the failure to adopt a tax rate by such required date will result in the tax rate for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Such rates are based on the assessed values on January 1 of each year, as shown on the tax roll approved by the Appraisal Review Board of the Harris County Appraisal District (the "Appraisal District"), which must be used by the County for such purpose. The Property Tax Code imposes limitations on certain tax increases. The Commissioners Court may under certain circumstances be required to publish notice and hold a public hearing on a proposed tax rate before voting on the tax rate. If the tax rate adopted exceeds by more than 3.5% the rate needed to pay debt service and certain contractual obligations, and to produce, when applied to the property that was on the prior year's roll, the prior year's taxes levied for purposes other than debt service and such contractual obligations, such excess portion of the levy may be repealed at an election within the County held upon petition of 7% of the qualified voters of the County.

## County Assessed Values and Tax Rates

The following table shows the County's assessed values calculated as of the Fiscal Year end for each year shown and tax rates for each of the tax years 2018 through 2022 (of which 2022 is interim data). Taxable property is assessed at 100% of the appraised value as established by the Appraisal District.

(Dollars In Thousands)

<b>Tax Year</b>	<b>Fiscal Year Ended Feb. 28/29</b>	<b>Real Property<sup>(a)</sup></b>	<b>Personal Property<sup>(a)</sup></b>	<b>Less Exemptions &amp; Abatements<sup>(b)(c)</sup></b>	<b>Total Taxable Value</b>	<b>Tax Rate</b>
2018	2019	506,160,004	69,574,097	127,319,737	448,414,364	0.41858
2019	2020	545,499,934	72,456,577	135,755,513	482,200,998	0.40713
2020	2021	580,139,657	72,974,712	148,263,829	504,850,540	0.39116
2021	2022	606,314,651	67,781,102	156,340,901	517,754,852	0.37693
2022	9/30/2023 <sup>(d)</sup>	667,717,403 <sup>(e)</sup>	69,686,425 <sup>(e)</sup>	162,882,218 <sup>(e)</sup>	574,521,610 <sup>(e)</sup>	0.34373

(a) Property in the County is currently reassessed each year, and is required by law to be reassessed every three years. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value.

(b) The County currently grants an exemption to the market value of the residence homestead of persons 65 years of age or older or disabled persons of \$250,000. If requested, the County must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans or of persons who died while on active duty in an amount not to exceed \$3,000 of assessed value. The County may also authorize exemptions of up to 20% of the value of residential homesteads from ad valorem taxation. The Commissioners Court has granted a 20% exemption.

(c) The County and certain taxing units located within the County may enter into tax abatement agreements to encourage economic development. Prior to entering into a tax abatement agreement, a taxing entity must adopt guidelines and criteria for establishing tax abatements that such entity will follow in granting tax abatements to property owners. Tax abatement agreements may exempt from ad valorem taxation by a taxing entity, for a period of up to 10 years, all or any part of the assessed valuation of property covered by the agreement in excess of its assessed valuation in the year in which the agreement is executed, on the condition that the property owner makes specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. The terms of all tax abatement agreements of a taxing entity must be substantially the same. See the County's Tax Abatement Guidelines re-adopted by the Commissioners Court on October 27, 2020 in accordance with the Property Tax Code for more information. The estimated value of property in the County that was subject to tax abatement as of October 7, 2022, is approximately \$141 million and such value at the end of the abatement period is currently estimated to be approximately \$364 million.

(d) Due to the change in the County's fiscal year, Tax Year 2021 corresponds to fiscal year ending February 28, 2022 and September 30, 2022. Tax Year 2022 corresponds with the fiscal year ending September 30, 2023.

(e) The values presented are as of August 19, 2022.

Source: Harris County Tax Assessor-Collector and Harris County Auditor's Office.

## Tax Increment Reinvestment Zones

State law authorizes municipalities and counties in the State, by action of its governing body or upon petition of affected landowners, to establish one or more tax increment reinvestment zones ("TIRZs") for the purposes of development or redevelopment of the territory within such zones. The County may elect to create a TIRZ in which it and other taxing entities within the County may elect to participate. In addition, the County and certain taxing units located within the County may elect to participate in TIRZs created by a municipality within the County.

The participating taxing units in a TIRZ contribute some or all of the tax revenues generated by the incremental growth in taxable value of real property in the TIRZ to pay costs of public infrastructure or other public improvements in the TIRZ and to supplement or act as a catalyst for private development in the TIRZ. Taxes levied against the incremental increase in assessed value in the TIRZ may be used only to pay project and financing costs within or

benefitting the TIRZ and are not available for the payment of other obligations of the participating taxing units. In a TIRZ created by a municipality, the TIRZ, or a non-profit local government corporation authorized by a municipality to administer the TIRZ, may pledge incremental tax revenue to support bonds or other obligations of the TIRZ. In a TIRZ created by a county, state constitutional limitations restrict a county or local government corporation acting on its behalf from pledging incremental tax revenue to support bonds or other obligations of the TIRZ. TIRZs generally are created for a period of up to 30 years.

The County has not created any TIRZs. The County currently participates in five TIRZs created by municipalities within the County: City of Houston (Market Square TIRZ #3, East Downtown TIRZ #15, Greater Houston #24), City of Baytown (Baytown TIRZ #1), and City of LaPorte (LaPorte TIRZ #1). The total amount of the County's contribution in such TIRZs for Tax Year 2021 is \$9,774,305.

### County Tax Levies, Collections and Delinquencies

The table below sets forth a comparison of the aggregate ad valorem taxes levied and collected by the County (excluding the Harris County Flood Control District (the "District" or "Flood Control District"), the Port of Houston and the Hospital District/Harris Health) for the tax years 2017 through 2021. Taxes for tax year 2022 are due January 31, 2023.

#### (Dollars in Thousands)

Tax Year	Fiscal Year Ended Feb. 28/29	Taxes Levied for the Fiscal Year	Adjusted Levy as of the End of Current Fiscal Year	Collected within the Fiscal Year of the Levy		Total Collections to February 28, 2022	
				Amount <sup>(a)</sup>	Percentage of the Levy	Amount	Percentage of Levy
2017	2018	\$1,822,187	\$1,788,250	\$1,723,979	94.6	\$59,597	\$1,783,576 99.7
2018	2019	1,876,068	1,842,253	1,787,008	95.3	49,658	1,836,666 99.7
2019	2020	1,961,756	1,922,542	1,867,058	95.2	44,017	1,911,075 99.4
2020	2021	1,972,700	1,935,900	1,838,347	93.2	75,891	1,914,238 98.9
2021	2022	1,951,928	1,951,928	1,853,156	94.9	----	1,853,156 94.9

- (a) Taxes levied in any year which are collected beginning November 1 of such year through June 30 of the following year are shown as current collections. Such amounts include that portion of the current levy collected on or after February 1, which is the date taxes become legally delinquent. The amounts in this column are reflected as of the last day of February of the years shown.
- (b) Collections for prior years' levies of taxes during the period beginning July 1 of the year shown and ending on June 30 of the following year are shown as delinquent collections which apply to prior tax years and are collected for multiple tax years. The accumulation of all unpaid ad valorem taxes which were due at the end of the collection period beginning on July 1 of the year shown and ending on June 30 of the following year is shown as delinquent taxes receivable.

Source: Harris County Tax Assessor-Collector and Harris County Auditor's office.

### Tax Debt Outstanding

The following table shows the total principal amount of the County's debt outstanding payable from ad valorem taxes as of October 31, 2022. The outstanding long-term tax debt is payable from separate taxes levied for debt service:

	<b>County's Total Outstanding Long- Term Debt</b>
Limited Tax Debt <sup>(a)</sup>	\$ 750,752,125
Unlimited Tax Bonds	672,645,000
District Flood Contract Tax Bonds <sup>(b)</sup>	317,320,000
Toll Road Unlimited Tax Bonds <sup>(c)</sup>	151,335,000
Total	\$ 1,892,052,125
Less: Toll Road Unlimited Tax Bonds	<u>(151,335,000)</u>
Total (approximately 0.33% of Tax Year 2021 Taxable Assessed Value)	\$ 1,740,717,125

- (a) Excludes approximately \$30 million of the County's Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2022, which are expected to close on December 15, 2022.
- (b) The Flood Control District's (the "District") Contract Tax Bonds are payable from contractual payments made by the County to the Flood Control District secured by the County's limited tax pursuant to the Flood Control Projects Contract. Excludes the District's Limited Tax Bonds paid for by the District's ad valorem tax revenues.
- (c) Toll Road Unlimited Tax Bonds are additionally secured by a subordinate pledge of net revenues of the County's toll road system. It is the current intent of the County to pay the Toll Road Unlimited Tax Bonds solely from toll road revenues and, historically, no ad valorem tax revenue has been required to pay the outstanding Toll Road Unlimited Tax Bonds.

Source: Harris County Office of Management and Budget.

## Commercial Paper

In addition to the outstanding long-term tax debt shown in the table "Tax Debt Outstanding," the Commissioners Court has established commercial paper programs secured by a levy of ad valorem taxes or toll road revenues for the purposes of financing various short-term assets and providing temporary construction financing for certain long-term fixed assets. The commercial paper program totals \$2.175 billion and consists of the following ten commercial paper programs:

Series	Program Amount	Security	Liquidity Bank	Liquidity Expiration
A-1	\$100 Million	limited tax	State Street Bank	8/19/2027
B	\$40 Million	limited tax	State Street Bank	8/19/2027
C <sup>(b)</sup>	\$360 Million	unlimited tax	Sumitomo Mitsubishi	12/9/2025
D	\$200 Million	limited tax	JPMorgan Chase	8/19/2025
D-2	\$300 Million	limited tax	State Street Bank	11/12/2024
D-3	\$200 Million	limited tax	Wells Fargo	11/12/2024
H	\$500 Million	limited tax	JPMorgan Chase	12/10/2024
H-2	\$200 Million	limited tax	PNC Bank	2/24/2025
J-1	\$75 Million	limited tax	Bank of America	7/1/2023
K <sup>(a)</sup>	\$200 Million	Toll road revenues	PNC Bank	4/22/2025

- (a) Series K was established under the Toll Road First Lien Revenue Bond Trust Indenture and it replaced the Series E-1 Note program. Series E-1 was closed on May 2, 2022.
- (b) The County is in the process of increasing Series C by \$100 million, from \$260 million to \$360 million with Sumitomo Mitsubishi, and extending the expiration date from January 10, 2025 to December 9, 2025, to close early December.

The Series A-1 Notes are authorized to be issued to pay contractual obligations incurred for (i) the construction of and purchase of fixtures, equipment and machinery for or in connection with the County's criminal and civil justice centers and firefighter training facility, (ii) the purchase of automobiles and other vehicles, equipment and machinery, including computers, materials and supplies for the operations of County precincts and departments and other authorized needs and purposes of the County, and (iii) professional services, and are not required to be approved at an



election. The County's current practice is to issue Series A-1 Notes to finance technology improvements.

A portion of the Series B Notes (parks and libraries) and all of the Series D-2 Notes (roads and bridges) are issued pursuant to voted authorization obtained at elections held within the County in November 2001, November 2007, November 2015 and November 2022. A portion of the Series B Notes are authorized to be issued for certain purposes (libraries) not required to be approved at an election.

The Series D Notes, Series D-2 Notes and Series D-3 Notes are authorized to be issued to pay contractual obligations incurred for (i) the construction of public works, to wit: the construction or renovation of the Civil Justice Center, Juvenile Justice Center, Juvenile Detention Center and County Courthouse, (ii) the purchase of automobiles and other vehicles, equipment and machinery, including computers, materials and supplies for the operation of the County's precincts and departments (including particularly those relating to tax assessment and collection, juvenile services, budgeting, administration and auditing, facility maintenance, law enforcement, health and roads) and other authorized needs and purposes of the County, and (iii) professional services, and are not required to be approved at an election. In addition, a portion of the Series D Notes, Series D-2 Notes and Series D-3 Notes (permanent improvements and parks) are authorized to be issued pursuant to voted authorization obtained at elections held within the County in November 2007 (Forensic Lab, Family Law Center and Parks), November 2013 (Joint Processing Center) and November 2015 (Animal Shelter and Parks).

The Series K Notes are authorized to be issued to pay the costs of acquiring, constructing, operating, maintaining, and improving toll road project components.

The Series H and H-2 Notes (flood control) are authorized to be issued pursuant to voted authorization obtained at elections held within the District in November 2015 (acquiring land, construction, maintenance and/or operations of or on behalf of the District) and August 2018 (financing flood control projects for the District, including purchasing lands, easements, rights-of-way and structures, and for the acquisition and construction of improvements, including detention basins, channel modifications and other works suitable for use in connection with flood damage reduction).

The Series J-1 Notes (disaster recovery) are authorized to be issued to (i) pay contractual obligations for (a) the construction of public works, (b) the purchase and capital lease of materials, supplies, equipment, machinery, buildings, lands and right-of-way for the County's authorized needs and purposes and (c) professional services; (ii) the demolition of dangerous structures; and (iii) the accomplishment of any other purpose the County considers necessary in relation to preserving or protecting public health and safety.

As of September 30, 2022, specific projects have been approved for no more than \$356.303 million of commercial paper. As of such date, the County had outstanding \$133.725 million of commercial paper, of which \$97.125 million was secured by the County's limited tax, \$0 million was secured by the County's unlimited tax and \$36.6 million was secured by toll road revenues. The District had no outstanding commercial paper.

## **Investments**

*General.* The County invests its investable funds in investments authorized by Texas law in accordance with written investment policies approved by the Commissioners Court, a copy of which is available upon request. Both State law and the County's investment policies are subject to change.

The Office of Management and Budget of the County invests all investable County funds, which include funds of the following departments or governmental bodies: the County, the District and the Toll Road Authority and the County Clerk and District Clerk Registry Funds. The County operates as an investment agent for the Greater HC 911 Emergency Network, HC Juvenile Probation, HC Community Supervision & Corrections, Harris County-Houston Sports Authority, Harris County Sports and Convention Corporation and Harris Health. Each of the above entities has a separate investment policy and investment portfolio and the funds are not commingled into a single pool of investments.

Current Texas law authorizes the County to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities; (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 of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by: (i) the Federal Deposit Insurance Corporation or its successor; or (ii) the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if: (i) the funds invested in the banking deposits are invested through: (a) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (b) a depository institution with a main office or branch office in this state that the investing entity selects; (ii) the broker or depository institution selected as described by clause (8)(i) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (iv) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (a) the depository institution selected as described by clause (8)(i); (b) an entity described by Section 2257.041(d); or (c) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (9) certificates of deposit that are issued by a depository institution that has its main office or a branch office in the State and is (i) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (ii) secured by obligations described in the preceding clauses, including mortgage

backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b) of the Texas Government Code; or (iii) secured in accordance with Chapter 2257 or in any other manner and amount provided by law for County deposits; (10) certificates of deposit that meet the following conditions: (i) the funds are invested by an investing entity through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the investing entity pursuant to Section 2256.025, Texas Government Code; or (B) a depository institution that has its main office or a branch office in this State and that is selected by the investing entity; (ii) the broker or the depository institution selected by the investing entity under (i) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity; (iii) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (iv) the investing entity appoints the depository institution selected by the investing entity under (i), an entity described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity; (11) fully collateralized repurchase agreements that have a defined termination date, are fully secured by cash or obligations described in clause (1), require the securities being purchased by the County or cash held by the County to be pledged to the County, held in the County's name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (12) securities lending programs if (i) the value of the securities loaned under the program are not less than 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) pledged irrevocable letters of credit issued by a bank organized under the laws of the United States or any other state, that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) and (17) below, (ii) securities held as collateral under a loan are pledged to the County and held in the County's name, (iii) deposited at the time the investment is made with the County or with a third party selected by or approved by the County; (iv) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State and (v) the agreement to lend securities has a term of one year or less; (13) bankers' acceptances that (i) have a stated maturity of 270 days or fewer from the date of their issuance, (ii) will be, in accordance with their terms, liquidated in full at maturity, (iii) are eligible for borrowing from a Federal Reserve Bank, and (iv) are accepted by a bank organized and existing under the laws of the United States or any state, if short-term obligations of the accepting bank, or of the bank holding company of which the bank is the largest subsidiary, are rated at least "A-1" or "P-1" or the equivalent by at one nationally recognized credit rating agency; (14) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (i) two (2) nationally recognized credit rating agencies or (ii) one (1) nationally recognized credit rating agency, if the paper is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; (15) no-load money market mutual funds registered with and

regulated by the Securities and Exchange Commission that provide the County with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and comply with federal Securities and Exchange Commission Rule 2a-7; (16) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two (2) years; and either (i) have a duration of one (1) year or more and are invested exclusively in obligations described in this paragraph; or (ii) have a duration of less than one (1) year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; (17) guaranteed investment contracts that have a defined termination date are secured by obligations described in clause (1) above in an amount at least equal to the amount of bond proceeds invested under such contract, and are pledged to the County and deposited with the County or with a third party selected and approved by the County; (18) certain eligible investment pools if the Commissioners Court by order authorizes investment in that particular pool; and (19) any other investment that may be authorized now or in the future by Chapter 2256, Texas Government code, as amended (the “Public Funds Investment Act”).

*Investment Policy.* Under Texas law, the County is required to invest its funds under a written investment policy that primarily emphasizes safety of principal and liquidity and that addresses investment diversification, yield, maturity, and the quality and capability of investment management. The County adopted its current investment policy on September 30, 2022, effective October 1, 2022. All County funds must be invested in investments that are consistent with the operating requirements of the County.

### **Retirement Program and Other Post-Employment Benefits**

The Texas County and District Retirement System (the “System” or “TCDRS”) administers a combined retirement program for officials and eligible employees of the County. The County provides retirement and disability benefits for all of its employees (excluding temporary employees) through a non-traditional defined benefit pension plan in the statewide TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the system. TCDRS does not receive State funding. Each plan is funded independently by participating counties, districts and employees. TCDRS in the aggregate issues a Annual Comprehensive Financial Report on a calendar year basis. The 2021 Annual Comprehensive Financial Report is available at <https://www.tcdrs.org/globalassets/library/reports/2021-annual-report.pdf>.

The Texas Legislature created TCDRS in 1967. Since then, TCDRS has grown into a multi-billion dollar trust with more than 800 participating employers. TCDRS is a savings-based plan. TCDRS employers, such as the County, advance fund their plans over the length of their employees’ careers. Unlike traditional pension plans where the benefit is based on the final salary and length of career, the TCDRS benefit is based on the total final employee savings balance and employer matching. Also, with TCDRS, employers have flexibility and local control to choose benefit levels to meet their needs and budgets.

TCDRS commissions an annual actuarial valuation of the plan. The County’s annual contribution rate is determined as a part of the annual actuarial valuation and consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan’s 20-year amortization period using the entry age actuarial cost method. The TCDRS Board reduced the investment return assumption from 8.0% to 7.5% effective December

31, 2020 and used a portion of the system's reserves and re-amortized liabilities to help mitigate increases to employer contribution rates. The County's required contribution rate for calendar year 2022 is 15.70% based upon a December 31, 2021 actuarial valuation date compared to 15.70% for calendar year 2022. The County elected to contribute 15.1% for calendar year 2021 and 15.7% for 2022. The County's net pension asset measured as of December 31, 2021 was \$253,106,274. The fiduciary net position as a percentage of total pension asset at December 31, 2021 was 103.21%. For a description of the plan, including County and employee contributions for the most recent fiscal year and the possibility of unfunded liabilities, see Note 9: Retirement Plan to the County's annual comprehensive financial report attached hereto as Appendix B.

The County is subject to GASB 75, which requires the County to estimate the liabilities of its retiree healthcare plan (other post-employment benefits or "OPEB"), as well as recognize contribution amounts and reserves relating to its OPEB plans for current retirees and employees. The net OPEB liability for the County retiree health care benefits as of February 28, 2022, was \$3,944,766,171 using a 2.25% discount rate. The County may modify its OPEB plans in the future and such liabilities may change. See Note 10: Other Postemployment Benefits to the annual comprehensive financial report attached hereto as Appendix B.

## Operating Funds Budget

On February 8, 2022, the Commissioners Court adopted the budget for the County for the period ending 9/30/2022. The budget included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the period ending 9/30/2022 budget for the County's Current Operating Fund:

Cash Balance as of March 1, 2022	\$ 1,474,473,749
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	73,138,923
Charges for Services	162,019,250
Fines and Forfeitures	7,539,471
Intergovernmental Revenues	37,371,638
Interest	2,865,085
Other	23,257,868
Total Cash and Estimated Revenues	\$ 1,780,665,984
Appropriations:	
Current Operating Expenses	\$ 1,728,039,423
Capital Outlay:	
Roads	22,495,284
Parks	30,131,277
Total Appropriations	\$ 1,780,665,984

## Tax Anticipation Borrowing

In the years prior to Fiscal Year 2017, the County engaged in a tax anticipation program for the purpose of providing funds for the payment of working capital expenditures of the County until ad valorem taxes were received. A concerted effort was made starting in 2012 to improve the County's financial condition to eliminate tax anticipation borrowing. This effort resulted in an

annual reduction in tax anticipation borrowing, until tax anticipation borrowing was eliminated in Fiscal Year 2017.

## General Fund Balances For Fiscal Years 2018 through 2022

The table below shows the County's General Fund balances for Fiscal Years 2018 through 2022. The information provided in such table was prepared using the modified accrual basis of accounting.

	<u>2018<sup>(a)</sup></u>	<u>2019<sup>(a)</sup></u>	<u>2020<sup>(a)</sup></u>	<u>2021<sup>(a)</sup></u>	<u>2022<sup>(a)</sup></u>
Unrestricted Cash Balance	\$1,538,868,819	\$1,670,575,919	\$1,846,640,401	\$2,214,359,440	\$2,070,937,648
Revenues/Other Sources	2,423,710,761	2,399,964,348	2,518,023,895	3,114,995,974	2,774,583,653
Expenditures/Other Uses	2,276,019,431	2,265,649,889	2,336,868,442	2,758,655,593	2,965,777,817
Fund Balance:					
Nonspendable	8,405,900	9,325,408	13,053,415	5,192,842	6,701,664
Restricted	512,962,739	532,074,026	533,151,681	944,737,889	781,834,387
Committed	0	0	0	0	73,236,168
Assigned	50,988,858	40,139,177	31,299,415	27,414,385	56,831,745
Unassigned	<u>1,162,834,872</u>	<u>1,287,968,217</u>	<u>1,473,157,770</u>	<u>1,379,657,546</u>	<u>1,297,204,536</u>
Total Fund Balances	\$1,735,192,369	\$1,869,506,828	\$2,050,662,281	\$2,407,002,662	\$2,215,808,498

(a) The amounts for the fiscal years shown above include the general fund, general fund debt service, public improvement contingency fund and mobility fund.

Source: Harris County Auditor's Office

The above information has been included in order to indicate the general economic health of the County. However, the Notes are secured only by the levy of ad valorem taxes. Fund balances shown above are not available for debt service on the Notes except to the extent such fund balances represent collections of taxes levied for the Notes.

## THE NOTES

The Order authorizing the Notes provides that the Notes may be issued to (i) pay contractual obligations incurred or to be incurred for the construction of public works, (ii) pay contractual obligations incurred or to be incurred for the purchase of materials, supplies, equipment, machinery, buildings, lands and rights-of-way for the County's authorized needs and purposes, (iii) for any other purposes authorized under the Act, including but not limited to any public works; (iv) pay contractual obligations incurred or to be incurred for professional services, including services provided by engineers, architects, attorneys, auditors, financial advisors and fiscal agents in connection with the contractual obligations described in (i), (ii) and (iii) above, and (v) refinance, renew or refund the Notes of the same series and loans made for the payment of principal on such Notes.

Pursuant to the 2007 Election, the Notes may also be issued for (1) purchasing, constructing, improving and equipping medical and health care buildings, including purchasing or improving sites for such buildings, including a Medical Examiner's Forensic Center, in the amount of \$80,000,000 (of which \$5,180,000 remains unissued), (2) purchasing, constructing, improving and equipping courthouses, including purchasing or improving sites for courthouses, including a Family Law Center, in the amount of \$70,000,000 (of which \$70,000,000 remains unissued), and

(3) acquiring or improving land, buildings or historically significant objects for park purposes or for historic or prehistoric preservation purposes, which may include joint facilities with other political subdivisions, in the amount of \$29,000,000 (of which \$0 remains unissued); all as more fully described, authorized and provided in the legal proceedings of the 2007 Election,

Pursuant to the 2013 Election, the Notes may also be issued for acquiring, constructing and improving land and buildings within and for the County for an adult detention central joint processing center and related facilities, including a heating and cooling plant and parking facilities, in the amount of \$70,000,000, all as more fully described, authorized and provided in the legal proceedings of the 2013 Election. There is no voted authority remaining for the 2013 Election.

Pursuant to the 2015 Election, the Notes may also be issued for acquiring, construction and improving land, buildings, or in the aid and maintenance thereof for parks, in the amount of \$60,000,000, (of which \$35,382,000 remains unissued) all as more fully described, authorized and provided in the legal proceeds of the 2015 Election, provided that the amount of Notes issued for park purposes pursuant to the 2015 Election, together with the amount of notes issued under the Harris County, Texas General Obligation Commercial Paper Notes, Series B Program for park purposes pursuant to the 2015 Election, may not exceed \$60,000,000. The Notes may also be issued for construction and improving land, buildings, or in the aid and maintenance thereof, for the veterinary public health adoption and care center and associated buildings, in the amount of \$24,000,000 (of which \$0 remains unissued), as more fully described, authorized and provided in the legal proceedings of the 2015 Election.

Pursuant to the 2022 Election, the Notes may also be issued for constructing, improving, renovating, equipping and acquiring land and interest in land, buildings, facilities, courthouses and related equipment for public safety purposes, in the amount of \$100,000,000 pursuant to the 2022 Election (of which \$100,000,000 remains unissued); construction, maintenance, operation and road drainage of macadamized, graveled or paved roads, or in aid thereof, including acquiring land and rights-of-way therefor, road drainage, bike lanes, sidewalks and shared use paths, and replacement and improvement of road bridges and culverts, in the amount of \$900,000,000 pursuant to the 2022 Election (of which \$900,000,000 remains unissued), provided, that the amount of Notes issued for road purposes pursuant to the 2022 Election, together with the amount of notes issued under the Harris County, Texas General Obligation Commercial Paper Notes, Series C Program for road purposes pursuant to the 2022 Election, may not exceed \$900,000,000; constructing, improving, renovating, equipping and acquiring land and interest in land, buildings and facilities for county parks and recreational purposes, in the amount of \$200,000,000 pursuant to the 2022 Election (of which \$200,000,000 remains unissued), provided, that the amount of Notes issued for park purposes pursuant to the 2022 Election, together with the amount of notes issued under the Harris County, Texas General Obligation Commercial Paper Notes, Series B Program for park purposes pursuant to the 2022 Election, may not exceed \$200,000,000.

The Notes may also be issued to refinance, renew or refund Notes, Loans and Loan Notes and to pay the costs and expenses of the issuance of the Notes, including fees for professional services.

On each date that Notes are initially issued, the Authorized Representative (as defined in the Order) shall designate the authorized purpose or purposes for which such Notes are to be issued.

The Notes will be offered at par only, will mature in not more than 270 days from the date of issue, and will pay par plus interest at maturity. The Notes will be payable at the office of U.S. Bank National Association, as the Issuing and Paying Agent. Interest on the Notes is payable on an actual/365-day basis. The interest on the Notes may not exceed the lesser of 10% per annum or the maximum rate allowable by law. A minimum purchase of \$100,000 aggregate principal amount and multiples of \$1,000 thereafter is required.

The Notes are issuable in book-entry form through the book-entry system of the Depository Trust Company, New York, New York ("DTC"). The County has issued a single Master Note for each series registered in the nominee name of DTC. The Master Notes have been deposited with the Issuing and Paying Agent under the terms of an Issuing and Paying Agent Agreement with the County. Physical notes will still be available in those instances where book-entry cannot be accomplished.

The Order provides that (i) any Note issued prior to April 15, 2008 must be repaid by July 1, 2017 (which is a date prior to the fifteenth anniversary of the date of the Attorney General's approval of the proceedings relating to the amendments to the Order approved by the Commissioners Court on August 6, 2002); (ii) any Note issued after April 15, 2008 but prior to March 1, 2014 must be repaid by February 15, 2029 (which is a date prior to the fifteenth anniversary of the date of the Attorney General's approval of the proceedings relating to the amendments to the Order approved by the Commissioners Court on February 11, 2014); (iii) any note issued on or after March 1, 2014 but prior to April 26, 2016 must be repaid by June 1, 2031 (which is a date prior to the fifteenth anniversary of the date of the Attorney General's approval of the proceedings relating to the amendments to the Order approved by the Commissioners Court on April 26, 2016); (iv) any Note issued on or after April 26, 2016 but prior to November 15, 2022, must be repaid by November 1, 2033 (which is a date prior to the fifteenth anniversary of the date of the Attorney General's approval of the proceedings relating to the amendments to the Order approved by the Commissioners Court on October 23, 2018); (v) any Note issued on or after November 15, 2022, but prior to January 10, 2023 must be repaid by December 1, 2037 (which is a date prior to the fifteenth anniversary of the date of the Attorney General's approval of the proceedings relating to the amendments to the Order approved by the Commissioners Court on November 15, 2022); (vi) any Note issued on or after January 10, 2023 must be repaid by December 1, 2053; *provided, however*, that, for any Notes issued pursuant to an Election, no Note may mature beyond the maximum maturity date approved at the election pursuant to which such Note has been authorized.



## **Liquidity Facility**

[TO COME]

## **Definitions**

“Bankruptcy Code” means 11 U.S.C. Section 101, et seq., as amended, and any successor statute thereto.

“Debt” of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, including without limitation, obligations secured by any of the revenues or assets of such Person and all obligations of such Person evidenced by bonds (including revenue bonds), debentures, notes or other similar instruments, (ii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business (including, without limitation, accounts payable to construction contractors and other professionals for services rendered), (iii) all obligations of such Person as lessee under capital leases, (iv) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, and (v) all Debt of others guaranteed by, or secured by any of the revenues or assets of, such Person.

“General Obligation Debt” means all Debt of the County payable from, or secured by, in whole or in part, ad valorem taxes levied against all taxable property of the County.

## **Depository Trust Company**

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each issue of the Notes, each 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 issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities 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 a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“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 Notes 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 the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 the Notes with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes 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 the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the financing documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes 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 County or the Issuing and Paying Agent, 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Issuing and Paying Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Issuing and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the County or the Issuing and Paying Agent as set forth in the Order. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note 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 County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

## **PENDING LITIGATION**

The County is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of the performance of governmental functions, certain of which seek substantial damages. Such litigation includes lawsuits claiming damages that allege personal injuries, wrongful deaths and property damage and lawsuits alleging discriminatory hiring and firing practices; various claims from contractors for amounts under construction contracts; inverse condemnation claims; and various other liability claims. The status of such litigation ranges from an early discovery stage to various levels of appeal of judgments. The amount of damages is limited in certain cases under the Texas Tort Claims Act and is subject to appeal.

In 2016, the case of *O'Donnell v. Harris County*, Case No. 4:16-cv-01414, was filed in the United States District Court for the Southern District of Texas, alleging violations of civil rights on the basis of unequal treatment of indigent misdemeanor defendants in the requirements applied to be released on bail. The parties entered into, and the District Court approved, a seven-year

consent decree which will result in expenditures by the County in the amount of \$18,076,503.33 through Fiscal Year 2029.

In 2019, the case of *Russell v. Harris County*; Case No. 4:19-cv-00226 was filed in the United States District Court for the Southern District of Texas against the County and the Harris County Sheriff, and later amended to include class action allegations and the addition of twenty-three state criminal district court judges, alleging violations of civil rights on the basis of unequal treatment of indigent felony defendants in the requirements applied to be released on itself against these suits vigorously. The County cannot predict, as of the date hereof, the final outcome of any of such claims and suits. In the opinion of management of the County, it is improbable that lawsuits now outstanding against the County that are associated with its operation could become final in a time and manner so as to have a material adverse financial impact upon the operations of the County.

## **ENVIRONMENTAL REGULATION**

### **General**

The County is subject to the environmental regulations of the State and the United States. These laws and regulations are subject to change, and the County may be required to expend substantial funds to meet the requirements of such regulatory authorities.

### **Air Quality**

Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (“TCEQ”) may curtail new industrial, commercial and residential development in the County. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight county Houston-Galveston-Brazoria Area (“HGB Area”) has been designated by the EPA as a non-attainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”); and the EPA’s most recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

On April 5, 2015, the EPA revoked the 1997 Ozone Standards. Although the HGB Area air quality has been attaining the 1997 Ozone Standards since 2014, EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area “anti-backsliding” requirements. In late 2016, EPA approved the TCEQ’s “redesignation substitute” for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard). 81 Fed. Reg. 78691 (Nov. 8, 2016).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018).

The court vacated the EPA redesignation substitute rule that provided the basis for EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. To address the uncertainty created by the South Coast court's ruling, the TCEQ developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. In December 2018, the TCEQ submitted a revision to the state implementation plan ("SIP") formally requesting redesignation under the 1997 Ozone Standards. EPA responded in February 2020 by adopting a final rule stating that the HGB Area has no designation under the revoked 1997 Ozone Standards and terminating all "anti-backsliding" obligations that remained applicable to the HGB Area based on the area's continued attainment of the revoked 1997 Ozone Standards. 85 Fed. Reg. 8411 (Feb. 14, 2020). The HGB Area is no longer subject to control requirements associated with the 1997 Ozone Standards.

Since September 23, 2019, the HGB Area was designated as a "serious" ozone nonattainment area with an attainment deadline of July 20, 2021 under the 2008 Ozone Standard. Previously, the HGB Area was designated as a "moderate" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018, but the EPA determined that the HGB Area failed to meet the attainment deadline. In March 2020, the TCEQ adopted a revision to the Texas SIP that included an updated attainment demonstration for the 2008 Ozone Standard and submitted it to the EPA in May 2020. The TCEQ requested a 1-year attainment date extension for the 2008 Ozone Standard. The EPA denied the State's request for an attainment date extension and recently, published notice in the Federal Register that Texas regulators failed to attain the appropriate standard by the attainment date.

The HGB Area will be reclassified in December 2022 and designated as a "severe" nonattainment area for the 2008 Ozone Standard and a "moderate" nonattainment area for the 2015 Ozone Standard. For purposes of the 2015 Ozone Standards, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties. The new attainment date for the 2015 Ozone Standard is August 3, 2024. However, the TCEQ requested a 1-year attainment date extension.

Under the CAA, the State is subject to ongoing obligations to make progress toward and eventually to reach compliance with the federal ozone standards in the HGB Area, based on monitored air quality. The TCEQ's SIP for the HGB Area demonstrates progress toward attainment, and includes emission control requirements for ozone-causing pollutants emitted by the industrial sector. Failure to attain an ozone standard could subject industrial sources in the HGB Area to more-stringent controls on emissions. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

Regarding the HGB Area SIP requirements that regulate the inspection and use of automobiles, such measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the

HGB Area to attain the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB Area's economic growth and development.

Other potential impacts upon economic growth and development include lawsuits filed under the CAA by plaintiffs seeking to require emission reduction measures that are even more stringent than those adopted by TCEQ and approved by EPA. From time to time, various plaintiff environmental organizations have filed lawsuits against TCEQ and EPA seeking to compel the adoption of additional emission reduction measures, many of which could make it more difficult for businesses to construct or expand industrial facilities or which could result in travel restrictions or other limitations on the actions of businesses, governmental entities and private citizens. Any successful court challenge to the currently effective SIP could result in the imposition of even more stringent air emission controls.

### **Area Topography and Land Subsidence**

The land surface in certain areas of the County has subsided several feet over the past seventy-five (75) years and the subsidence is continuing. The principal causes of subsidence are considered to be the withdrawal of groundwater and, to a lesser extent, oil and gas production. Subsidence may impair development in certain areas and expose such areas to flooding and severe property damage in the event of storms and hurricanes, and thus may affect assessed valuations in those areas. In 1975, the Texas Legislature created the Harris-Galveston Coastal Subsidence District ("Subsidence District") to provide regulatory control over the withdrawal of groundwater in Harris and Galveston Counties in an effort to limit subsidence. This groundwater conservation district, with no powers to levy taxes or incur debt, has required most suppliers of water to reduce consumption of groundwater and to convert their primary source of supply to surface water.

With the reduction of withdrawal of groundwater, the rate of subsidence has been reduced. However, Subsidence District regulations that require conversion to surface water can be costly to industries, municipalities and other water suppliers since the process of converting from a groundwater supply to a surface water supply can result in substantial capital expenditures. The per unit cost of supplying surface water is substantially higher due to the greater cost of treatment and transportation. In response to the Subsidence District's requirements, local municipalities within the County, water authorities and water districts have initiated several measures and programs to provide treated surface water in the region, including the negotiation and execution of water supply contracts and capital cost sharing agreements to support the development and expansion of water purification plants in the region.

## **PANDEMICS, WEATHER EVENTS AND PERIODIC FLOODING**

### **COVID-19 Pandemic**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and the State. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency.

Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. Subsequently in response to a rise in COVID-19 infections in the State, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities. There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State of Texas. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Offering Memorandum.

The Pandemic has negatively affected travel, commerce, and financial markets globally and is widely expected to continue negatively affecting economic growth and financial markets worldwide. The County continues to monitor the Pandemic and work with local, state and national agencies to address its potential impact on the County. The impact of COVID-19 is expected to have a negative financial impact on local, state and national economies, the severity of which is unknown at this time, in a manner that could adversely affect the amount of property and sales and use taxes, franchise charges and fees, and other general revenues received by the County.

The County has identified several funding sources to assist with expenses related to the Pandemic. In April 2020 the County received \$426 million from the U.S. Department of Treasury pursuant to the Coronavirus Aid Relief & Economic Security Act (the "CARES Act"). As of September 30, 2022, the period of performance for the CARES funds has ended. Programs and expenses approved by Commissioners Court include: (1) a \$4.7 million Childcare Assistance Program, (2) a \$35.6 million Emergency Rental Assistance Fund, (3) a \$26.9 million Small City Assistance Program, (4) a \$46.6 million Student Digital Services Program, (5) a \$67.6 million Direct Assistance Program, (6) a \$2.2 million Community Spread Survey Program, (7) a \$10.5 million Small Business Grant Program, (8) a \$4 million Census Outreach Program, (9) a \$2.3 million Workforce Development Program, (10) a \$2.2 million Domestic Violence Program, (11) \$5.8 million in expenditures for program management office administration, and (12) \$217.5 million expenditure for law enforcement labor. In addition, the Commissioners Court approved the \$30 million COVID-19 Relief Fund to provide aid for County residents who are ineligible for federal aid through the CARES Act.

The County has also received funding under the American Rescue Plan Act of 2021 (ARPA). As of June 28, 2022, the County had received \$915.5 million in ARPA Local Fiscal Recovery funding. The ARPA Local Fiscal Recovery funds must be obligated by December 2024

and spent by December 2026 and can cover a range of eligible uses, including recovery from the public health emergency or economic impacts of the Pandemic, investments in water, sewer, and broadband infrastructure, and coverage of revenue shortfalls that may arise relative to expected revenue at pre-pandemic growth rates. To date, \$465.5 million in ARPA Local Fiscal Recovery Funds have been dedicated to projects including direct financial assistance to low-income households (\$65 million), small business grants (\$32 million), emergency COVID medical staff (\$72 million), vaccine incentives (\$13 million), lead testing and abatement (\$20 million), behavioral health (\$23.7 million, of which \$8.9 million is dedicated to Healthy Minds and Healthy Communities plus \$14.8 million for Behavioral Health awards), justice and safety initiatives (\$67 million), homelessness services (\$47 million), coordinated care technology investments (\$14 million), early childhood initiatives (\$9 million), maternal and child health (\$8 million), affordable housing (\$7 million), food and nutrition programs (\$7 million), workforce development (\$9.7 million), public health and library payroll and other eligible expenses (\$12 million), and other recovery efforts. The County has also been allocated \$166 million in rental assistance funding for use in supporting local residents: \$93 million from the Consolidated Appropriations Act of 2021 and \$73 million from ARPA, together with \$17 million in HOME-ARP funding to support homeless individuals. The County has not included the federal COVID-19 relief funding under the CARES Act or the ARPA in its General Fund.

In addition to the development of programs to distribute funds to residents and small businesses in response to the Pandemic, on May 19, 2020 the Commissioners Court approved increasing the existing homestead exemption for homeowners who are 65 years of age or older or disabled from \$160,000 to \$229,000 and in June 2022 the exemption was raised from \$229,000 to \$250,000.

The County entered the Pandemic with over \$300 million set aside in its Public Contingency Fund to help mitigate adverse impacts on the County's revenues and expenses resulting from emergencies and other contingencies such as the Pandemic, major flood events and other major weather events (such as potential hurricanes). Primarily due to COVID-related spending, the Public Contingency Fund balance has dropped to an unencumbered balance of \$60 million as of April 26, 2022. The County continues to pursue FEMA reimbursement for eligible spending and anticipates a total estimated reimbursement of \$338 million, consisting of \$28 million received and future reimbursement of \$309 million. On April 26, 2022, Harris County Commissioners Court authorized the transfer of up to \$124 million to help restore the contingency balance (\$75 million from the General Fund and \$49 million from the Response and Recovery Fund). The County does not expect the total amount of unreimbursed Pandemic-related expenses to affect its ability to timely make debt service payments on the Certificates, its outstanding bonds, or other obligations or to have a significant impact on the County's ability to fund essential operations. The long-term impact of the Pandemic on the County cannot be quantified at this time.

### **General Weather Events**

The County is located near the Texas Gulf coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by rain events, hurricanes, tropical storms, and other tropical disturbances. Due in part to its relatively flat topography and moist coastal climate, and partly due to the effects of subsidence, certain areas of the County are subject to periodic flooding and associated severe property damage as a result of rain events, tropical storms and hurricanes.



See “Hurricane Harvey.” The County and most of the municipalities located within the County participate in the National Flood Insurance Program administered by the Federal Emergency Management Agency (“FEMA”). Communities participating in the National Flood Insurance Program are required by FEMA to adopt restrictions on development in designated flood-prone areas. In exchange, the National Flood Insurance Program makes federal subsidized flood insurance available to property owners located in the participating communities. Given the ongoing effects of subsidence as well as increased development and urbanization within the County, FEMA periodically updates and revises its maps designating the areas of the County that are subject to special flood hazards. Properties that are currently located outside of a designated flood-prone area may suffer a reduction in value if they are placed within the boundaries of a special flood hazard area the next time FEMA updates and revises its flood maps.

Not all flood hazards are mapped on the FEMA flood maps, nor is every bayou or creek in the County studied. Flooding can occur from ponding or overland sheet flow when intense rainfall overwhelms the local street drainage system. The mapped floodplain is only an estimate of where flooding is predicted to occur from a bayou or creek, given a set of parameters including a hypothetical rainfall occurring over a watershed for an assumed amount of time. During an actual rain event, natural conditions can result in greater amounts of rainfall or runoff, resulting in flood levels deeper and wider than shown on the FEMA maps.

From February 12-19, 2021, the State experienced a severe winter storm (“Winter Storm Uri”) which included prolonged freezing temperatures, heavy snow and freezing rain statewide. Winter Storm Uri led to power outages and potable and non-potable water shortages in many areas of the State, including the County. The federal government issued a Major Disaster Declaration for the State of Texas and has included federal funding for emergency protective measures. The County did not sustain material damage to its infrastructure during Winter Storm Uri, but the County cannot predict the impact of future weather events.

If flooding or another weather-related event, including a winter storm, were to significantly damage improvements within the County, the assessed value of property within the County could be reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the County’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the County will be covered by insurance (or property owners will choose to carry flood insurance), any insurance company will fulfill its obligations to provide insurance proceeds or that insurance proceeds will be used to rebuild or repair damaged improvements within the County. Even if insurance proceeds are available and improvements are rebuilt, there could be a period of time in which assessed values within the County would be adversely affected.

## **Hurricane Harvey**

Hurricane Harvey made landfall on August 25, 2017 near Corpus Christi, Texas, 200 miles south of the County. The impact of Hurricane Harvey on Harris County was primarily a historic flooding event; the County sustained minimal damage from wind, storm surge and other weather effects typically associated with a hurricane. Four buildings, including the Criminal Justice Building and Jury Assembly Building, both in downtown Houston, and two courthouse annexes were severely damaged and several smaller buildings around the county received minor damage. At this time, the Criminal Justice Building is partially occupied and functional while it is being

repaired and both annexes have been repaired and re-opened. The Jury Assembly Building has been repaired but is not being used currently. The combination of FEMA funding, State funding and insurance coverage is expected to cover most of the cost of repairing these buildings. The County has sufficient funds on hand to cover any unreimbursed expenses relate to its damaged assets. The County was reimbursed by FEMA for most of its costs incurred for emergency operations during the storm, debris removal after the storm and other recovery costs.

Property values were temporarily impacted for homes that sustained flood damage and that were still being repaired on January 1, 2018. Once fully repaired, these homes generally returned to their pre-storm values. The ad valorem tax values as of January 1, 2019 and the estimated values as of January 1, 2020 were both up overall by 3-6%. As with similar events, there was not a significant impact on property values for Harris County, due to continued growth in both residential and business property.

On August 25, 2018, voters approved \$2,500,000,000 in bonds for the purpose of financing flood control. The projects include the purchase of lands, easements, rights-of-way and structures, voluntary buyouts of flood-prone properties, property acquisition for preserving natural flood plains, and for the acquisition and construction of detention basins, channel modifications and other improvements and works suitable for use in connection with flood damage reduction. The Flood Control District currently also receives an annual allocation of \$120 million of property tax revenue for use in flood control efforts. As a result of Hurricane Harvey and other major flooding events over the last few years, several potential changes to the local system of watersheds, reservoirs and channels are being considered, some of which would require significant additional funding, including State and Federal funds, as well as additional County and Flood Control District resources. The County is reviewing additional funding options to finance flood control, but the required additional funding is not expected to slow flood control projects for several years.

## **FINANCIAL AND OTHER INFORMATION**

### **Continuing Disclosure of Information**

Pursuant to SEC Rule 15c2-12 (the “Rule”), the County has agreed to provide annual updated financial information and operating data to certain information vendors in connection with the issuance of its bonds or notes that are not otherwise exempt. **Exempt obligations from the requirements of the Rule include the Notes.** The information to be updated includes quantitative financial information and operating data with respect to the County, including estimated County-wide and overlapping ad valorem tax debt. The County has agreed to update and provide this information within six (6) months after the end of each fiscal year, beginning with the Fiscal Year ending September 30, 2022. The County is only required to make filings with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Market Access System (“EMMA”).

The County may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements if the County commissions an audit and the audit is completed by the required time. If audited financial statements are not available by the required time, the County will provide unaudited financial statements and audited financial statements when

and if the audit becomes 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 County may be required to employ from time to time pursuant to state law or regulation.

The County recently transitioned to a new fiscal year that will begin on October 1 and end on September 30 of the next calendar year. In order to implement this change, the County had a seven month stub fiscal year that began on March 1, 2022 and ended on September 30, 2022. The County will issue financial statements within 180 days of the September 30, 2022 end of the seven month stub fiscal year. The next fiscal year is a full twelve month fiscal year that began on October 1, 2022 and will end on September 30, 2023.

### **Independent Auditor**

Appendix B to this Offering Memorandum contains the County's audited financial statements for the fiscal year ended February 28, 2022. The financial statements of the County as of and for the Fiscal Year ended February 28, 2022, included in this Offering Memorandum have been audited by Deloitte & Touche LLP, an independent auditor, as stated in their report included with such financial statements in Appendix B.

The basic financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America and, in addition to financial information with respect to the County, include financial information with respect to the District, the Harris County Sports & Convention Corporation, the Harris County Redevelopment Authority, the Harris County Hospital District, doing business as Harris Health System, Harris County Housing Finance Corporation, Harris Center for Mental Help and IDD (formerly Mental Health and Mental Retardation Authority of Harris County), Harris County Industrial Development Corporation, Children's Assessment Center foundation, Inc., Harris County Health Facilities Development Corporation, Harris County Cultural Education Facilities Finance Corp. and Friends of County Pets, all of which are separate entities which are not obligated for the payment of the Notes. Accordingly, financial and statistical information with respect to such separate entities is generally not included in this Offering Memorandum.

The County's audited financial statements for the Fiscal Year ended February 28, 2022 were presented to the Commissioners Court in early September 2022. Following the acceptance of the audited financial statements, the County posted them to EMMA in accordance with its existing continuing disclosure agreements.

### **RATINGS**

S&P has assigned a rating of "A-1+" to the Notes and Fitch has assigned a rating of "F1+" to the Notes. The ratings reflect only the views of the rating agencies, from which an explanation of the significance of such ratings may be obtained. There is no assurance that ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal could have an adverse effect on the market price of the Notes. The County will undertake no responsibility to notify the owners of the Notes of any such revisions or withdrawals of the ratings.

NO DEALER, BROKER, SALESMAN, OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS OFFERING MEMORANDUM IN CONNECTION WITH THE OFFERING DESCRIBED HEREIN AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE NOTES OFFERED HEREBY, NOR SHALL THERE BE ANY OFFER OR SOLICITATION OF SUCH OFFER OR SALE OF NOTES IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION, OR SALE. NEITHER THE DELIVERY OF THIS OFFERING MEMORANDUM NOR THE SALE OF ANY OF THE NOTES IMPLIES THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF. THE INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED FROM THE COUNTY, PUBLISHED SOURCES, AND OTHER DATA FURNISHED BY THE COUNTY. THE DEALER MAKES NO REPRESENTATION AS TO EITHER THE ACCURACY OR COMPLETENESS OF THE INFORMATION HEREIN. ADDITIONAL COPIES OF THIS COMMERCIAL PAPER MEMORANDUM MAY BE REQUESTED FROM J.P. MORGAN SECURITIES LLC AT (212-832-7223).

**For Further Information - Please Contact:**

County

Harris County, Texas  
County Administration Building  
Office of Management and Budget  
1001 Preston Street, Suite 500  
Houston, Texas 77002  
Attention: Deputy Executive Director  
Telephone: (713) 274-1100  
Fax: (713) 437-5869

Dealer

Goldman Sachs & Co. LLC  
200 West Street, 5<sup>th</sup> Floor  
New York, NY 10282  
Telephone: (212)-902-6633  
Email: [ficc-municip-traders@gs.com](mailto:ficc-municip-traders@gs.com)  
Attention: Municipal Money Market Sales and Trading – CP and Notes Trading

**APPENDIX A  
(BANK DISCLOSURE)**

**[TO COME]**

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## **APPENDIX B**

**County's Audited Financial Statements for Fiscal Year Ended February 28, 2022**



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## **APPENDIX C**

### **Form of Legal Opinion**

Harris County, Texas  
General Obligation Commercial Paper Notes, Series D

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**EXHIBIT C-2**

**FORM OF OFFERING MEMORANDUM FOR THE SERIES D-2 NOTES**

# **COMMERCIAL PAPER SPECIAL OFFERING MEMORANDUM**

## **HARRIS COUNTY, TEXAS**

### **GENERAL OBLIGATION COMMERCIAL PAPER NOTES, SERIES D-2**

J.P. Morgan Securities LLC (the “Dealer”) is offering for sale on behalf of Harris County, Texas (the “County”) the Harris County, Texas General Obligation Commercial Paper Notes, Series D-2 (the “Notes”) in the aggregate principal amount not to exceed \$300,000,000 outstanding at any one time. Capitalized terms used in this Offering Memorandum shall have the meanings assigned to such terms in the Order (defined below), except as otherwise indicated herein.

Interest on the Notes is payable on an actual/365-day year basis, and the Notes will be sold at par.

The Notes are authorized pursuant to Chapter 331, Texas Local Government Code, as amended, Chapters 1371 and 1431, Texas Government Code, as amended, and an order of the Commissioners Court of the County, adopted on September 29, 1998, as amended and restated on November 2, 1999, August 6, 2002, April 22, 2008, February 11, 2014, April 26, 2016, October 23, 2018, November 15, 2022 and January 10, 2023 (collectively, the “Order”). Portions of the Notes are issued pursuant to elections held on November 6, 2007 (the “2007 Election”), November 5, 2013 (the “2013 Election”), November 3, 2015 (the “2015 Election”) and November 8, 2022 (the “2022 Election”). (The foregoing authorities are collectively referred to herein as the “Authorizing Law”).

Pursuant to the Authorizing Law, the County is authorized to sell the Notes in one or more installments for certain authorized purposes, and provide for the payment of principal of and interest on the Notes through the levy of an annual limited ad valorem tax.

The Notes are exempt from registration under Section 3(a)(2) of the Securities Act of 1933, as amended. In the opinion of Orrick, Herrington & Sutcliffe LLP (“Note Counsel”), the interest on the Notes is excludable from gross income for federal income tax purposes under existing law. (See Appendix C for Note Counsel’s form of legal opinion.)

The County has entered into the Credit Agreement (as defined herein under “Liquidity Facility”) with State Street Bank and Trust Company (the “Bank”), whereby the Bank has agreed to provide a revolving line of credit up to \$300,000,000 for the payment from time to time of principal of any or all maturing Notes. The Credit Agreement expires on November 12, 2024; subject to extension or earlier termination as provided therein. See “THE NOTES – Liquidity Facility.”

Prospective Note purchasers are advised that upon the occurrence of a Special Event of Default under the Credit Agreement, the obligation of the Bank to make Advances under the Credit Agreement shall automatically and immediately terminate or suspend as the case may be without tender, notice or payment, and to the extent permitted by law, all Obligations of the County to the Bank thereunder shall immediately become due and payable. See “THE NOTES – Events of Default and Remedies” and “THE NOTES – Special Events of Default and Remedies.”

If for any reason sufficient funds are not available under the Credit Agreement for the Notes (including in the event of the occurrence of a Special Event of Default, as defined in the Credit Agreement and defined herein) to pay the principal thereof when due and payable on their respective maturity dates, the County cannot provide any assurance that it will have sufficient funds on hand and available to make such payment of principal of the Notes supported by the Credit Agreement or to make such payments in a timely manner. Payments of amounts owing in respect of such Notes shall thereafter be made in accordance with the terms of the Order as amounts are available for such purpose.

THE NOTES 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 NOTES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE NOTES HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED

AS A RECOMMENDATION THEREOF. THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

This Offering Memorandum includes descriptions and summaries of certain events, matters and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Offering Memorandum in its entirety and to each such document, copies of which may be obtained from the County. Any statements made in this Offering Memorandum or the appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

This Offering Memorandum is delivered in connection with the sale of securities referred to herein and may not be reproduced or used, in whole or in part, for any other purposes. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized by the County to give any information or to make any representation other than those contained herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by the County, the Dealer, or any other person. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE DEALER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Dealer has provided the following sentence for inclusion in this Offering Memorandum. The Dealer has reviewed the information in the Offering Memorandum in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of the transaction, but the Dealer does not guarantee the accuracy or completeness of such information

Dated: [\_\_\_\_], 2022

**J.P. MORGAN, as Dealer**

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## **THE COUNTY**

### **Administration**

Harris County is a southeast Texas county and a major component of the Houston Primary Metropolitan Statistical Area. The County's population was estimated to be 4.7 million as of July 1, 2021, according to the Bureau of the Census estimates, Harris County Appraisal District data and historical trends.

The County Judge and the four County Commissioners who comprise the Commissioners Court, the County Tax Assessor-Collector and the County Treasurer, all of whom are elected officials, and the County Auditor have responsibility for the financial administration of the County.

The Commissioners Court is the governing body of the County. It has certain powers expressly granted to it by the Texas Legislature (the "Legislature") and powers necessarily implied from such grant. Its duties include approval of the County budget, determination of County tax rates, approval of contracts in the name of the County, calling elections, issuance of bonds and appointments of certain County officials.

The County Judge, Lina Hidalgo, is the presiding officer of the Commissioners Court. The County Judge is elected by voters, on a County-wide basis, to a four-year term of office.

The County Commissioners are Rodney Ellis, Adrian Garcia, Tom S. Ramsey and Lesley Briones. Each County Commissioner represents one of the four precincts into which the County is divided and is elected by the voters of the applicable precinct to a four-year term of office.

The County Assessor-Collector and Voter Registrar, Ann Harris Bennett, is an elected official of the County responsible for assessing and collecting ad valorem taxes and processing voter registration in the County. The County Tax Assessor-Collector and Voter Registrar is elected by voters, on a County-wide basis, to a four-year term of office.

The County Treasurer, Carla L. Wyatt, is an elected official of the County and the chief custodian of County funds, whose duties include the receipt of all monies belonging to the County from whatever source they may be derived, the deposit of such funds in a designated depository, and the payment and application or disbursement of such funds, in such manner as the Commissioners Court may require or direct not inconsistent with law. The County Treasurer is elected by voters, on a County-wide basis, to a four-year term of office.

The County Auditor, Michael Post, CPA, MBA, has oversight responsibility for the financial books and records of the County and its officials. The duties of the County Auditor include prescribing accounting procedures, preparing statutorily required financial reports, budgetary oversight, and performing financial and compliance audits. The County Auditor is appointed for a two-year term by the State District Judges of the County.

The County Clerk, Teneshia Hudspeth, is an elected official of the County. The County Clerk's office maintains the records of the County's Commissioners Court, Probate Courts and the Civil Courts at Law. The County Clerk is elected by voters, on a County-wide basis, to a four-year term of office.

The County Attorney, Christian D. Menefee, an elected official of the County, advises and represents the County and its officers and employees in connection with legal matters. The County Attorney is elected by voters, on a County-wide basis, to a four-year term of office.

The County Administrator, David Berry, is appointed by Commissioners Court and is charged with day-to-day oversight of County government and providing guidance and coordination to all County departments.

The County Budget Director, Daniel Ramos, is appointed by Commissioners Court and is responsible for the County Budget, preparing proposed annual budgets and has responsibility for both the County's investments and debt management.

### **Ad Valorem Tax Levy and Tax Data**

Article VIII, Section 9 of the Texas Constitution imposes a limit of \$0.80 per \$100 assessed valuation for all purposes of a county's general fund, permanent improvement fund, road and bridge fund and jury fund, including debt service on bonds or other debt issued against such funds (the "\$0.80 Tax Limitation"). The County has consolidated all of these constitutional purposes into a general fund tax levy, subject to the \$0.80 Tax Limitation (the "General Fund Tax"). The Notes are payable from the General Fund Tax. Administratively, the Attorney General of the State of Texas (the "Attorney General") will not approve limited tax obligations in an amount which produces debt service requirements exceeding which can be paid from \$0.40 of the foregoing \$0.80 Tax Limitation, as calculated at the time of issuance.

The Texas Constitution also authorizes the County to levy, with voter approval, (1) a tax, without legal limit as to rate or amount, to pay debt service on the County's road bonds, and (2) a special road and bridge fund tax, not to exceed \$0.15 per \$100 of assessed valuation for restricted purposes.

The Commissioners Court adopts tax rates for the County by September 1 of each year, or as soon thereafter as is practicable. Title 1 of the Texas Tax Code (the "Property Tax Code") provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the latter of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and the failure to adopt a tax rate by such required date will result in the tax rate for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Such rates are based on the assessed values on January 1 of each year, as shown on the tax roll approved by the Appraisal Review Board of the Harris County Appraisal District (the "Appraisal District"), which must be used by the County for such purpose. The Property Tax Code imposes limitations on certain tax increases. The Commissioners Court may under certain circumstances be required to publish notice and hold a public hearing on a proposed tax rate before voting on the tax rate. If the tax rate adopted exceeds by more than 3.5% the rate needed to pay debt service and certain contractual obligations, and to produce, when applied to the property that was on the prior year's roll, the prior year's taxes levied for purposes other than debt service and such contractual obligations, such excess portion of the levy may be repealed at an election within the County held upon petition of 7% of the qualified voters of the County.



## County Assessed Values and Tax Rates

The following table shows the County's assessed values calculated as of the Fiscal Year end for each year shown and tax rates for each of the tax years 2018 through 2022 (of which 2022 is interim data). Taxable property is assessed at 100% of the appraised value as established by the Appraisal District.

(Dollars In Thousands)

<b>Tax Year</b>	<b>Fiscal Year Ended Feb. 28/29</b>	<b>Real Property<sup>(a)</sup></b>	<b>Personal Property<sup>(a)</sup></b>	<b>Less Exemptions &amp; Abatements<sup>(b)(c)</sup></b>	<b>Total Taxable Value</b>	<b>Tax Rate</b>
2018	2019	506,160,004	69,574,097	127,319,737	448,414,364	0.41858
2019	2020	545,499,934	72,456,577	135,755,513	482,200,998	0.40713
2020	2021	580,139,657	72,974,712	148,263,829	504,850,540	0.39116
2021	2022	606,314,651	67,781,102	156,340,901	517,754,852	0.37693
2022	9/30/2023 <sup>(d)</sup>	667,717,403 <sup>(e)</sup>	69,686,425 <sup>(e)</sup>	162,882,218 <sup>(e)</sup>	574,521,610 <sup>(e)</sup>	0.34373

(a) Property in the County is currently reassessed each year, and is required by law to be reassessed every three years. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value.

(b) The County currently grants an exemption to the market value of the residence homestead of persons 65 years of age or older or disabled persons of \$250,000. If requested, the County must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans or of persons who died while on active duty in an amount not to exceed \$3,000 of assessed value. The County may also authorize exemptions of up to 20% of the value of residential homesteads from ad valorem taxation. The Commissioners Court has granted a 20% exemption.

(c) The County and certain taxing units located within the County may enter into tax abatement agreements to encourage economic development. Prior to entering into a tax abatement agreement, a taxing entity must adopt guidelines and criteria for establishing tax abatements that such entity will follow in granting tax abatements to property owners. Tax abatement agreements may exempt from ad valorem taxation by a taxing entity, for a period of up to 10 years, all or any part of the assessed valuation of property covered by the agreement in excess of its assessed valuation in the year in which the agreement is executed, on the condition that the property owner makes specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. The terms of all tax abatement agreements of a taxing entity must be substantially the same. See the County's Tax Abatement Guidelines re-adopted by the Commissioners Court on October 27, 2020 in accordance with the Property Tax Code for more information. The estimated value of property in the County that was subject to tax abatement as of October 7, 2022, is approximately \$141 million and such value at the end of the abatement period is currently estimated to be approximately \$364 million.

(d) Due to the change in the County's fiscal year, Tax Year 2021 corresponds to fiscal year ending February 28, 2022 and September 30, 2022. Tax Year 2022 corresponds with the fiscal year ending September 30, 2023.

(e) The values presented are as of August 19, 2022.

Source: Harris County Tax Assessor-Collector and Harris County Auditor's Office.

## Tax Increment Reinvestment Zones

State law authorizes municipalities and counties in the State, by action of its governing body or upon petition of affected landowners, to establish one or more tax increment reinvestment zones ("TIRZs") for the purposes of development or redevelopment of the territory within such zones. The County may elect to create a TIRZ in which it and other taxing entities within the County may elect to participate. In addition, the County and certain taxing units located within the County may elect to participate in TIRZs created by a municipality within the County.

The participating taxing units in a TIRZ contribute some or all of the tax revenues generated by the incremental growth in taxable value of real property in the TIRZ to pay costs of public infrastructure or other public improvements in the TIRZ and to supplement or act as a catalyst for private development in the TIRZ. Taxes levied against the incremental increase in assessed value in the TIRZ may be used only to pay project and financing costs within or

benefitting the TIRZ and are not available for the payment of other obligations of the participating taxing units. In a TIRZ created by a municipality, the TIRZ, or a non-profit local government corporation authorized by a municipality to administer the TIRZ, may pledge incremental tax revenue to support bonds or other obligations of the TIRZ. In a TIRZ created by a county, state constitutional limitations restrict a county or local government corporation acting on its behalf from pledging incremental tax revenue to support bonds or other obligations of the TIRZ. TIRZs generally are created for a period of up to 30 years.

The County has not created any TIRZs. The County currently participates in five TIRZs created by municipalities within the County: City of Houston (Market Square TIRZ #3, East Downtown TIRZ #15, Greater Houston #24), City of Baytown (Baytown TIRZ #1), and City of LaPorte (LaPorte TIRZ #1). The total amount of the County's contribution in such TIRZs for Tax Year 2021 is \$9,774,305.

### County Tax Levies, Collections and Delinquencies

The table below sets forth a comparison of the aggregate ad valorem taxes levied and collected by the County (excluding the Harris County Flood Control District (the "District" or "Flood Control District"), the Port of Houston and the Hospital District/Harris Health) for the tax years 2017 through 2021. Taxes for tax year 2022 are due January 31, 2023.

#### (Dollars in Thousands)

Tax Year	Fiscal Year Ended Feb. 28/29	Taxes Levied for the Fiscal Year	Adjusted Levy as of the End of Current Fiscal Year	Collected within the Fiscal Year of the Levy		Total Collections to February 28, 2022	
				Amount <sup>(a)</sup>	Percentage of the Levy	Amount	Percentage of Levy
2017	2018	\$1,822,187	\$1,788,250	\$1,723,979	94.6	\$59,597	\$1,783,576 99.7
2018	2019	1,876,068	1,842,253	1,787,008	95.3	49,658	1,836,666 99.7
2019	2020	1,961,756	1,922,542	1,867,058	95.2	44,017	1,911,075 99.4
2020	2021	1,972,700	1,935,900	1,838,347	93.2	75,891	1,914,238 98.9
2021	2022	1,951,928	1,951,928	1,853,156	94.9	----	1,853,156 94.9

- (a) Taxes levied in any year which are collected beginning November 1 of such year through June 30 of the following year are shown as current collections. Such amounts include that portion of the current levy collected on or after February 1, which is the date taxes become legally delinquent. The amounts in this column are reflected as of the last day of February of the years shown.
- (b) Collections for prior years' levies of taxes during the period beginning July 1 of the year shown and ending on June 30 of the following year are shown as delinquent collections which apply to prior tax years and are collected for multiple tax years. The accumulation of all unpaid ad valorem taxes which were due at the end of the collection period beginning on July 1 of the year shown and ending on June 30 of the following year is shown as delinquent taxes receivable.

Source: Harris County Tax Assessor-Collector and Harris County Auditor's office.

### Tax Debt Outstanding

The following table shows the total principal amount of the County's debt outstanding payable from ad valorem taxes as of October 31, 2022. The outstanding long-term tax debt is payable from separate taxes levied for debt service:

	<b>County's Total Outstanding Long- Term Debt</b>
Limited Tax Debt <sup>(a)</sup>	\$ 750,752,125
Unlimited Tax Bonds	672,645,000
District Flood Contract Tax Bonds <sup>(b)</sup>	317,320,000
Toll Road Unlimited Tax Bonds <sup>(c)</sup>	151,335,000
Total	\$ 1,892,052,125
Less: Toll Road Unlimited Tax Bonds	<u>(151,335,000)</u>
Total (approximately 0.33% of Tax Year 2021 Taxable Assessed Value)	\$ 1,740,717,125

- (a) Excludes approximately \$30 million of the County's Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2022, which are expected to close on December 15, 2022.
- (b) The Flood Control District's (the "District") Contract Tax Bonds are payable from contractual payments made by the County to the Flood Control District secured by the County's limited tax pursuant to the Flood Control Projects Contract. Excludes the District's Limited Tax Bonds paid for by the District's ad valorem tax revenues.
- (c) Toll Road Unlimited Tax Bonds are additionally secured by a subordinate pledge of net revenues of the County's toll road system. It is the current intent of the County to pay the Toll Road Unlimited Tax Bonds solely from toll road revenues and, historically, no ad valorem tax revenue has been required to pay the outstanding Toll Road Unlimited Tax Bonds.

Source: Harris County Office of Management and Budget.

## Commercial Paper

In addition to the outstanding long-term tax debt shown in the table "Tax Debt Outstanding," the Commissioners Court has established commercial paper programs secured by a levy of ad valorem taxes or toll road revenues for the purposes of financing various short-term assets and providing temporary construction financing for certain long-term fixed assets. The commercial paper program totals \$2.175 billion and consists of the following ten commercial paper programs:

Series	Program Amount	Security	Liquidity Bank	Liquidity Expiration
A-1	\$100 Million	limited tax	State Street Bank	8/19/2027
B	\$40 Million	limited tax	State Street Bank	8/19/2027
C <sup>(b)</sup>	\$360 Million	unlimited tax	Sumitomo Mitsubishi	12/9/2025
D	\$200 Million	limited tax	JPMorgan Chase	8/19/2025
D-2	\$300 Million	limited tax	State Street Bank	11/12/2024
D-3	\$200 Million	limited tax	Wells Fargo	11/12/2024
H	\$500 Million	limited tax	JPMorgan Chase	12/10/2024
H-2	\$200 Million	limited tax	PNC Bank	2/24/2025
J-1	\$75 Million	limited tax	Bank of America	7/1/2023
K <sup>(a)</sup>	\$200 Million	Toll road revenues	PNC Bank	4/22/2025

- (a) Series K was established under the Toll Road First Lien Revenue Bond Trust Indenture and it replaced the Series E-1 Note program. Series E-1 was closed on May 2, 2022.
- (b) The County is in the process of increasing Series C by \$100 million, from \$260 million to \$360 million with Sumitomo Mitsubishi, and extending the expiration date from January 10, 2025 to December 9, 2025, to close early December.

The Series A-1 Notes are authorized to be issued to pay contractual obligations incurred for (i) the construction of and purchase of fixtures, equipment and machinery for or in connection with the County's criminal and civil justice centers and firefighter training facility, (ii) the purchase of automobiles and other vehicles, equipment and machinery, including computers, materials and supplies for the operations of County precincts and departments and other authorized needs and purposes of the County, and (iii) professional services, and are not required to be approved at an

election. The County's current practice is to issue Series A-1 Notes to finance technology improvements.

A portion of the Series B Notes (parks and libraries) and all of the Series D-2 Notes (roads and bridges) are issued pursuant to voted authorization obtained at elections held within the County in November 2001, November 2007, November 2015 and November 2022. A portion of the Series B Notes are authorized to be issued for certain purposes (libraries) not required to be approved at an election.

The Series D Notes, Series D-2 Notes and Series D-3 Notes are authorized to be issued to pay contractual obligations incurred for (i) the construction of public works, to wit: the construction or renovation of the Civil Justice Center, Juvenile Justice Center, Juvenile Detention Center and County Courthouse, (ii) the purchase of automobiles and other vehicles, equipment and machinery, including computers, materials and supplies for the operation of the County's precincts and departments (including particularly those relating to tax assessment and collection, juvenile services, budgeting, administration and auditing, facility maintenance, law enforcement, health and roads) and other authorized needs and purposes of the County, and (iii) professional services, and are not required to be approved at an election. In addition, a portion of the Series D Notes, Series D-2 Notes and Series D-3 Notes (permanent improvements and parks) are authorized to be issued pursuant to voted authorization obtained at elections held within the County in November 2007 (Forensic Lab, Family Law Center and Parks), November 2013 (Joint Processing Center) and November 2015 (Animal Shelter and Parks).

The Series K Notes are authorized to be issued to pay the costs of acquiring, constructing, operating, maintaining, and improving toll road project components.

The Series H and H-2 Notes (flood control) are authorized to be issued pursuant to voted authorization obtained at elections held within the District in November 2015 (acquiring land, construction, maintenance and/or operations of or on behalf of the District) and August 2018 (financing flood control projects for the District, including purchasing lands, easements, rights-of-way and structures, and for the acquisition and construction of improvements, including detention basins, channel modifications and other works suitable for use in connection with flood damage reduction).

The Series J-1 Notes (disaster recovery) are authorized to be issued to (i) pay contractual obligations for (a) the construction of public works, (b) the purchase and capital lease of materials, supplies, equipment, machinery, buildings, lands and right-of-way for the County's authorized needs and purposes and (c) professional services; (ii) the demolition of dangerous structures; and (iii) the accomplishment of any other purpose the County considers necessary in relation to preserving or protecting public health and safety.

As of September 30, 2022, specific projects have been approved for no more than \$356.303 million of commercial paper. As of such date, the County had outstanding \$133.725 million of commercial paper, of which \$97.125 million was secured by the County's limited tax, \$0 million was secured by the County's unlimited tax and \$36.6 million was secured by toll road revenues. The District had no outstanding commercial paper.

## **Investments**

*General.* The County invests its investable funds in investments authorized by Texas law in accordance with written investment policies approved by the Commissioners Court, a copy of which is available upon request. Both State law and the County's investment policies are subject to change.

The Office of Management and Budget of the County invests all investable County funds, which include funds of the following departments or governmental bodies: the County, the District and the Toll Road Authority and the County Clerk and District Clerk Registry Funds. The County operates as an investment agent for the Greater HC 911 Emergency Network, HC Juvenile Probation, HC Community Supervision & Corrections, Harris County-Houston Sports Authority, Harris County Sports and Convention Corporation and Harris Health. Each of the above entities has a separate investment policy and investment portfolio and the funds are not commingled into a single pool of investments.

Current Texas law authorizes the County to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities; (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 of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by: (i) the Federal Deposit Insurance Corporation or its successor; or (ii) the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if: (i) the funds invested in the banking deposits are invested through: (a) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (b) a depository institution with a main office or branch office in this state that the investing entity selects; (ii) the broker or depository institution selected as described by clause (8)(i) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (iv) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (a) the depository institution selected as described by clause (8)(i); (b) an entity described by Section 2257.041(d); or (c) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (9) certificates of deposit that are issued by a depository institution that has its main office or a branch office in the State and is (i) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (ii) secured by obligations described in the preceding clauses, including mortgage

backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b) of the Texas Government Code; or (iii) secured in accordance with Chapter 2257 or in any other manner and amount provided by law for County deposits; (10) certificates of deposit that meet the following conditions: (i) the funds are invested by an investing entity through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the investing entity pursuant to Section 2256.025, Texas Government Code; or (B) a depository institution that has its main office or a branch office in this State and that is selected by the investing entity; (ii) the broker or the depository institution selected by the investing entity under (i) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity; (iii) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (iv) the investing entity appoints the depository institution selected by the investing entity under (i), an entity described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity; (11) fully collateralized repurchase agreements that have a defined termination date, are fully secured by cash or obligations described in clause (1), require the securities being purchased by the County or cash held by the County to be pledged to the County, held in the County's name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (12) securities lending programs if (i) the value of the securities loaned under the program are not less than 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) pledged irrevocable letters of credit issued by a bank organized under the laws of the United States or any other state, that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) and (17) below, (ii) securities held as collateral under a loan are pledged to the County and held in the County's name, (iii) deposited at the time the investment is made with the County or with a third party selected by or approved by the County; (iv) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State and (v) the agreement to lend securities has a term of one year or less; (13) bankers' acceptances that (i) have a stated maturity of 270 days or fewer from the date of their issuance, (ii) will be, in accordance with their terms, liquidated in full at maturity, (iii) are eligible for borrowing from a Federal Reserve Bank, and (iv) are accepted by a bank organized and existing under the laws of the United States or any state, if short-term obligations of the accepting bank, or of the bank holding company of which the bank is the largest subsidiary, are rated at least "A-1" or "P-1" or the equivalent by at one nationally recognized credit rating agency; (14) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (i) two (2) nationally recognized credit rating agencies or (ii) one (1) nationally recognized credit rating agency, if the paper is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; (15) no-load money market mutual funds registered with and

regulated by the Securities and Exchange Commission that provide the County with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and comply with federal Securities and Exchange Commission Rule 2a-7; (16) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two (2) years; and either (i) have a duration of one (1) year or more and are invested exclusively in obligations described in this paragraph; or (ii) have a duration of less than one (1) year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; (17) guaranteed investment contracts that have a defined termination date are secured by obligations described in clause (1) above in an amount at least equal to the amount of bond proceeds invested under such contract, and are pledged to the County and deposited with the County or with a third party selected and approved by the County; (18) certain eligible investment pools if the Commissioners Court by order authorizes investment in that particular pool; and (19) any other investment that may be authorized now or in the future by Chapter 2256, Texas Government code, as amended (the “Public Funds Investment Act”).

*Investment Policy.* Under Texas law, the County is required to invest its funds under a written investment policy that primarily emphasizes safety of principal and liquidity and that addresses investment diversification, yield, maturity, and the quality and capability of investment management. The County adopted its current investment policy on September 30, 2022, effective October 1, 2022. All County funds must be invested in investments that are consistent with the operating requirements of the County.

### **Retirement Program and Other Post-Employment Benefits**

The Texas County and District Retirement System (the “System” or “TCDRS”) administers a combined retirement program for officials and eligible employees of the County. The County provides retirement and disability benefits for all of its employees (excluding temporary employees) through a non-traditional defined benefit pension plan in the statewide TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the system. TCDRS does not receive State funding. Each plan is funded independently by participating counties, districts and employees. TCDRS in the aggregate issues a Annual Comprehensive Financial Report on a calendar year basis. The 2021 Annual Comprehensive Financial Report is available at <https://www.tcdrs.org/globalassets/library/reports/2021-annual-report.pdf>.

The Texas Legislature created TCDRS in 1967. Since then, TCDRS has grown into a multi-billion dollar trust with more than 800 participating employers. TCDRS is a savings-based plan. TCDRS employers, such as the County, advance fund their plans over the length of their employees’ careers. Unlike traditional pension plans where the benefit is based on the final salary and length of career, the TCDRS benefit is based on the total final employee savings balance and employer matching. Also, with TCDRS, employers have flexibility and local control to choose benefit levels to meet their needs and budgets.

TCDRS commissions an annual actuarial valuation of the plan. The County’s annual contribution rate is determined as a part of the annual actuarial valuation and consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan’s 20-year amortization period using the entry age actuarial cost method. The TCDRS Board reduced the investment return assumption from 8.0% to 7.5% effective December

31, 2020 and used a portion of the system's reserves and re-amortized liabilities to help mitigate increases to employer contribution rates. The County's required contribution rate for calendar year 2022 is 15.70% based upon a December 31, 2021 actuarial valuation date compared to 15.70% for calendar year 2022. The County elected to contribute 15.1% for calendar year 2021 and 15.7% for 2022. The County's net pension asset measured as of December 31, 2021 was \$253,106,274. The fiduciary net position as a percentage of total pension asset at December 31, 2021 was 103.21%. For a description of the plan, including County and employee contributions for the most recent fiscal year and the possibility of unfunded liabilities, see Note 9: Retirement Plan to the County's annual comprehensive financial report attached hereto as Appendix B.

The County is subject to GASB 75, which requires the County to estimate the liabilities of its retiree healthcare plan (other post-employment benefits or "OPEB"), as well as recognize contribution amounts and reserves relating to its OPEB plans for current retirees and employees. The net OPEB liability for the County retiree health care benefits as of February 28, 2022, was \$3,944,766,171 using a 2.25% discount rate. The County may modify its OPEB plans in the future and such liabilities may change. See Note 10: Other Postemployment Benefits to the annual comprehensive financial report attached hereto as Appendix B.

## Operating Funds Budget

On February 8, 2022, the Commissioners Court adopted the budget for the County for the period ending 9/30/2022. The budget included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the period ending 9/30/2022 budget for the County's Current Operating Fund:

Cash Balance as of March 1, 2022	\$ 1,474,473,749
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	73,138,923
Charges for Services	162,019,250
Fines and Forfeitures	7,539,471
Intergovernmental Revenues	37,371,638
Interest	2,865,085
Other	23,257,868
Total Cash and Estimated Revenues	<u>\$ 1,780,665,984</u>
Appropriations:	
Current Operating Expenses	\$ 1,728,039,423
Capital Outlay:	
Roads	22,495,284
Parks	30,131,277
Total Appropriations	<u>\$ 1,780,665,984</u>

## Tax Anticipation Borrowing

In the years prior to Fiscal Year 2017, the County engaged in a tax anticipation program for the purpose of providing funds for the payment of working capital expenditures of the County until ad valorem taxes were received. A concerted effort was made starting in 2012 to improve the County's financial condition to eliminate tax anticipation borrowing. This effort resulted in an



annual reduction in tax anticipation borrowing, until tax anticipation borrowing was eliminated in Fiscal Year 2017.

## General Fund Balances For Fiscal Years 2018 through 2022

The table below shows the County's General Fund balances for Fiscal Years 2018 through 2022. The information provided in such table was prepared using the modified accrual basis of accounting.

	<u>2018<sup>(a)</sup></u>	<u>2019<sup>(a)</sup></u>	<u>2020<sup>(a)</sup></u>	<u>2021<sup>(a)</sup></u>	<u>2022<sup>(a)</sup></u>
Unrestricted Cash Balance	\$1,538,868,819	\$1,670,575,919	\$1,846,640,401	\$2,214,359,440	\$2,070,937,648
Revenues/Other Sources	2,423,710,761	2,399,964,348	2,518,023,895	3,114,995,974	2,774,583,653
Expenditures/Other Uses	2,276,019,431	2,265,649,889	2,336,868,442	2,758,655,593	2,965,777,817
Fund Balance:					
Nonspendable	8,405,900	9,325,408	13,053,415	5,192,842	6,701,664
Restricted	512,962,739	532,074,026	533,151,681	944,737,889	781,834,387
Committed	0	0	0	0	73,236,168
Assigned	50,988,858	40,139,177	31,299,415	27,414,385	56,831,745
Unassigned	<u>1,162,834,872</u>	<u>1,287,968,217</u>	<u>1,473,157,770</u>	<u>1,379,657,546</u>	<u>1,297,204,536</u>
Total Fund Balances	\$1,735,192,369	\$1,869,506,828	\$2,050,662,281	\$2,407,002,662	\$2,215,808,498

(a) The amounts for the fiscal years shown above include the general fund, general fund debt service, public improvement contingency fund and mobility fund.

Source: Harris County Auditor's Office

The above information has been included in order to indicate the general economic health of the County. However, the Notes are secured only by the levy of ad valorem taxes. Fund balances shown above are not available for debt service on the Notes except to the extent such fund balances represent collections of taxes levied for the Notes.

## THE NOTES

The Order authorizing the Notes provides that the Notes may be issued to (i) pay contractual obligations incurred or to be incurred for the construction of public works, (ii) pay contractual obligations incurred or to be incurred for the purchase of materials, supplies, equipment, machinery, buildings, lands and rights-of-way for the County's authorized needs and purposes, (iii) for any other purposes authorized under the Act, including but not limited to any public works; (iv) pay contractual obligations incurred or to be incurred for professional services, including services provided by engineers, architects, attorneys, auditors, financial advisors and fiscal agents in connection with the contractual obligations described in (i), (ii) and (iii) above, and (v) refinance, renew or refund the Notes of the same series and loans made for the payment of principal on such Notes.

Pursuant to the 2007 Election, the Notes may also be issued for (1) purchasing, constructing, improving and equipping medical and health care buildings, including purchasing or improving sites for such buildings, including a Medical Examiner's Forensic Center, in the amount of \$80,000,000 (of which \$5,180,000 remains unissued), (2) purchasing, constructing, improving and equipping courthouses, including purchasing or improving sites for courthouses, including a Family Law Center, in the amount of \$70,000,000 (of which \$70,000,000 remains unissued), and

(3) acquiring or improving land, buildings or historically significant objects for park purposes or for historic or prehistoric preservation purposes, which may include joint facilities with other political subdivisions, in the amount of \$29,000,000 (of which \$0 remains unissued); all as more fully described, authorized and provided in the legal proceedings of the 2007 Election,

Pursuant to the 2013 Election, the Notes may also be issued for acquiring, constructing and improving land and buildings within and for the County for an adult detention central joint processing center and related facilities, including a heating and cooling plant and parking facilities, in the amount of \$70,000,000, all as more fully described, authorized and provided in the legal proceedings of the 2013 Election. There is no voted authority remaining for the 2013 Election.

Pursuant to the 2015 Election, the Notes may also be issued for acquiring, construction and improving land, buildings, or in the aid and maintenance thereof for parks, in the amount of \$60,000,000, (of which \$35,382,000 remains unissued) all as more fully described, authorized and provided in the legal proceeds of the 2015 Election, provided that the amount of Notes issued for park purposes pursuant to the 2015 Election, together with the amount of notes issued under the Harris County, Texas General Obligation Commercial Paper Notes, Series B Program for park purposes pursuant to the 2015 Election, may not exceed \$60,000,000. The Notes may also be issued for construction and improving land, buildings, or in the aid and maintenance thereof, for the veterinary public health adoption and care center and associated buildings, in the amount of \$24,000,000 (of which \$0 remains unissued), as more fully described, authorized and provided in the legal proceedings of the 2015 Election.

Pursuant to the 2022 Election, the Notes may also be issued for constructing, improving, renovating, equipping and acquiring land and interest in land, buildings, facilities, courthouses and related equipment for public safety purposes, in the amount of \$100,000,000 pursuant to the 2022 Election (of which \$100,000,000 remains unissued); construction, maintenance, operation and road drainage of macadamized, graveled or paved roads, or in aid thereof, including acquiring land and rights-of-way therefor, road drainage, bike lanes, sidewalks and shared use paths, and replacement and improvement of road bridges and culverts, in the amount of \$900,000,000 pursuant to the 2022 Election (of which \$900,000,000 remains unissued), provided, that the amount of Notes issued for road purposes pursuant to the 2022 Election, together with the amount of notes issued under the Harris County, Texas General Obligation Commercial Paper Notes, Series C Program for road purposes pursuant to the 2022 Election, may not exceed \$900,000,000; constructing, improving, renovating, equipping and acquiring land and interest in land, buildings and facilities for county parks and recreational purposes, in the amount of \$200,000,000 pursuant to the 2022 Election (of which \$200,000,000 remains unissued), provided, that the amount of Notes issued for park purposes pursuant to the 2022 Election, together with the amount of notes issued under the Harris County, Texas General Obligation Commercial Paper Notes, Series B Program for park purposes pursuant to the 2022 Election, may not exceed \$200,000,000.

The Notes may also be issued to refinance, renew or refund Notes, Loans and Loan Notes and to pay the costs and expenses of the issuance of the Notes, including fees for professional services.

On each date that Notes are initially issued, the Authorized Representative (as defined in the Order) shall designate the authorized purpose or purposes for which such Notes are to be issued.

The Notes will be offered at par only, will mature in not more than 270 days from the date of issue, and will pay par plus interest at maturity. The Notes will be payable at the office of U.S. Bank National Association, as the Issuing and Paying Agent. Interest on the Notes is payable on an actual/365-day basis. The interest on the Notes may not exceed the lesser of 10% per annum or the maximum rate allowable by law. A minimum purchase of \$100,000 aggregate principal amount and multiples of \$1,000 thereafter is required.

The Notes are issuable in book-entry form through the book-entry system of the Depository Trust Company, New York, New York (“DTC”). The County has issued a single Master Note for each series registered in the nominee name of DTC. The Master Notes have been deposited with the Issuing and Paying Agent under the terms of an Issuing and Paying Agent Agreement with the County. Physical notes will still be available in those instances where book-entry cannot be accomplished.

The Order provides that (i) any Note issued prior to April 15, 2008 must be repaid by July 1, 2017 (which is a date prior to the fifteenth anniversary of the date of the Attorney General’s approval of the proceedings relating to the amendments to the Order approved by the Commissioners Court on August 6, 2002); (ii) any Note issued after April 15, 2008 but prior to March 1, 2014 must be repaid by February 15, 2029 (which is a date prior to the fifteenth anniversary of the date of the Attorney General’s approval of the proceedings relating to the amendments to the Order approved by the Commissioners Court on February 11, 2014); (iii) any note issued on or after March 1, 2014 but prior to April 26, 2016 must be repaid by June 1, 2031 (which is a date prior to the fifteenth anniversary of the date of the Attorney General’s approval of the proceedings relating to the amendments to the Order approved by the Commissioners Court on April 26, 2016); (iv) any Note issued on or after April 26, 2016 but prior to November 15, 2022, must be repaid by November 1, 2033 (which is a date prior to the fifteenth anniversary of the date of the Attorney General’s approval of the proceedings relating to the amendments to the Order approved by the Commissioners Court on October 23, 2018); (v) any Note issued on or after November 15, 2022, but prior to January 10, 2023 must be repaid by December 1, 2037 (which is a date prior to the fifteenth anniversary of the date of the Attorney General’s approval of the proceedings relating to the amendments to the Order approved by the Commissioners Court on November 15, 2022); (vi) any Note issued on or after January 10, 2023 must be repaid by December 1, 2053; *provided, however*, that, for any Notes issued pursuant to an Election, no Note may mature beyond the maximum maturity date approved at the election pursuant to which such Note has been authorized.

### **Liquidity Facility**

*The following summarizes certain provisions of the Credit Agreement, dated as of November 13, 2018, as amended by the First Amendment to Credit Agreement dated as of August 3, 2021 and effective as of November 13, 2021 and by the Second Amendment to Credit Agreement, dated as of December 6, 2022 (together with any other amendments or supplements thereto, the “Credit Agreement”), by and between the County and State Street Bank and Trust Company (the*

*“Bank”). The following summary does not purport to be a full and complete statement of the provisions of the Credit Agreement, which should be read in full for a complete understanding of all the terms and provisions thereof. Capitalized terms not defined under this caption shall have the meanings ascribed to such terms in the Credit Agreement.*

Pursuant to the Credit Agreement, the Bank has committed, subject to certain terms and conditions, to provide a revolving line of credit for the purpose of making advances (“Advances”) to the County for the payment from time to time of the principal of any or all maturing Notes. The initial amount of the commitment (the “Commitment”) under the Credit Agreement is \$300,000,000, subject to reduction from time to time pursuant to the Credit Agreement. The Bank has agreed to make Advances to the County under the Credit Agreement in an amount not to exceed on the date of any Advance the Commitment less the aggregate principal amount of Advances or Term Loans outstanding (such amount, the “Available Commitment”).

The Commitment and the obligation of the Bank to make Advances under the Credit Agreement shall expire or terminate on the first to occur of (i) November 12, 2024, as such date may be extended pursuant to the Credit Agreement (the “Final Date”), (ii) the date that the amount of the Commitment is permanently reduced to \$-0- pursuant to the Credit Agreement, including as a result of the delivery of a credit agreement in substitution of the Credit Agreement, or (iii) the date the Commitment is terminated pursuant to the Credit Agreement, including as a result of an event described below under “Events of Default and Remedies” (such date being the “Termination Date”).

On or after the date which is 120 days prior to the Final Date, the County may submit a written request to the Bank to extend the Final Date for a time mutually acceptable to the Bank and the County. The Bank has agreed to deliver the Bank’s response in writing to the County within 30 days from the date of receipt of such request. Failure by the Bank to respond to the County’s request for extension within such time period shall be considered a rejection of such request. If the Bank, in its sole discretion, agrees to such extension, then the Bank and the County shall enter into an amendment of the Credit Agreement and the County has agreed to deliver a copy of any such amendment, executed by both of the parties thereto, to the Issuing and Paying Agent, the Dealer, and to the Rating Agencies.

### **Non-Issuance Instruction**

Upon the occurrence or continuance of an Event of Default or a Special Event of Default (each as described below under “Events of Default and Remedies” and under “Special Events of Default and Remedies,” respectively), the Bank has the right to deliver to the County and the Issuing and Paying Agent a Non-Issuance Instruction in the form attached to the Credit Agreement. Any Non-Issuance Instruction given by the Bank to the County and to the Issuing and Paying Agent pursuant to the Credit Agreement shall specify the then existing Events of Default as being the reason or reasons to cease issuing, authenticating and delivering Notes (other than Notes permitted to be issued, authenticated and delivered as provided in the second paragraph under this sub-caption below). If the Bank shall deliver a Non-Issuance Instruction to, and such Non-Issuance Instruction has been received by, the County and the Issuing and Paying Agent on or before 8:30 a.m. New York City time on a Business Day, then the County shall not, and shall cause the Issuing and Paying Agent not to, issue, authenticate or deliver any Notes (other than Notes permitted to be issued, authenticated and delivered as provided in the second paragraph under this sub-caption

below) from and after such Business Day until such time as all previously delivered Non-Issuance Instructions that have been received by the County and the Issuing and Paying Agent have been revoked by the Bank as provided in the fourth paragraph under this sub-caption below. The County shall not, under any circumstances, so long as any Non-Issuance Instruction remains in effect, request the Dealer to purchase or sell any Notes (other than Notes permitted to be issued, authenticated and delivered as provided in the second paragraph under this sub-caption below).

The foregoing paragraph notwithstanding, the County and the Issuing and Paying Agent may issue, authenticate and deliver Notes (i) on the date of receipt of a Non-Issuance Instruction, (ii) pursuant to a written agreement between the County and the Dealer to which the Bank has previously consented in writing with respect to agreements for the sale of Notes concluded by the Dealer prior to the Dealer's receipt of notice from the Bank, the Issuing and Paying Agent or the County of a Non-Issuance Instruction, or (iii) which constitute Refunding Notes if the Non-Issuance Instruction permits the issuance of Refunding Notes. For purposes of this paragraph, an agreement for the sale of Notes shall be deemed concluded when it has become a final agreement in accordance with the customary practice of commercial paper dealers or placement agents in New York County.

Concurrently with the giving of any Non-Issuance Instruction to the County and the Issuing and Paying Agent, the Bank and, promptly upon receipt of such Non-Issuance Instruction, the County shall give notice thereof to each Dealer and each Rating Agency (in each case to the extent each such Rating Agency then provides an investment rating with respect to the Notes), but the failure of the Bank or the County to do so shall not impair the effectiveness of any such Non-Issuance Instruction.

The Bank may revoke any Non-Issuance Instruction at any time by written notice delivered to the County and the Issuing and Paying Agent.

## **Events of Default and Remedies**

Events of Default. Each of the following shall constitute an "Event of Default" under the Credit Agreement:

(a) The County fails to pay any fees, expenses or other amounts (other than an Advance) payable under the Credit Agreement or under the Fee Letter within 30 days after receipt of an invoice therefor; or

(b) A breach or failure of performance by the County of certain specified covenants set forth in the Credit Agreement; or

(c) A breach or failure of performance by the County of any covenant, condition, or agreement on its part to be observed or performed contained in the Credit Agreement (other than a breach or failure covered by another provision under this sub-caption "Events of Default and Remedies-Events of Default" or under the sub-caption "Special Events of Default and Remedies – Special Events of Default" below) and any such breach or failure (if capable of remedy) continues for a period of 30 days after notice thereof from the Bank to the County; or

(d) Any of the County's representations or warranties made or deemed made in the Credit Agreement or in any statement or certificate at any time given pursuant thereto or in connection therewith proves at any time to have been false or misleading in any material respect when made and any such false or misleading statement or certificate (if capable of remedy) continues for a period of 10 days after notice thereof from the Bank to the County; or

(e) Any provision of the Credit Agreement or the Bank Note shall cease to be valid and binding or the County shall contest any such provision, or the County or any agent or trustee on behalf of any of them, shall deny that it has any further liability under any provision of the Credit Agreement or the Bank Note, in each case other than as described in subsection (i) under the sub-caption "Special Events of Default and Remedies - Special Events of Default" below; or

(f) Entry or filing of any judgment, order, writ or warrant of attachment in an amount in excess of \$20,000,000 against the County or against any of its property and failure of the County to vacate, bond, stay or contest in good faith such judgment, writ, warrant of attachment or other process for a period of 45 days or a failure to pay or satisfy such judgment within 45 days or as otherwise require by such judgment, writ or warrant of attachment; or;

(g) (i) The principal of or interest on any Debt in excess of \$25,000,000 in the aggregate or the maturity of any such Debt has been accelerated or such obligation is otherwise required to be prepaid prior to the stated maturity thereof or (ii) any event shall occur permitting the holder or holders of any Debt in excess of \$25,000,000 in the aggregate to accelerate such Debt or require repayment thereof prior to stated maturity thereof, but not including as such an event the exercise by the County of an option to prepay any Debt prior to the stated maturity thereof, in each case for a reason other than as described in another provision under this sub-caption "Events of Default and Remedies - Events of Default" or under the sub-caption "Special Events of Default and Remedies - Special Events of Default" below; or

(h) The rating (without regard to credit enhancement) assigned to any of the long-term General Obligation Debt of the County by Moody's, Fitch and S&P shall fall below "A2" by Moody's and "A" by Fitch and S&P; or

(i) The County fails to pay when due and payable, after giving effect to any applicable grace period, the principal on the Notes (other than the principal on the Notes for which an Advance has been requested).

*Actions Taken in Respect of Events of Default.* Upon the occurrence and continuance of an Event of Default, the Bank may take one or more of the following actions: (i) give a Non-Issuance Instruction to the County and the Issuing and Paying Agent, (ii) by written notice delivered to the County and the Issuing and Paying Agent, (A) terminate the Commitment in whole (except for the obligation of the Bank, existing as of the time of the written notice to terminate the Commitment in whole, to make Advances to fund then outstanding Notes) and (B) to the extent permitted by law, declare all amounts payable by the County to the Bank under the Credit Agreement and under the Bank Note, including, without limitation, all outstanding Advances, to be forthwith due and payable without presentment, demand or protest; provided, however, notwithstanding anything to the contrary stated in the Credit Agreement, upon the occurrence of an Event of Default, the Bank shall not declare any amounts payable by the County to the Bank

under the Credit Agreement and under the Bank Note, including, without limitation, all outstanding Advances, to be due and payable on the earlier of (x) the date on which the County has unrestricted legally available funds appropriated to make payment thereof, and (y) February 1 of the calendar year immediately following the date the County next adopts an order levying ad valorem taxes on tangible property within the limits of the County; and provided, further, that interest on any unpaid amounts due under this paragraph shall bear interest at the Default Rate until such principal amounts are paid in full.

### **Special Events of Default and Remedies**

*Special Events of Default.* Each of the following shall constitute a Special Event of Default under the Credit Agreement:

(a) The County fails to pay the principal amount of any Advance on the scheduled due date or the interest on any Advance on the scheduled due date; or

(b) The County (i) applies for or consents to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or of a substantial part of its property or assets, (ii) admits in writing its inability, or is generally unable, to pay its General Obligation Debt as such Debt becomes due, (iii) makes a general assignment for the benefit of creditors or declares a moratorium with respect to its General Obligation Debt, (iv) commences a voluntary case under the Bankruptcy Code, (v) files a petition seeking to take advantage of any other laws relating to bankruptcy, insolvency, reorganization, liquidation, winding-up, or composition or adjustment of General Obligation Debts, or (vi) acquiesces in writing to, or fails to controvert in a timely and appropriate manner, any petition filed against it in an involuntary case filed under the Bankruptcy Code (as now or hereafter in effect) seeking liquidation or reorganization with respect to a substantial part of its assets, and such case or proceeding is not stayed or dismissed within 60 days of the filing of such petition; or

(c) Without the application or consent of the County, a case or other proceeding is commenced in any court of competent jurisdiction seeking (i) the reorganization, dissolution, winding-up, liquidation, or composition or readjustment of General Obligation Debt of the County or (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of the County or any substantial part of the assets thereof, and such case or proceeding continues undismissed, or an order, judgment or decree approving or ordering any of the foregoing is entered and continues unstayed and in effect, for a period of 60 consecutive days, or an order for relief in respect of the County is entered in an involuntary case under the Bankruptcy Code (as now or hereafter in effect); or

(d) The State of Texas or any other Governmental Authority having jurisdiction over the County imposes a debt moratorium, debt restructuring or comparable restriction on repayment when due and payable of the principal of or interest on the County's General Obligation Debt; or

(e) The authority of the County under the Order is limited as a result of federal, state, or municipal legislative or administration action or a final non-appealable judgment by any court having jurisdiction over the County so as to prevent the County from exercising its power to levy taxes sufficient in amount to pay the principal of and interest on any Advance or any Note when

due; or as a result of any judgment or other decree by any court having jurisdiction over the County, the County is unable set tax rates or collect revenues in a timely manner sufficient in amount to pay the principal of and interest on any Advance or any Note when due; or

(f) (i) The Credit Agreement in its entirety, (ii) any provision thereof relating to the County's ability (A) to make payments to the Bank for principal and interest on the Bank Notes, (B) to make payments of principal of and interest on the Notes or (C) to raise necessary funds to meet such payment obligations, or (iii) any other material provision thereof relating to the payment of principal of and interest on the Bank Notes or on the Notes, as applicable, as a result of federal, state, or municipal legislative or administration action or a final non-appealable judgment by any court having jurisdiction over the County ceases to be valid and binding on the County in accordance with its terms, or is declared to be null and void in a final non-appealable judgment by a court of competent jurisdiction, or the validity or enforceability thereof is contested by the County or a proceeding is commenced by the County seeking to establish the invalidity or unenforceability thereof; or

(g) The rating (without regard to credit enhancement) assigned to any of the long-term General Obligation Debt of the County by Moody's, Fitch and S&P shall be withdrawn, or suspended, in either case, for credit-related reasons, or fall below "Baa3" by Moody's and "BBB" by Fitch and S&P; or

(h) Failure to pay or satisfy any final, non-appealable judgment, order, writ or warrant of attachment in an amount in excess of \$25,000,000 against the County or against any of its property within 60 days without staying enforcement thereof; or

(i) Any provision of the Credit Agreement or the Bank Note relating to the payment of principal of or interest on the Advances shall cease to be valid and binding, or an authorized representative of the County shall contest, publicly or in writing, any such provision, or the County or any authorized agent or trustee on behalf of any of them, shall publicly or in writing deny that it has any further liability under any provision of the Credit Agreement or the Bank Note relating to the payment of principal of or interest on the Advances; or

(j) (i) The principal of or interest on any General Obligation Debt in the aggregate or the maturity of any such Debt has been accelerated or such obligation is otherwise required to be prepaid prior to the stated maturity thereof or (ii) any event shall occur permitting the holder or holders of any General Obligation Debt in the aggregate to accelerate such Debt or require repayment thereof prior to stated maturity thereof, but not including as such an event the exercise by the County of an option to prepay any General Obligation Debt prior to the stated maturity thereof, in each case for a reason other than as described in another provision under this sub-caption "Special Events of Default and Remedies -Special Events of Default"; or

(k) The County fails to pay when due and payable, after giving effect to any applicable grace period, the interest on the Notes or the principal of and interest on any of its General Obligation Debt (other than such Debt consisting of the obligation of another Person guaranteed by the County).



*Actions Taken in Respect of Special Events of Default.* Upon the occurrence and continuance of a Special Event of Default, the Bank may take one or more of the following actions: (i) those actions set forth under the sub-caption “Events of Default and Remedies-Actions Taken in Respect of Events of Default,” (ii) by written notice delivered to the County and the Issuing and Paying Agent, (A) terminate the Commitment in whole, and (B), to the extent permitted by law, declare all amounts payable by the County to the Bank under the Credit Agreement and under the Bank Note, including, without limitation, all outstanding Advances, to be forthwith due and payable, whereupon such amounts shall immediately become due and payable, without presentment, demand or, protest, and/or (iii) pursue any other remedy available to the Bank at law or in equity; provided, however that the failure of the Bank to provide the written notice provided for in clause (ii) above of this sub-caption shall not preclude the Bank from exercising the remedies provided to the Bank in such clause (ii); and provided, further that, to the extent that the Bank pursues the rights granted to it under (ii)(B) of this sub-caption “Special Events of Default and Remedies -Actions Taken in Respect of Special Events of Default,” the County shall pay to the Bank such amounts from any unrestricted funds legally available, and following the default, appropriated by the County, for such purpose as described above and to the extent that the County’s legally available and appropriated funds are insufficient to pay such amounts upon demand, the amount of such deficiency shall not become due and payable prior to the earlier to occur of (x) the date on which the County has appropriated unrestricted legally available funds to pay all or a portion of the deficiency or (y) February 1 of the calendar year immediately following the date the County next adopts an order levying ad valorem taxes on tangible property within the limits of the County; and provided, further, that interest on any unpaid amounts due under this this sub-caption “Special Events of Default and Remedies -Actions Taken in Respect of Special Events of Default” shall bear interest at the Default Rate until such principal amounts are paid in full. The foregoing provisions of this Section notwithstanding, upon the occurrence of a Special Event of Default described in (b ), ( c ), or ( d ) of the sub-caption “Special Events of Default and Remedies -- *Special Events of Default*” above, the Commitment shall automatically terminate and the Bank Note and all then outstanding Advances shall be deemed to be immediately and automatically tendered for payment in full by the County, and, to the extent permitted by law, all amounts payable by the County to the Bank under the Credit Agreement and under the Bank Note, including, without limitation, all outstanding Advances, shall become immediately due and payable, without presentment, demand, protest or any other notice of any kind.

## **Definitions**

“Bankruptcy Code” means 11 U.S.C. Section 101, et seq., as amended, and any successor statute thereto.

“Debt” of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, including without limitation, obligations secured by any of the revenues or assets of such Person and all obligations of such Person evidenced by bonds (including revenue bonds), debentures, notes or other similar instruments, (ii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business (including, without limitation, accounts payable to construction contractors and other professionals for services rendered), (iii) all obligations of such Person as lessee under capital leases, (iv) all Debt of others secured by a Lien on any asset of such Person,

whether or not such Debt is assumed by such Person, and (v) all Debt of others guaranteed by, or secured by any of the revenues or assets of, such Person.

“General Obligation Debt” means all Debt of the County payable from, or secured by, in whole or in part, ad valorem taxes levied against all taxable property of the County.

### **Depository Trust Company**

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each issue of the Notes, each 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 issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities 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 a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“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 Notes 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 the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 the Notes with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the financing documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes 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 County or the Issuing and Paying Agent, 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Issuing and Paying Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Issuing and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC,

and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the County or the Issuing and Paying Agent as set forth in the Order. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note 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 County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

### **PENDING LITIGATION**

The County is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of the performance of governmental functions, certain of which seek substantial damages. Such litigation includes lawsuits claiming damages that allege personal injuries, wrongful deaths and property damage and lawsuits alleging discriminatory hiring and firing practices; various claims from contractors for amounts under construction contracts; inverse condemnation claims; and various other liability claims. The status of such litigation ranges from an early discovery stage to various levels of appeal of judgments. The amount of damages is limited in certain cases under the Texas Tort Claims Act and is subject to appeal.

In 2016, the case of *O'Donnell v. Harris County*, Case No. 4:16-cv-01414, was filed in the United States District Court for the Southern District of Texas, alleging violations of civil rights on the basis of unequal treatment of indigent misdemeanor defendants in the requirements applied to be released on bail. The parties entered into, and the District Court approved, a seven-year consent decree which will result in expenditures by the County in the amount of \$18,076,503.33 through Fiscal Year 2029.

In 2019, the case of *Russell v. Harris County*; Case No. 4:19-cv-00226 was filed in the United States District Court for the Southern District of Texas against the County and the Harris County Sheriff, and later amended to include class action allegations and the addition of twenty-three state criminal district court judges, alleging violations of civil rights on the basis of unequal treatment of indigent felony defendants in the requirements applied to be released on itself against these suits vigorously. The County cannot predict, as of the date hereof, the final outcome of any of such claims and suits. In the opinion of management of the County, it is improbable that lawsuits now outstanding against the County that are associated with its operation could become final in a time and manner so as to have a material adverse financial impact upon the operations of the County.

## **ENVIRONMENTAL REGULATION**

### **General**

The County is subject to the environmental regulations of the State and the United States. These laws and regulations are subject to change, and the County may be required to expend substantial funds to meet the requirements of such regulatory authorities.

### **Air Quality**

Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (“TCEQ”) may curtail new industrial, commercial and residential development in the County. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight county Houston-Galveston-Brazoria Area (“HGB Area”) has been designated by the EPA as a non-attainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”); and the EPA’s most recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

On April 5, 2015, the EPA revoked the 1997 Ozone Standards. Although the HGB Area air quality has been attaining the 1997 Ozone Standards since 2014, EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area “anti-backsliding” requirements. In late 2016, EPA approved the TCEQ’s “redesignation substitute” for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard). 81 Fed. Reg. 78691 (Nov. 8, 2016).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018). The court vacated the EPA redesignation substitute rule that provided the basis for EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. To address the uncertainty created by the South Coast court’s ruling, the TCEQ developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. In December 2018, the TCEQ submitted a revision to the state implementation plan (“SIP”) formally requesting redesignation under the 1997 Ozone Standards. EPA responded in February 2020 by adopting a final rule stating that the HGB Area has no designation under the revoked 1997 Ozone Standards and terminating all “anti-backsliding” obligations that remained applicable to the HGB Area based on the area’s continued attainment of the revoked 1997 Ozone Standards. 85 Fed. Reg. 8411 (Feb. 14, 2020). The HGB Area is no longer subject to control requirements associated with the 1997 Ozone Standards.

Since September 23, 2019, the HGB Area was designated as a “serious” ozone nonattainment area with an attainment deadline of July 20, 2021 under the 2008 Ozone Standard. Previously, the HGB Area was designated as a “moderate” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018, but the EPA determined that the HGB Area failed to meet the attainment deadline. In March 2020, the TCEQ adopted a revision to the Texas SIP that included an updated attainment demonstration for the 2008 Ozone Standard and submitted it to the EPA in May 2020. The TCEQ requested a 1-year attainment date extension for the 2008 Ozone Standard. The EPA denied the State’s request for an attainment date extension and recently, published notice in the Federal Register that Texas regulators failed to attain the appropriate standard by the attainment date.

The HGB Area will be reclassified in December 2022 and designated as a “severe” nonattainment area for the 2008 Ozone Standard and a “moderate” nonattainment area for the 2015 Ozone Standard. For purposes of the 2015 Ozone Standards, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties. The new attainment date for the 2015 Ozone Standard is August 3, 2024. However, the TCEQ requested a 1-year attainment date extension.

Under the CAA, the State is subject to ongoing obligations to make progress toward and eventually to reach compliance with the federal ozone standards in the HGB Area, based on monitored air quality. The TCEQ’s SIP for the HGB Area demonstrates progress toward attainment, and includes emission control requirements for ozone-causing pollutants emitted by the industrial sector. Failure to attain an ozone standard could subject industrial sources in the HGB Area to more-stringent controls on emissions. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

Regarding the HGB Area SIP requirements that regulate the inspection and use of automobiles, such measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to attain the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the HGB Area’s economic growth and development.

Other potential impacts upon economic growth and development include lawsuits filed under the CAA by plaintiffs seeking to require emission reduction measures that are even more stringent than those adopted by TCEQ and approved by EPA. From time to time, various plaintiff environmental organizations have filed lawsuits against TCEQ and EPA seeking to compel the adoption of additional emission reduction measures, many of which could make it more difficult for businesses to construct or expand industrial facilities or which could result in travel restrictions or other limitations on the actions of businesses, governmental entities and private citizens. Any successful court challenge to the currently effective SIP could result in the imposition of even more stringent air emission controls.

## **Area Topography and Land Subsidence**

The land surface in certain areas of the County has subsided several feet over the past seventy-five (75) years and the subsidence is continuing. The principal causes of subsidence are considered to be the withdrawal of groundwater and, to a lesser extent, oil and gas production. Subsidence may impair development in certain areas and expose such areas to flooding and severe property damage in the event of storms and hurricanes, and thus may affect assessed valuations in those areas. In 1975, the Texas Legislature created the Harris-Galveston Coastal Subsidence District (“Subsidence District”) to provide regulatory control over the withdrawal of groundwater in Harris and Galveston Counties in an effort to limit subsidence. This groundwater conservation district, with no powers to levy taxes or incur debt, has required most suppliers of water to reduce consumption of groundwater and to convert their primary source of supply to surface water.

With the reduction of withdrawal of groundwater, the rate of subsidence has been reduced. However, Subsidence District regulations that require conversion to surface water can be costly to industries, municipalities and other water suppliers since the process of converting from a groundwater supply to a surface water supply can result in substantial capital expenditures. The per unit cost of supplying surface water is substantially higher due to the greater cost of treatment and transportation. In response to the Subsidence District’s requirements, local municipalities within the County, water authorities and water districts have initiated several measures and programs to provide treated surface water in the region, including the negotiation and execution of water supply contracts and capital cost sharing agreements to support the development and expansion of water purification plants in the region.

## **PANDEMICS, WEATHER EVENTS AND PERIODIC FLOODING**

### **COVID-19 Pandemic**

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

On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. Subsequently in response to a rise in COVID-19 infections in the State, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities. There

are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State of Texas. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Offering Memorandum.

The Pandemic has negatively affected travel, commerce, and financial markets globally and is widely expected to continue negatively affecting economic growth and financial markets worldwide. The County continues to monitor the Pandemic and work with local, state and national agencies to address its potential impact on the County. The impact of COVID-19 is expected to have a negative financial impact on local, state and national economies, the severity of which is unknown at this time, in a manner that could adversely affect the amount of property and sales and use taxes, franchise charges and fees, and other general revenues received by the County.

The County has identified several funding sources to assist with expenses related to the Pandemic. In April 2020 the County received \$426 million from the U.S. Department of Treasury pursuant to the Coronavirus Aid Relief & Economic Security Act (the “*CARES Act*”). As of September 30, 2022, the period of performance for the CARES funds has ended. Programs and expenses approved by Commissioners Court include: (1) a \$4.7 million Childcare Assistance Program, (2) a \$35.6 million Emergency Rental Assistance Fund, (3) a \$26.9 million Small City Assistance Program, (4) a \$46.6 million Student Digital Services Program, (5) a \$67.6 million Direct Assistance Program, (6) a \$2.2 million Community Spread Survey Program, (7) a \$10.5 million Small Business Grant Program, (8) a \$4 million Census Outreach Program, (9) a \$2.3 million Workforce Development Program, (10) a \$2.2 million Domestic Violence Program, (11) \$5.8 million in expenditures for program management office administration, and (12) \$217.5 million expenditure for law enforcement labor. In addition, the Commissioners Court approved the \$30 million COVID-19 Relief Fund to provide aid for County residents who are ineligible for federal aid through the CARES Act.

The County has also received funding under the American Rescue Plan Act of 2021 (ARPA). As of June 28, 2022, the County had received \$915.5 million in ARPA Local Fiscal Recovery funding. The ARPA Local Fiscal Recovery funds must be obligated by December 2024 and spent by December 2026 and can cover a range of eligible uses, including recovery from the public health emergency or economic impacts of the Pandemic, investments in water, sewer, and broadband infrastructure, and coverage of revenue shortfalls that may arise relative to expected revenue at pre-pandemic growth rates. To date, \$465.5 million in ARPA Local Fiscal Recovery Funds have been dedicated to projects including direct financial assistance to low-income households (\$65 million), small business grants (\$32 million), emergency COVID medical staff (\$72 million), vaccine incentives (\$13 million), lead testing and abatement (\$20 million), behavioral health (\$23.7 million, of which \$8.9 million is dedicated to Healthy Minds and Healthy Communities plus \$14.8 million for Behavioral Health awards), justice and safety initiatives (\$67 million), homelessness services (\$47 million), coordinated care technology investments (\$14 million), early childhood initiatives (\$9 million), maternal and child health (\$8 million), affordable housing (\$7 million), food and nutrition programs (\$7 million), workforce development (\$9.7 million), public health and library payroll and other eligible expenses (\$12 million), and other



recovery efforts. The County has also been allocated \$166 million in rental assistance funding for use in supporting local residents: \$93 million from the Consolidated Appropriations Act of 2021 and \$73 million from ARPA, together with \$17 million in HOME-ARP funding to support homeless individuals. The County has not included the federal COVID-19 relief funding under the CARES Act or the ARPA in its General Fund.

In addition to the development of programs to distribute funds to residents and small businesses in response to the Pandemic, on May 19, 2020 the Commissioners Court approved increasing the existing homestead exemption for homeowners who are 65 years of age or older or disabled from \$160,000 to \$229,000 and in June 2022 the exemption was raised from \$229,000 to \$250,000.

The County entered the Pandemic with over \$300 million set aside in its Public Contingency Fund to help mitigate adverse impacts on the County's revenues and expenses resulting from emergencies and other contingencies such as the Pandemic, major flood events and other major weather events (such as potential hurricanes). Primarily due to COVID-related spending, the Public Contingency Fund balance has dropped to an unencumbered balance of \$60 million as of April 26, 2022. The County continues to pursue FEMA reimbursement for eligible spending and anticipates a total estimated reimbursement of \$338 million, consisting of \$28 million received and future reimbursement of \$309 million. On April 26, 2022, Harris County Commissioners Court authorized the transfer of up to \$124 million to help restore the contingency balance (\$75 million from the General Fund and \$49 million from the Response and Recovery Fund). The County does not expect the total amount of unreimbursed Pandemic-related expenses to affect its ability to timely make debt service payments on the Certificates, its outstanding bonds, or other obligations or to have a significant impact on the County's ability to fund essential operations. The long-term impact of the Pandemic on the County cannot be quantified at this time.

### **General Weather Events**

The County is located near the Texas Gulf coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by rain events, hurricanes, tropical storms, and other tropical disturbances. Due in part to its relatively flat topography and moist coastal climate, and partly due to the effects of subsidence, certain areas of the County are subject to periodic flooding and associated severe property damage as a result of rain events, tropical storms and hurricanes. See "Hurricane Harvey." The County and most of the municipalities located within the County participate in the National Flood Insurance Program administered by the Federal Emergency Management Agency ("FEMA"). Communities participating in the National Flood Insurance Program are required by FEMA to adopt restrictions on development in designated flood-prone areas. In exchange, the National Flood Insurance Program makes federal subsidized flood insurance available to property owners located in the participating communities. Given the ongoing effects of subsidence as well as increased development and urbanization within the County, FEMA periodically updates and revises its maps designating the areas of the County that are subject to special flood hazards. Properties that are currently located outside of a designated flood-prone area may suffer a reduction in value if they are placed within the boundaries of a special flood hazard area the next time FEMA updates and revises its flood maps.

Not all flood hazards are mapped on the FEMA flood maps, nor is every bayou or creek in the County studied. Flooding can occur from ponding or overland sheet flow when intense rainfall overwhelms the local street drainage system. The mapped floodplain is only an estimate of where flooding is predicted to occur from a bayou or creek, given a set of parameters including a hypothetical rainfall occurring over a watershed for an assumed amount of time. During an actual rain event, natural conditions can result in greater amounts of rainfall or runoff, resulting in flood levels deeper and wider than shown on the FEMA maps.

From February 12-19, 2021, the State experienced a severe winter storm (“Winter Storm Uri”) which included prolonged freezing temperatures, heavy snow and freezing rain statewide. Winter Storm Uri led to power outages and potable and non-potable water shortages in many areas of the State, including the County. The federal government issued a Major Disaster Declaration for the State of Texas and has included federal funding for emergency protective measures. The County did not sustain material damage to its infrastructure during Winter Storm Uri, but the County cannot predict the impact of future weather events.

If flooding or another weather-related event, including a winter storm, were to significantly damage improvements within the County, the assessed value of property within the County could be reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the County’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the County will be covered by insurance (or property owners will choose to carry flood insurance), any insurance company will fulfill its obligations to provide insurance proceeds or that insurance proceeds will be used to rebuild or repair damaged improvements within the County. Even if insurance proceeds are available and improvements are rebuilt, there could be a period of time in which assessed values within the County would be adversely affected.

## **Hurricane Harvey**

Hurricane Harvey made landfall on August 25, 2017 near Corpus Christi, Texas, 200 miles south of the County. The impact of Hurricane Harvey on Harris County was primarily a historic flooding event; the County sustained minimal damage from wind, storm surge and other weather effects typically associated with a hurricane. Four buildings, including the Criminal Justice Building and Jury Assembly Building, both in downtown Houston, and two courthouse annexes were severely damaged and several smaller buildings around the county received minor damage. At this time, the Criminal Justice Building is partially occupied and functional while it is being repaired and both annexes have been repaired and re-opened. The Jury Assembly Building has been repaired but is not being used currently. The combination of FEMA funding, State funding and insurance coverage is expected to cover most of the cost of repairing these buildings. The County has sufficient funds on hand to cover any unreimbursed expenses relate to its damaged assets. The County was reimbursed by FEMA for most of its costs incurred for emergency operations during the storm, debris removal after the storm and other recovery costs.

Property values were temporarily impacted for homes that sustained flood damage and that were still being repaired on January 1, 2018. Once fully repaired, these homes generally returned to their pre-storm values. The ad valorem tax values as of January 1, 2019 and the estimated values as of January 1, 2020 were both up overall by 3-6%. As with similar events, there was not a

significant impact on property values for Harris County, due to continued growth in both residential and business property.

On August 25, 2018, voters approved \$2,500,000,000 in bonds for the purpose of financing flood control. The projects include the purchase of lands, easements, rights-of-way and structures, voluntary buyouts of flood-prone properties, property acquisition for preserving natural flood plains, and for the acquisition and construction of detention basins, channel modifications and other improvements and works suitable for use in connection with flood damage reduction. The Flood Control District currently also receives an annual allocation of \$120 million of property tax revenue for use in flood control efforts. As a result of Hurricane Harvey and other major flooding events over the last few years, several potential changes to the local system of watersheds, reservoirs and channels are being considered, some of which would require significant additional funding, including State and Federal funds, as well as additional County and Flood Control District resources. The County is reviewing additional funding options to finance flood control, but the required additional funding is not expected to slow flood control projects for several years.

## **FINANCIAL AND OTHER INFORMATION**

### **Continuing Disclosure of Information**

Pursuant to SEC Rule 15c2-12 (the “Rule”), the County has agreed to provide annual updated financial information and operating data to certain information vendors in connection with the issuance of its bonds or notes that are not otherwise exempt. **Exempt obligations from the requirements of the Rule include the Notes.** The information to be updated includes quantitative financial information and operating data with respect to the County, including estimated County-wide and overlapping ad valorem tax debt. The County has agreed to update and provide this information within six (6) months after the end of each fiscal year, beginning with the Fiscal Year ending September 30, 2022. The County is only required to make filings with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Market Access System (“EMMA”).

The County may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements if the County commissions an audit and the audit is completed by the required time. If audited financial statements are not available by the required time, the County will provide unaudited financial statements and audited financial statements when and if the audit becomes 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 County may be required to employ from time to time pursuant to state law or regulation.

The County recently transitioned to a new fiscal year that will begin on October 1 and end on September 30 of the next calendar year. In order to implement this change, the County had a seven month stub fiscal year that began on March 1, 2022 and ended on September 30, 2022. The County will issue financial statements within 180 days of the September 30, 2022 end of the seven month stub fiscal year. The next fiscal year is a full twelve month fiscal year that began on October 1, 2022 and will end on September 30, 2023.

## **Independent Auditor**

Appendix B to this Offering Memorandum contains the County's audited financial statements for the fiscal year ended February 28, 2022. The financial statements of the County as of and for the Fiscal Year ended February 28, 2022, included in this Offering Memorandum have been audited by Deloitte & Touche LLP, an independent auditor, as stated in their report included with such financial statements in Appendix B.

The basic financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America and, in addition to financial information with respect to the County, include financial information with respect to the District, the Harris County Sports & Convention Corporation, the Harris County Redevelopment Authority, the Harris County Hospital District, doing business as Harris Health System, Harris County Housing Finance Corporation, Harris Center for Mental Help and IDD (formerly Mental Health and Mental Retardation Authority of Harris County), Harris County Industrial Development Corporation, Children's Assessment Center foundation, Inc., Harris County Health Facilities Development Corporation, Harris County Cultural Education Facilities Finance Corp. and Friends of County Pets, all of which are separate entities which are not obligated for the payment of the Notes. Accordingly, financial and statistical information with respect to such separate entities is generally not included in this Offering Memorandum.

The County's audited financial statements for the Fiscal Year ended February 28, 2022 were presented to the Commissioners Court in early September 2022. Following the acceptance of the audited financial statements, the County posted them to EMMA in accordance with its existing continuing disclosure agreements.

## **RATINGS**

S&P has assigned a rating of "A-1+" to the Notes and Fitch has assigned a rating of "F1+" to the Notes. The ratings reflect only the views of the rating agencies, from which an explanation of the significance of such ratings may be obtained. There is no assurance that ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal could have an adverse effect on the market price of the Notes. The County will undertake no responsibility to notify the owners of the Notes of any such revisions or withdrawals of the ratings.

NO DEALER, BROKER, SALESMAN, OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS OFFERING MEMORANDUM IN CONNECTION WITH THE OFFERING DESCRIBED HEREIN AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE NOTES OFFERED HEREBY, NOR SHALL THERE BE ANY OFFER OR SOLICITATION OF SUCH OFFER OR SALE OF NOTES IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION,

OR SALE. NEITHER THE DELIVERY OF THIS OFFERING MEMORANDUM NOR THE SALE OF ANY OF THE NOTES IMPLIES THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF. THE INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED FROM THE COUNTY, PUBLISHED SOURCES, AND OTHER DATA FURNISHED BY THE COUNTY. THE DEALER MAKES NO REPRESENTATION AS TO EITHER THE ACCURACY OR COMPLETENESS OF THE INFORMATION HEREIN. ADDITIONAL COPIES OF THIS COMMERCIAL PAPER MEMORANDUM MAY BE REQUESTED FROM J.P. MORGAN SECURITIES LLC AT (212-832-7223).

**For Further Information - Please Contact:**

County

Harris County, Texas  
County Administration Building  
Office of Management and Budget  
1001 Preston Street, Suite 500  
Houston, Texas 77002  
Attention: Deputy Executive Director  
Telephone: (713) 274-1100  
Fax: (713) 437-5869

Dealer

J.P. Morgan Securities LLC  
383 Madison Avenue, 8<sup>th</sup> Floor  
New York, NY  
Telephone: (212)-832-7223  
Attention: Peter McCarthy

## APPENDIX A (BANK DISCLOSURE)

### STATE STREET BANK AND TRUST COMPANY

#### Certain Information Concerning State Street Bank and Trust Company

State Street Bank and Trust Company (the “Bank”) is a wholly-owned subsidiary of State Street Corporation (the “Corporation”). The Corporation (NYSE: STT) through its subsidiaries, including the Bank, provides a broad range of financial products and services to institutional investors worldwide. With \$43.68T in assets under custody and administration and \$4.14T in assets under management as of December 31, 2021, the Corporation operates in more than 100 geographic markets worldwide. As of December 31, 2021, the Corporation had consolidated total assets of \$314.62B, consolidated total deposits of \$255.04B, total investment securities of \$115.83B, total loans, net of unearned income and allowance for losses, of \$32.45B, and total shareholders’ equity of \$27.36B.

The Bank’s *Consolidated Reports of Condition and Income for A Bank With Domestic and Foreign Offices Only -- FFIEC 031* (the “Call Reports”) through December 31, 2021 have been submitted through the Federal Financial Institutions Examination Council and provided to the Board of Governors of the Federal Reserve System, the primary U.S. federal banking agency responsible for regulating the Corporation and the Bank. Publicly available portions of those Call Reports, and future Call Reports so submitted by the Bank, are available on the Federal Deposit Insurance Corporation’s website at [www.fdic.gov](http://www.fdic.gov). The Call Reports are prepared in conformity with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles.

Additional financial and other information related to the Corporation and the Bank, including the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2021 and additional annual, quarterly and current reports subsequently filed or furnished by the Corporation with the U.S. Securities and Exchange Commission (the “SEC”), can be accessed free of charge on the SEC’s website at [www.sec.gov](http://www.sec.gov).

Any statement contained in any document referred to above shall be deemed to be modified or superseded for purposes of this Offering Memorandum to the extent that a statement contained herein or in any subsequently submitted, filed or furnished document modifies or supersedes such statement. The delivery hereof shall not create any implication that there has been no change in the affairs of the Bank or the Corporation since the date hereof, or that information contained or referred to in this Appendix is correct as of any time subsequent to this date. The information concerning the Corporation, the Bank or any of their respective affiliates is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

A copy of any or all of the publicly available portions of the documents referred to above, other than exhibits to such documents, may be obtained without charge to each person to whom a copy of this Offering Memorandum has been delivered, on the written request of any such person. Written requests for such copies should be directed to Investor Relations, State Street Corporation, One Lincoln Street, Boston, Massachusetts 02111, telephone number 617-786-3000.

**The Credit Agreement is an obligation solely of the Bank and is not an obligation of, or otherwise guaranteed by, the Corporation or any of its affiliates (other than the Bank). Neither the Corporation nor any of its affiliates (other than the Bank) is required to make payments under the Credit Agreement. None of the Bank, the Corporation or any of their respective affiliates makes any representation as to, or is responsible for the suitability of the Notes for any investor, the feasibility or performance of any project or compliance with any securities or tax laws or regulations. The Notes are not direct obligations of, or guaranteed by, the Bank, the Corporation or any of their respective affiliates, except to the extent provided by in the Credit Agreement.**

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## **APPENDIX B**

**County's Audited Financial Statements for Fiscal Year Ended February 28, 2022**

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## **APPENDIX C**

### **Form of Legal Opinion**

Harris County, Texas  
General Obligation Commercial Paper Notes, Series D-2

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**EXHIBIT C-3**

**FORM OF OFFERING MEMORANDUM FOR THE SERIES D-3 NOTES**

# **COMMERCIAL PAPER SPECIAL OFFERING MEMORANDUM**

## **HARRIS COUNTY, TEXAS**

### **GENERAL OBLIGATION COMMERCIAL PAPER NOTES, SERIES D-3**

J.P. Morgan Securities LLC (the “Dealer”) is offering for sale on behalf of Harris County, Texas (the “County”) the Harris County, Texas General Obligation Commercial Paper Notes, Series D-3 (the “Notes”) in the aggregate principal amount not to exceed \$200,000,000 outstanding at any one time. Capitalized terms used in this Offering Memorandum shall have the meanings assigned to such terms in the Order (defined below), except as otherwise indicated herein.

Interest on the Notes is payable on an actual/365-day year basis, and the Notes will be sold at par.

The Notes are authorized pursuant to Chapter 331, Texas Local Government Code, as amended, Chapters 1371 and 1431, Texas Government Code, as amended, and an order of the Commissioners Court of the County, adopted on September 29, 1998, as amended and restated on November 2, 1999, August 6, 2002, April 22, 2008, February 11, 2014, April 26, 2016, October 23, 2018, November 15, 2022 and January 10, 2023 (collectively, the “Order”). Portions of the Notes are issued pursuant to elections held on November 6, 2007 (the “2007 Election”), November 5, 2013 (the “2013 Election”), November 3, 2015 (the “2015 Election”) and November 8, 2022 (the “2022 Election”). (The foregoing authorities are collectively referred to herein as the “Authorizing Law”).

Pursuant to the Authorizing Law, the County is authorized to sell the Notes in one or more installments for certain authorized purposes, and provide for the payment of principal of and interest on the Notes through the levy of an annual limited ad valorem tax.

The Notes are exempt from registration under Section 3(a)(2) of the Securities Act of 1933, as amended. In the opinion of Orrick, Herrington & Sutcliffe LLP (“Note Counsel”), the interest on the Notes is excludable from gross income for federal income tax purposes under existing law. (See Appendix C for Note Counsel’s form of legal opinion.)

The County has entered into the Credit Agreement (as defined herein under “Liquidity Facility”) with Wells Fargo Bank, National Association (the “Bank”), whereby the Bank has provided a revolving line of credit up to \$200 million for the purpose of making loans to the County for the payment from time to time of the principal of any or all maturing Notes. The Credit Agreement expires on November 12, 2024; subject to extension, earlier termination or immediate termination in certain events as provided therein. See “THE NOTES – Liquidity Facility.”

Prospective Note purchasers are advised that upon the occurrence of a Special Event of Default under the Credit Agreement, the obligation of the Bank to make Advances under the Credit Agreement shall automatically and immediately terminate or suspend as the case may be without tender, notice or payment, and to the extent permitted by law, all Obligations of the County to the Bank thereunder shall immediately become due and payable. See “THE NOTES – Events of Default and Remedies” and “THE NOTES – Special Events of Default and Remedies.”

If for any reason sufficient funds are not available under the Credit Agreement for the Notes (including in the event of the occurrence of a Special Event of Default, as defined in the Credit Agreement and defined herein) to pay the principal thereof when due and payable on their respective maturity dates, the County cannot provide any assurance that it will have sufficient funds on hand and available to make such payment of principal of the Notes supported by the Credit Agreement or to make such payments in a timely manner. Payments of amounts owing in respect of such Notes shall thereafter be made in accordance with the terms of the Order as amounts are available for such purpose.

THE NOTES 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 NOTES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE NOTES HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED

AS A RECOMMENDATION THEREOF. THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

This Offering Memorandum includes descriptions and summaries of certain events, matters and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Offering Memorandum in its entirety and to each such document, copies of which may be obtained from the County. Any statements made in this Offering Memorandum or the appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

This Offering Memorandum is delivered in connection with the sale of securities referred to herein and may not be reproduced or used, in whole or in part, for any other purposes. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized by the County to give any information or to make any representation other than those contained herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by the County, the Dealer, or any other person. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE DEALER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Dealer has provided the following sentence for inclusion in this Offering Memorandum. The Dealer has reviewed the information in the Offering Memorandum in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of the transaction, but the Dealer does not guarantee the accuracy or completeness of such information

Dated: [\_\_\_\_], 2022

**J.P. MORGAN, as Dealer**

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## **THE COUNTY**

### **Administration**

Harris County is a southeast Texas county and a major component of the Houston Primary Metropolitan Statistical Area. The County's population was estimated to be 4.7 million as of July 1, 2021, according to the Bureau of the Census estimates, Harris County Appraisal District data and historical trends.

The County Judge and the four County Commissioners who comprise the Commissioners Court, the County Tax Assessor-Collector and the County Treasurer, all of whom are elected officials, and the County Auditor have responsibility for the financial administration of the County.

The Commissioners Court is the governing body of the County. It has certain powers expressly granted to it by the Texas Legislature (the "Legislature") and powers necessarily implied from such grant. Its duties include approval of the County budget, determination of County tax rates, approval of contracts in the name of the County, calling elections, issuance of bonds and appointments of certain County officials.

The County Judge, Lina Hidalgo, is the presiding officer of the Commissioners Court. The County Judge is elected by voters, on a County-wide basis, to a four-year term of office.

The County Commissioners are Rodney Ellis, Adrian Garcia, Tom S. Ramsey and Lesley Briones. Each County Commissioner represents one of the four precincts into which the County is divided and is elected by the voters of the applicable precinct to a four-year term of office.

The County Assessor-Collector and Voter Registrar, Ann Harris Bennett, is an elected official of the County responsible for assessing and collecting ad valorem taxes and processing voter registration in the County. The County Tax Assessor-Collector and Voter Registrar is elected by voters, on a County-wide basis, to a four-year term of office.

The County Treasurer, Carla L. Wyatt, is an elected official of the County and the chief custodian of County funds, whose duties include the receipt of all monies belonging to the County from whatever source they may be derived, the deposit of such funds in a designated depository, and the payment and application or disbursement of such funds, in such manner as the Commissioners Court may require or direct not inconsistent with law. The County Treasurer is elected by voters, on a County-wide basis, to a four-year term of office.

The County Auditor, Michael Post, CPA, MBA, has oversight responsibility for the financial books and records of the County and its officials. The duties of the County Auditor include prescribing accounting procedures, preparing statutorily required financial reports, budgetary oversight, and performing financial and compliance audits. The County Auditor is appointed for a two-year term by the State District Judges of the County.

The County Clerk, Teneshia Hudspeth, is an elected official of the County. The County Clerk's office maintains the records of the County's Commissioners Court, Probate Courts and the Civil Courts at Law. The County Clerk is elected by voters, on a County-wide basis, to a four-year term of office.

The County Attorney, Christian D. Menefee, an elected official of the County, advises and represents the County and its officers and employees in connection with legal matters. The County Attorney is elected by voters, on a County-wide basis, to a four-year term of office.

The County Administrator, David Berry, is appointed by Commissioners Court and is charged with day-to-day oversight of County government and providing guidance and coordination to all County departments.

The County Budget Director, Daniel Ramos, is appointed by Commissioners Court and is responsible for the County Budget, preparing proposed annual budgets and has responsibility for both the County's investments and debt management.

### **Ad Valorem Tax Levy and Tax Data**

Article VIII, Section 9 of the Texas Constitution imposes a limit of \$0.80 per \$100 assessed valuation for all purposes of a county's general fund, permanent improvement fund, road and bridge fund and jury fund, including debt service on bonds or other debt issued against such funds (the "\$0.80 Tax Limitation"). The County has consolidated all of these constitutional purposes into a general fund tax levy, subject to the \$0.80 Tax Limitation (the "General Fund Tax"). The Notes are payable from the General Fund Tax. Administratively, the Attorney General of the State of Texas (the "Attorney General") will not approve limited tax obligations in an amount which produces debt service requirements exceeding which can be paid from \$0.40 of the foregoing \$0.80 Tax Limitation, as calculated at the time of issuance.

The Texas Constitution also authorizes the County to levy, with voter approval, (1) a tax, without legal limit as to rate or amount, to pay debt service on the County's road bonds, and (2) a special road and bridge fund tax, not to exceed \$0.15 per \$100 of assessed valuation for restricted purposes.

The Commissioners Court adopts tax rates for the County by September 1 of each year, or as soon thereafter as is practicable. Title 1 of the Texas Tax Code (the "Property Tax Code") provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the latter of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and the failure to adopt a tax rate by such required date will result in the tax rate for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Such rates are based on the assessed values on January 1 of each year, as shown on the tax roll approved by the Appraisal Review Board of the Harris County Appraisal District (the "Appraisal District"), which must be used by the County for such purpose. The Property Tax Code imposes limitations on certain tax increases. The Commissioners Court may under certain circumstances be required to publish notice and hold a public hearing on a proposed tax rate before voting on the tax rate. If the tax rate adopted exceeds by more than 3.5% the rate needed to pay debt service and certain contractual obligations, and to produce, when applied to the property that was on the prior year's roll, the prior year's taxes levied for purposes other than debt service and such contractual obligations, such excess portion of the levy may be repealed at an election within the County held upon petition of 7% of the qualified voters of the County.

## County Assessed Values and Tax Rates

The following table shows the County's assessed values calculated as of the Fiscal Year end for each year shown and tax rates for each of the tax years 2018 through 2022 (of which 2022 is interim data). Taxable property is assessed at 100% of the appraised value as established by the Appraisal District.

(Dollars In Thousands)

<b>Tax Year</b>	<b>Fiscal Year Ended Feb. 28/29</b>	<b>Real Property<sup>(a)</sup></b>	<b>Personal Property<sup>(a)</sup></b>	<b>Less Exemptions &amp; Abatements<sup>(b)(c)</sup></b>	<b>Total Taxable Value</b>	<b>Tax Rate</b>
2018	2019	506,160,004	69,574,097	127,319,737	448,414,364	0.41858
2019	2020	545,499,934	72,456,577	135,755,513	482,200,998	0.40713
2020	2021	580,139,657	72,974,712	148,263,829	504,850,540	0.39116
2021	2022	606,314,651	67,781,102	156,340,901	517,754,852	0.37693
2022	9/30/2023 <sup>(d)</sup>	667,717,403 <sup>(e)</sup>	69,686,425 <sup>(e)</sup>	162,882,218 <sup>(e)</sup>	574,521,610 <sup>(e)</sup>	0.34373

(a) Property in the County is currently reassessed each year, and is required by law to be reassessed every three years. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value.

(b) The County currently grants an exemption to the market value of the residence homestead of persons 65 years of age or older or disabled persons of \$250,000. If requested, the County must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans or of persons who died while on active duty in an amount not to exceed \$3,000 of assessed value. The County may also authorize exemptions of up to 20% of the value of residential homesteads from ad valorem taxation. The Commissioners Court has granted a 20% exemption.

(c) The County and certain taxing units located within the County may enter into tax abatement agreements to encourage economic development. Prior to entering into a tax abatement agreement, a taxing entity must adopt guidelines and criteria for establishing tax abatements that such entity will follow in granting tax abatements to property owners. Tax abatement agreements may exempt from ad valorem taxation by a taxing entity, for a period of up to 10 years, all or any part of the assessed valuation of property covered by the agreement in excess of its assessed valuation in the year in which the agreement is executed, on the condition that the property owner makes specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. The terms of all tax abatement agreements of a taxing entity must be substantially the same. See the County's Tax Abatement Guidelines re-adopted by the Commissioners Court on October 27, 2020 in accordance with the Property Tax Code for more information. The estimated value of property in the County that was subject to tax abatement as of October 7, 2022, is approximately \$141 million and such value at the end of the abatement period is currently estimated to be approximately \$364 million.

(d) Due to the change in the County's fiscal year, Tax Year 2021 corresponds to fiscal year ending February 28, 2022 and September 30, 2022. Tax Year 2022 corresponds with the fiscal year ending September 30, 2023.

(e) The values presented are as of August 19, 2022.

Source: Harris County Tax Assessor-Collector and Harris County Auditor's Office.

## Tax Increment Reinvestment Zones

State law authorizes municipalities and counties in the State, by action of its governing body or upon petition of affected landowners, to establish one or more tax increment reinvestment zones ("TIRZs") for the purposes of development or redevelopment of the territory within such zones. The County may elect to create a TIRZ in which it and other taxing entities within the County may elect to participate. In addition, the County and certain taxing units located within the County may elect to participate in TIRZs created by a municipality within the County.

The participating taxing units in a TIRZ contribute some or all of the tax revenues generated by the incremental growth in taxable value of real property in the TIRZ to pay costs of public infrastructure or other public improvements in the TIRZ and to supplement or act as a catalyst for private development in the TIRZ. Taxes levied against the incremental increase in assessed value in the TIRZ may be used only to pay project and financing costs within or

benefitting the TIRZ and are not available for the payment of other obligations of the participating taxing units. In a TIRZ created by a municipality, the TIRZ, or a non-profit local government corporation authorized by a municipality to administer the TIRZ, may pledge incremental tax revenue to support bonds or other obligations of the TIRZ. In a TIRZ created by a county, state constitutional limitations restrict a county or local government corporation acting on its behalf from pledging incremental tax revenue to support bonds or other obligations of the TIRZ. TIRZs generally are created for a period of up to 30 years.

The County has not created any TIRZs. The County currently participates in five TIRZs created by municipalities within the County: City of Houston (Market Square TIRZ #3, East Downtown TIRZ #15, Greater Houston #24), City of Baytown (Baytown TIRZ #1), and City of LaPorte (LaPorte TIRZ #1). The total amount of the County's contribution in such TIRZs for Tax Year 2021 is \$9,774,305.

### County Tax Levies, Collections and Delinquencies

The table below sets forth a comparison of the aggregate ad valorem taxes levied and collected by the County (excluding the Harris County Flood Control District (the "District" or "Flood Control District"), the Port of Houston and the Hospital District/Harris Health) for the tax years 2017 through 2021. Taxes for tax year 2022 are due January 31, 2023.

#### (Dollars in Thousands)

Tax Year	Fiscal Year Ended Feb. 28/29	Taxes Levied for the Fiscal Year	Adjusted Levy as of the End of Current Fiscal Year	Collected within the Fiscal Year of the Levy		Total Collections to February 28, 2022	
				Amount <sup>(a)</sup>	Percentage of the Levy	Amount	Percentage of Levy
2017	2018	\$1,822,187	\$1,788,250	\$1,723,979	94.6	\$59,597	\$1,783,576 99.7
2018	2019	1,876,068	1,842,253	1,787,008	95.3	49,658	1,836,666 99.7
2019	2020	1,961,756	1,922,542	1,867,058	95.2	44,017	1,911,075 99.4
2020	2021	1,972,700	1,935,900	1,838,347	93.2	75,891	1,914,238 98.9
2021	2022	1,951,928	1,951,928	1,853,156	94.9	----	1,853,156 94.9

- (a) Taxes levied in any year which are collected beginning November 1 of such year through June 30 of the following year are shown as current collections. Such amounts include that portion of the current levy collected on or after February 1, which is the date taxes become legally delinquent. The amounts in this column are reflected as of the last day of February of the years shown.
- (b) Collections for prior years' levies of taxes during the period beginning July 1 of the year shown and ending on June 30 of the following year are shown as delinquent collections which apply to prior tax years and are collected for multiple tax years. The accumulation of all unpaid ad valorem taxes which were due at the end of the collection period beginning on July 1 of the year shown and ending on June 30 of the following year is shown as delinquent taxes receivable.

Source: Harris County Tax Assessor-Collector and Harris County Auditor's office.

### Tax Debt Outstanding

The following table shows the total principal amount of the County's debt outstanding payable from ad valorem taxes as of October 31, 2022. The outstanding long-term tax debt is payable from separate taxes levied for debt service:

	<b>County's Total Outstanding Long- Term Debt</b>
Limited Tax Debt <sup>(a)</sup>	\$ 750,752,125
Unlimited Tax Bonds	672,645,000
District Flood Contract Tax Bonds <sup>(b)</sup>	317,320,000
Toll Road Unlimited Tax Bonds <sup>(c)</sup>	151,335,000
Total	\$ 1,892,052,125
Less: Toll Road Unlimited Tax Bonds	<u>(151,335,000)</u>
Total (approximately 0.33% of Tax Year 2021 Taxable Assessed Value)	\$ 1,740,717,125

- (a) Excludes approximately \$30 million of the County's Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2022, which are expected to close on December 15, 2022.
- (b) The Flood Control District's (the "District") Contract Tax Bonds are payable from contractual payments made by the County to the Flood Control District secured by the County's limited tax pursuant to the Flood Control Projects Contract. Excludes the District's Limited Tax Bonds paid for by the District's ad valorem tax revenues.
- (c) Toll Road Unlimited Tax Bonds are additionally secured by a subordinate pledge of net revenues of the County's toll road system. It is the current intent of the County to pay the Toll Road Unlimited Tax Bonds solely from toll road revenues and, historically, no ad valorem tax revenue has been required to pay the outstanding Toll Road Unlimited Tax Bonds.

Source: Harris County Office of Management and Budget.

## Commercial Paper

In addition to the outstanding long-term tax debt shown in the table "Tax Debt Outstanding," the Commissioners Court has established commercial paper programs secured by a levy of ad valorem taxes or toll road revenues for the purposes of financing various short-term assets and providing temporary construction financing for certain long-term fixed assets. The commercial paper program totals \$2.175 billion and consists of the following ten commercial paper programs:

Series	Program Amount	Security	Liquidity Bank	Liquidity Expiration
A-1	\$100 Million	limited tax	State Street Bank	8/19/2027
B	\$40 Million	limited tax	State Street Bank	8/19/2027
C <sup>(b)</sup>	\$360 Million	unlimited tax	Sumitomo Mitsubishi	12/9/2025
D	\$200 Million	limited tax	JPMorgan Chase	8/19/2025
D-2	\$300 Million	limited tax	State Street Bank	11/12/2024
D-3	\$200 Million	limited tax	Wells Fargo	11/12/2024
H	\$500 Million	limited tax	JPMorgan Chase	12/10/2024
H-2	\$200 Million	limited tax	PNC Bank	2/24/2025
J-1	\$75 Million	limited tax	Bank of America	7/1/2023
K <sup>(a)</sup>	\$200 Million	Toll road revenues	PNC Bank	4/22/2025

- (a) Series K was established under the Toll Road First Lien Revenue Bond Trust Indenture and it replaced the Series E-1 Note program. Series E-1 was closed on May 2, 2022.
- (b) The County is in the process of increasing Series C by \$100 million, from \$260 million to \$360 million with Sumitomo Mitsubishi, and extending the expiration date from January 10, 2025 to December 9, 2025, to close early December.

The Series A-1 Notes are authorized to be issued to pay contractual obligations incurred for (i) the construction of and purchase of fixtures, equipment and machinery for or in connection with the County's criminal and civil justice centers and firefighter training facility, (ii) the purchase of automobiles and other vehicles, equipment and machinery, including computers, materials and supplies for the operations of County precincts and departments and other authorized needs and purposes of the County, and (iii) professional services, and are not required to be approved at an

election. The County's current practice is to issue Series A-1 Notes to finance technology improvements.

A portion of the Series B Notes (parks and libraries) and all of the Series D-2 Notes (roads and bridges) are issued pursuant to voted authorization obtained at elections held within the County in November 2001, November 2007, November 2015 and November 2022. A portion of the Series B Notes are authorized to be issued for certain purposes (libraries) not required to be approved at an election.

The Series D Notes, Series D-2 Notes and Series D-3 Notes are authorized to be issued to pay contractual obligations incurred for (i) the construction of public works, to wit: the construction or renovation of the Civil Justice Center, Juvenile Justice Center, Juvenile Detention Center and County Courthouse, (ii) the purchase of automobiles and other vehicles, equipment and machinery, including computers, materials and supplies for the operation of the County's precincts and departments (including particularly those relating to tax assessment and collection, juvenile services, budgeting, administration and auditing, facility maintenance, law enforcement, health and roads) and other authorized needs and purposes of the County, and (iii) professional services, and are not required to be approved at an election. In addition, a portion of the Series D Notes, Series D-2 Notes and Series D-3 Notes (permanent improvements and parks) are authorized to be issued pursuant to voted authorization obtained at elections held within the County in November 2007 (Forensic Lab, Family Law Center and Parks), November 2013 (Joint Processing Center) and November 2015 (Animal Shelter and Parks).

The Series K Notes are authorized to be issued to pay the costs of acquiring, constructing, operating, maintaining, and improving toll road project components.

The Series H and H-2 Notes (flood control) are authorized to be issued pursuant to voted authorization obtained at elections held within the District in November 2015 (acquiring land, construction, maintenance and/or operations of or on behalf of the District) and August 2018 (financing flood control projects for the District, including purchasing lands, easements, rights-of-way and structures, and for the acquisition and construction of improvements, including detention basins, channel modifications and other works suitable for use in connection with flood damage reduction).

The Series J-1 Notes (disaster recovery) are authorized to be issued to (i) pay contractual obligations for (a) the construction of public works, (b) the purchase and capital lease of materials, supplies, equipment, machinery, buildings, lands and right-of-way for the County's authorized needs and purposes and (c) professional services; (ii) the demolition of dangerous structures; and (iii) the accomplishment of any other purpose the County considers necessary in relation to preserving or protecting public health and safety.

As of September 30, 2022, specific projects have been approved for no more than \$356.303 million of commercial paper. As of such date, the County had outstanding \$133.725 million of commercial paper, of which \$97.125 million was secured by the County's limited tax, \$0 million was secured by the County's unlimited tax and \$36.6 million was secured by toll road revenues. The District had no outstanding commercial paper.

## **Investments**

*General.* The County invests its investable funds in investments authorized by Texas law in accordance with written investment policies approved by the Commissioners Court, a copy of which is available upon request. Both State law and the County's investment policies are subject to change.

The Office of Management and Budget of the County invests all investable County funds, which include funds of the following departments or governmental bodies: the County, the District and the Toll Road Authority and the County Clerk and District Clerk Registry Funds. The County operates as an investment agent for the Greater HC 911 Emergency Network, HC Juvenile Probation, HC Community Supervision & Corrections, Harris County-Houston Sports Authority, Harris County Sports and Convention Corporation and Harris Health. Each of the above entities has a separate investment policy and investment portfolio and the funds are not commingled into a single pool of investments.

Current Texas law authorizes the County to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities; (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 of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by: (i) the Federal Deposit Insurance Corporation or its successor; or (ii) the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if: (i) the funds invested in the banking deposits are invested through: (a) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (b) a depository institution with a main office or branch office in this state that the investing entity selects; (ii) the broker or depository institution selected as described by clause (8)(i) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (iv) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (a) the depository institution selected as described by clause (8)(i); (b) an entity described by Section 2257.041(d); or (c) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (9) certificates of deposit that are issued by a depository institution that has its main office or a branch office in the State and is (i) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (ii) secured by obligations described in the preceding clauses, including mortgage

backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b) of the Texas Government Code; or (iii) secured in accordance with Chapter 2257 or in any other manner and amount provided by law for County deposits; (10) certificates of deposit that meet the following conditions: (i) the funds are invested by an investing entity through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the investing entity pursuant to Section 2256.025, Texas Government Code; or (B) a depository institution that has its main office or a branch office in this State and that is selected by the investing entity; (ii) the broker or the depository institution selected by the investing entity under (i) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity; (iii) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (iv) the investing entity appoints the depository institution selected by the investing entity under (i), an entity described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity; (11) fully collateralized repurchase agreements that have a defined termination date, are fully secured by cash or obligations described in clause (1), require the securities being purchased by the County or cash held by the County to be pledged to the County, held in the County's name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (12) securities lending programs if (i) the value of the securities loaned under the program are not less than 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) pledged irrevocable letters of credit issued by a bank organized under the laws of the United States or any other state, that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) and (17) below, (ii) securities held as collateral under a loan are pledged to the County and held in the County's name, (iii) deposited at the time the investment is made with the County or with a third party selected by or approved by the County; (iv) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State and (v) the agreement to lend securities has a term of one year or less; (13) bankers' acceptances that (i) have a stated maturity of 270 days or fewer from the date of their issuance, (ii) will be, in accordance with their terms, liquidated in full at maturity, (iii) are eligible for borrowing from a Federal Reserve Bank, and (iv) are accepted by a bank organized and existing under the laws of the United States or any state, if short-term obligations of the accepting bank, or of the bank holding company of which the bank is the largest subsidiary, are rated at least "A-1" or "P-1" or the equivalent by at one nationally recognized credit rating agency; (14) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (i) two (2) nationally recognized credit rating agencies or (ii) one (1) nationally recognized credit rating agency, if the paper is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; (15) no-load money market mutual funds registered with and



regulated by the Securities and Exchange Commission that provide the County with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and comply with federal Securities and Exchange Commission Rule 2a-7; (16) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two (2) years; and either (i) have a duration of one (1) year or more and are invested exclusively in obligations described in this paragraph; or (ii) have a duration of less than one (1) year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; (17) guaranteed investment contracts that have a defined termination date are secured by obligations described in clause (1) above in an amount at least equal to the amount of bond proceeds invested under such contract, and are pledged to the County and deposited with the County or with a third party selected and approved by the County; (18) certain eligible investment pools if the Commissioners Court by order authorizes investment in that particular pool; and (19) any other investment that may be authorized now or in the future by Chapter 2256, Texas Government code, as amended (the “Public Funds Investment Act”).

*Investment Policy.* Under Texas law, the County is required to invest its funds under a written investment policy that primarily emphasizes safety of principal and liquidity and that addresses investment diversification, yield, maturity, and the quality and capability of investment management. The County adopted its current investment policy on September 30, 2022, effective October 1, 2022. All County funds must be invested in investments that are consistent with the operating requirements of the County.

### **Retirement Program and Other Post-Employment Benefits**

The Texas County and District Retirement System (the “System” or “TCDRS”) administers a combined retirement program for officials and eligible employees of the County. The County provides retirement and disability benefits for all of its employees (excluding temporary employees) through a non-traditional defined benefit pension plan in the statewide TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the system. TCDRS does not receive State funding. Each plan is funded independently by participating counties, districts and employees. TCDRS in the aggregate issues a Annual Comprehensive Financial Report on a calendar year basis. The 2021 Annual Comprehensive Financial Report is available at <https://www.tcdrs.org/globalassets/library/reports/2021-annual-report.pdf>.

The Texas Legislature created TCDRS in 1967. Since then, TCDRS has grown into a multi-billion dollar trust with more than 800 participating employers. TCDRS is a savings-based plan. TCDRS employers, such as the County, advance fund their plans over the length of their employees’ careers. Unlike traditional pension plans where the benefit is based on the final salary and length of career, the TCDRS benefit is based on the total final employee savings balance and employer matching. Also, with TCDRS, employers have flexibility and local control to choose benefit levels to meet their needs and budgets.

TCDRS commissions an annual actuarial valuation of the plan. The County’s annual contribution rate is determined as a part of the annual actuarial valuation and consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan’s 20-year amortization period using the entry age actuarial cost method. The TCDRS Board reduced the investment return assumption from 8.0% to 7.5% effective December

31, 2020 and used a portion of the system's reserves and re-amortized liabilities to help mitigate increases to employer contribution rates. The County's required contribution rate for calendar year 2022 is 15.70% based upon a December 31, 2021 actuarial valuation date compared to 15.70% for calendar year 2022. The County elected to contribute 15.1% for calendar year 2021 and 15.7% for 2022. The County's net pension asset measured as of December 31, 2021 was \$253,106,274. The fiduciary net position as a percentage of total pension asset at December 31, 2021 was 103.21%. For a description of the plan, including County and employee contributions for the most recent fiscal year and the possibility of unfunded liabilities, see Note 9: Retirement Plan to the County's annual comprehensive financial report attached hereto as Appendix B.

The County is subject to GASB 75, which requires the County to estimate the liabilities of its retiree healthcare plan (other post-employment benefits or "OPEB"), as well as recognize contribution amounts and reserves relating to its OPEB plans for current retirees and employees. The net OPEB liability for the County retiree health care benefits as of February 28, 2022, was \$3,944,766,171 using a 2.25% discount rate. The County may modify its OPEB plans in the future and such liabilities may change. See Note 10: Other Postemployment Benefits to the annual comprehensive financial report attached hereto as Appendix B.

## Operating Funds Budget

On February 8, 2022, the Commissioners Court adopted the budget for the County for the period ending 9/30/2022. The budget included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the period ending 9/30/2022 budget for the County's Current Operating Fund:

Cash Balance as of March 1, 2022	\$ 1,474,473,749
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	73,138,923
Charges for Services	162,019,250
Fines and Forfeitures	7,539,471
Intergovernmental Revenues	37,371,638
Interest	2,865,085
Other	23,257,868
Total Cash and Estimated Revenues	<u>\$ 1,780,665,984</u>
Appropriations:	
Current Operating Expenses	\$ 1,728,039,423
Capital Outlay:	
Roads	22,495,284
Parks	30,131,277
Total Appropriations	<u>\$ 1,780,665,984</u>

## Tax Anticipation Borrowing

In the years prior to Fiscal Year 2017, the County engaged in a tax anticipation program for the purpose of providing funds for the payment of working capital expenditures of the County until ad valorem taxes were received. A concerted effort was made starting in 2012 to improve the County's financial condition to eliminate tax anticipation borrowing. This effort resulted in an

annual reduction in tax anticipation borrowing, until tax anticipation borrowing was eliminated in Fiscal Year 2017.

## General Fund Balances For Fiscal Years 2018 through 2022

The table below shows the County's General Fund balances for Fiscal Years 2018 through 2022. The information provided in such table was prepared using the modified accrual basis of accounting.

	<u>2018<sup>(a)</sup></u>	<u>2019<sup>(a)</sup></u>	<u>2020<sup>(a)</sup></u>	<u>2021<sup>(a)</sup></u>	<u>2022<sup>(a)</sup></u>
Unrestricted Cash Balance	\$1,538,868,819	\$1,670,575,919	\$1,846,640,401	\$2,214,359,440	\$2,070,937,648
Revenues/Other Sources	2,423,710,761	2,399,964,348	2,518,023,895	3,114,995,974	2,774,583,653
Expenditures/Other Uses	2,276,019,431	2,265,649,889	2,336,868,442	2,758,655,593	2,965,777,817
Fund Balance:					
Nonspendable	8,405,900	9,325,408	13,053,415	5,192,842	6,701,664
Restricted	512,962,739	532,074,026	533,151,681	944,737,889	781,834,387
Committed	0	0	0	0	73,236,168
Assigned	50,988,858	40,139,177	31,299,415	27,414,385	56,831,745
Unassigned	<u>1,162,834,872</u>	<u>1,287,968,217</u>	<u>1,473,157,770</u>	<u>1,379,657,546</u>	<u>1,297,204,536</u>
Total Fund Balances	\$1,735,192,369	\$1,869,506,828	\$2,050,662,281	\$2,407,002,662	\$2,215,808,498

(a) The amounts for the fiscal years shown above include the general fund, general fund debt service, public improvement contingency fund and mobility fund.

Source: Harris County Auditor's Office

The above information has been included in order to indicate the general economic health of the County. However, the Notes are secured only by the levy of ad valorem taxes. Fund balances shown above are not available for debt service on the Notes except to the extent such fund balances represent collections of taxes levied for the Notes.

## THE NOTES

The Order authorizing the Notes provides that the Notes may be issued to (i) pay contractual obligations incurred or to be incurred for the construction of public works, (ii) pay contractual obligations incurred or to be incurred for the purchase of materials, supplies, equipment, machinery, buildings, lands and rights-of-way for the County's authorized needs and purposes, (iii) for any other purposes authorized under the Act, including but not limited to any public works; (iv) pay contractual obligations incurred or to be incurred for professional services, including services provided by engineers, architects, attorneys, auditors, financial advisors and fiscal agents in connection with the contractual obligations described in (i), (ii) and (iii) above, and (v) refinance, renew or refund the Notes of the same series and loans made for the payment of principal on such Notes.

Pursuant to the 2007 Election, the Notes may also be issued for (1) purchasing, constructing, improving and equipping medical and health care buildings, including purchasing or improving sites for such buildings, including a Medical Examiner's Forensic Center, in the amount of \$80,000,000 (of which \$5,180,000 remains unissued), (2) purchasing, constructing, improving and equipping courthouses, including purchasing or improving sites for courthouses, including a Family Law Center, in the amount of \$70,000,000 (of which \$70,000,000 remains unissued), and

(3) acquiring or improving land, buildings or historically significant objects for park purposes or for historic or prehistoric preservation purposes, which may include joint facilities with other political subdivisions, in the amount of \$29,000,000 (of which \$0 remains unissued); all as more fully described, authorized and provided in the legal proceedings of the 2007 Election,

Pursuant to the 2013 Election, the Notes may also be issued for acquiring, constructing and improving land and buildings within and for the County for an adult detention central joint processing center and related facilities, including a heating and cooling plant and parking facilities, in the amount of \$70,000,000, all as more fully described, authorized and provided in the legal proceedings of the 2013 Election. There is no voted authority remaining for the 2013 Election.

Pursuant to the 2015 Election, the Notes may also be issued for acquiring, construction and improving land, buildings, or in the aid and maintenance thereof for parks, in the amount of \$60,000,000, (of which \$35,382,000 remains unissued) all as more fully described, authorized and provided in the legal proceeds of the 2015 Election, provided that the amount of Notes issued for park purposes pursuant to the 2015 Election, together with the amount of notes issued under the Harris County, Texas General Obligation Commercial Paper Notes, Series B Program for park purposes pursuant to the 2015 Election, may not exceed \$60,000,000. The Notes may also be issued for construction and improving land, buildings, or in the aid and maintenance thereof, for the veterinary public health adoption and care center and associated buildings, in the amount of \$24,000,000 (of which \$0 remains unissued), as more fully described, authorized and provided in the legal proceedings of the 2015 Election.

Pursuant to the 2022 Election, the Notes may also be issued for constructing, improving, renovating, equipping and acquiring land and interest in land, buildings, facilities, courthouses and related equipment for public safety purposes, in the amount of \$100,000,000 pursuant to the 2022 Election (of which \$100,000,000 remains unissued); construction, maintenance, operation and road drainage of macadamized, graveled or paved roads, or in aid thereof, including acquiring land and rights-of-way therefor, road drainage, bike lanes, sidewalks and shared use paths, and replacement and improvement of road bridges and culverts, in the amount of \$900,000,000 pursuant to the 2022 Election (of which \$900,000,000 remains unissued), provided, that the amount of Notes issued for road purposes pursuant to the 2022 Election, together with the amount of notes issued under the Harris County, Texas General Obligation Commercial Paper Notes, Series C Program for road purposes pursuant to the 2022 Election, may not exceed \$900,000,000; constructing, improving, renovating, equipping and acquiring land and interest in land, buildings and facilities for county parks and recreational purposes, in the amount of \$200,000,000 pursuant to the 2022 Election (of which \$200,000,000 remains unissued), provided, that the amount of Notes issued for park purposes pursuant to the 2022 Election, together with the amount of notes issued under the Harris County, Texas General Obligation Commercial Paper Notes, Series B Program for park purposes pursuant to the 2022 Election, may not exceed \$200,000,000.

The Notes may also be issued to refinance, renew or refund Notes, Loans and Loan Notes and to pay the costs and expenses of the issuance of the Notes, including fees for professional services.

On each date that Notes are initially issued, the Authorized Representative (as defined in the Order) shall designate the authorized purpose or purposes for which such Notes are to be issued.

The Notes will be offered at par only, will mature in not more than 270 days from the date of issue, and will pay par plus interest at maturity. The Notes will be payable at the office of U.S. Bank National Association, as the Issuing and Paying Agent. Interest on the Notes is payable on an actual/365-day basis. The interest on the Notes may not exceed the lesser of 10% per annum or the maximum rate allowable by law. A minimum purchase of \$100,000 aggregate principal amount and multiples of \$1,000 thereafter is required.

The Notes are issuable in book-entry form through the book-entry system of the Depository Trust Company, New York, New York (“DTC”). The County has issued a single Master Note for each series registered in the nominee name of DTC. The Master Notes have been deposited with the Issuing and Paying Agent under the terms of an Issuing and Paying Agent Agreement with the County. Physical notes will still be available in those instances where book-entry cannot be accomplished.

The Order provides that (i) any Note issued prior to April 15, 2008 must be repaid by July 1, 2017 (which is a date prior to the fifteenth anniversary of the date of the Attorney General’s approval of the proceedings relating to the amendments to the Order approved by the Commissioners Court on August 6, 2002); (ii) any Note issued after April 15, 2008 but prior to March 1, 2014 must be repaid by February 15, 2029 (which is a date prior to the fifteenth anniversary of the date of the Attorney General’s approval of the proceedings relating to the amendments to the Order approved by the Commissioners Court on February 11, 2014); (iii) any note issued on or after March 1, 2014 but prior to April 26, 2016 must be repaid by June 1, 2031 (which is a date prior to the fifteenth anniversary of the date of the Attorney General’s approval of the proceedings relating to the amendments to the Order approved by the Commissioners Court on April 26, 2016); (iv) any Note issued on or after April 26, 2016 but prior to November 15, 2022, must be repaid by November 1, 2033 (which is a date prior to the fifteenth anniversary of the date of the Attorney General’s approval of the proceedings relating to the amendments to the Order approved by the Commissioners Court on October 23, 2018); (v) any Note issued on or after November 15, 2022, but prior to January 10, 2023 must be repaid by December 1, 2037 (which is a date prior to the fifteenth anniversary of the date of the Attorney General’s approval of the proceedings relating to the amendments to the Order approved by the Commissioners Court on November 15, 2022); (vi) any Note issued on or after January 10, 2023 must be repaid by December 1, 2053; *provided, however*, that, for any Notes issued pursuant to an Election, no Note may mature beyond the maximum maturity date approved at the election pursuant to which such Note has been authorized.

### **Liquidity Facility**

The County has covenanted to maintain a liquidity facility for the Notes in the Order.

The following summarizes certain provisions of the Credit Agreement, dated as of October 1, 2018 (the “Credit Agreement”), by and between the County and Wells Fargo Bank, National Association (the “Bank”), relating to the Notes. Certain disclosure information of the Bank is

provided in Appendix A. The following summary does not purport to be a full and complete statement of the provisions of the Credit Agreement, which should be read in full for a complete understanding of all the terms and provisions thereof. Capitalized terms not defined under this caption “Liquidity Facility” have the meanings ascribed to such terms in the Credit Agreement.

Pursuant to the Credit Agreement, the Bank has committed, subject to certain terms and conditions, to provide a revolving line of credit for the purpose of making advances (“Advances”) to the County for the payment from time to time of the principal of any or all maturing Notes. The initial amount of the commitment (the “Commitment”) under the Credit Agreement is \$200,000,000, subject to reduction from time to time pursuant to the Credit Agreement. The Bank has agreed to make Advances to the County under the Credit Agreement in an amount not to exceed on the date of any Advance the Commitment less the aggregate amount of Advances or Term Loans outstanding (such amount, the “Available Commitment”).

The Commitment and the obligation of the Bank to make Advances thereunder shall expire or terminate on the first to occur of (i) November 12, 2024, as such date may be extended pursuant to the Credit Agreement (the “Final Date”), (ii) the date that the amount of the Available Commitment is permanently reduced to \$-0- pursuant to (A) a termination of the Commitment by the County pursuant to the terms of the Credit Agreement or (B) pursuant to the terms of the Credit Agreement described in the sub-caption “LIQUIDITY FACILITY— Actions Taken in Respect of Events of Default” and the sub-caption “LIQUIDITY FACILITY— Actions Taken in Respect of Special Events of Default” below or (iii) the delivery of a credit agreement in substitution of the Credit Agreement,

On or after the date which is 120 days prior to the Final Date, the County may submit a written request to the Bank to extend the Final Date for a time mutually acceptable to the Bank and the County. The Bank has agreed to deliver the Bank’s response in writing to the County within 30 days from the date of receipt of such request. Failure by the Bank to respond to the County’s request for extension within such time period shall be considered a rejection of such request. If the Bank, in its sole discretion, agrees to such extension, then the Bank and the County shall enter into an amendment of the Credit Agreement and the County has agreed to deliver a copy of any such amendment, executed by both of the parties thereto, to the Issuing and Paying Agent, the Dealer, and to the rating agencies.

### **Non-Issuance Instruction**

Upon the occurrence or continuance of an Event of Default or a Special Event of Default (as described below), the Bank shall have the right to deliver to the County and the Issuing and Paying Agent a Non-Issuance Instruction in the form attached to the Credit Agreement. If the Bank, delivers a Non-Issuance Instruction to, and such Non-Issuance Instruction has been received by, the County and the Issuing and Paying Agent then the County shall not, and shall cause the Issuing and Paying Agent not to, issue, authenticate or deliver any Notes (other than Notes permitted to be issued, authenticated and delivered as provided in Section 2.2(b) of the Credit Agreement) until such time as all previously delivered Non-Issuance Instructions that have been received by the County and the Issuing and Paying Agent have been revoked in writing by the Bank as provided in the Credit Agreement. The County shall not, under any circumstances, so long as any Non-Issuance Instruction remains in effect, request the Dealer to purchase or sell any

Notes (other than Notes permitted to be issued, authenticated and delivered as provided in Section 2.2(b) of the Credit Agreement).

### **Events of Default**

Each of the following shall constitute an Event of Default under the Credit Agreement:

(a) The County fails to pay any fees, expenses or other amounts (other than an Advance) payable under the Credit Agreement or under the Fee Letter within 30 days after receipt of an invoice therefor; or

(b) A breach or failure of performance by the County of certain covenants contained in the Credit Agreement; or

(c) A breach or failure of performance by the County of any covenant, condition, or agreement on its part to be observed or performed contained in the Credit Agreement (other than a breach or failure covered by another paragraph in this sub-caption “LIQUIDITY FACILITY—Events of Default” or in the sub-caption “LIQUIDITY FACILITY—Special Events of Default” hereof) and any such breach or failure (if capable of remedy) continues for a period of 30 days after notice thereof from the Bank to the County; or

(d) Any of the County’s representations or warranties made or deemed made in the Credit Agreement or in any statement or certificate at any time given pursuant hereto or in connection herewith proves at any time to have been false or misleading in any material respect when made and any such false or misleading statement or certificate (if capable of remedy) continues for a period of 10 days after notice thereof from the Bank to the County; or

(e) Any provision of the Credit Agreement or the Bank Note (as defined in the Credit Agreement) shall cease to be valid and binding or the County shall contest any such provision, or the County or any agent or trustee on behalf of any of them, shall deny that it has any further liability under any provision of the Credit Agreement or the Bank Note, in each case other than as described in paragraph (i) of the sub-caption “LIQUIDITY FACILITY—Special Events of Default” hereof; or

(f) Entry or filing of any judgment, order, writ or warrant of attachment in an amount in excess of \$20,000,000 against the County or against any of its property and failure of the County to vacate, bond, stay or contest in good faith such judgment, writ, warrant of attachment or other process for a period of 45 days or a failure to pay or satisfy such judgment within 45 days or as otherwise require by such judgment, writ or warrant of attachment; or

(g) (i) The principal of or interest on any Debt in excess of \$25,000,000 in the aggregate or the maturity of any such Debt has been accelerated or such obligation is otherwise required to be prepaid prior to the stated maturity thereof or (ii) any event shall occur permitting the holder or holders of any Debt in excess of \$25,000,000 in the aggregate to accelerate such Debt or require repayment thereof prior to stated maturity thereof, but not including as such an event the exercise by the County of an option to prepay any Debt prior to the stated maturity thereof, in each case for a reason other than as described in another paragraph of this sub-caption “LIQUIDITY

FACILITY—Events of Default” or of the sub-caption “LIQUIDITY FACILITY—Special Events of Default” hereof; or

(h) The rating (without regard to credit enhancement) assigned to any of the long-term General Obligation Debt (as defined in the Credit Agreement) of the County by Moody’s, Fitch and S&P shall fall below “A2” by Moody’s and “A” by Fitch and S&P; or.

(i) The County fails to pay when due and payable, after giving effect to any applicable grace period, the principal on the Notes (other than the principal on the Notes for which an Advance has been requested).

### **Actions Taken in Respect of Events of Default**

Upon the occurrence and continuance of an Event of Default, the Bank may take one or more of the following actions: (i) give a Non-Issuance Instruction to the County and the Issuing and Paying Agent as provided in Section 2.2 of the Credit Agreement, (ii) by written notice delivered to the County and the Issuing and Paying Agent, (A) terminate the Available Commitment in whole (except for the obligation of the Bank, existing as of the time of the written notice to terminate the Available Commitment in whole, to make Advances to fund then outstanding Notes) and (B) to the extent permitted by law, declare all amounts payable by the County to the Bank under the Credit Agreement and under the Bank Note, including, without limitation, all outstanding Advances, to be forthwith due and payable without presentment, demand or protest, all of which are expressly waived by the County; *provided, however*, notwithstanding anything to the contrary stated in the Credit Agreement, upon the occurrence of an Event of Default described under the sub-caption “LIQUIDITY FACILITY—Events of Default” hereof, the Bank shall not declare any amounts payable by the County to the Bank under the Credit Agreement and under the Bank Note, including, without limitation, all outstanding Advances, to be due and payable on the earlier of (x) the date on which the County has unrestricted legally available funds appropriated to make payment thereof, and (y) February 1 of the calendar year immediately following the date the County next adopts an order levying ad valorem taxes on tangible property within the limits of the County; and *provided, further*, that interest on any unpaid amounts due under this sub-caption “LIQUIDITY FACILITY—Actions Taken in Respect of Events of Default” shall bear interest at the Default Rate until such principal amounts are paid in full.

### **Special Events of Default**

Each of the following shall constitute a Special Event of Default under the Credit Agreement:

(a) The County fails to pay the principal amount of any Advance on the scheduled due date or the interest on any Advance on the scheduled due date; or

(b) The County (i) applies for or consents to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or of a substantial part of its property or assets, (ii) admits in writing its inability, or is generally unable, to pay its General Obligation Debt (as defined in the Credit Agreement) as such Debt becomes due, (iii) makes a general assignment for the benefit of creditors or declares



a moratorium with respect to its General Obligation Debt, (iv) commences a voluntary case under the Bankruptcy Code, (v) files a petition seeking to take advantage of any other laws relating to bankruptcy, insolvency, reorganization, liquidation, winding-up, or composition or adjustment of General Obligation Debts, or (vi) acquiesces in writing to, or fails to controvert in a timely and appropriate manner, any petition filed against it in an involuntary case filed under the Bankruptcy Code (as now or hereafter in effect) seeking liquidation or reorganization with respect to a substantial part of its assets, and such case or proceeding is not stayed or dismissed within 60 days of the filing of such petition; or

(c) Without the application or consent of the County, a case or other proceeding is commenced in any court of competent jurisdiction seeking (i) the reorganization, dissolution, winding-up, liquidation, or composition or readjustment of General Obligation Debt of the County or (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of the County or any substantial part of the assets thereof, and such case or proceeding continues undismissed, or an order, judgment or decree approving or ordering any of the foregoing is entered and continues unstayed and in effect, for a period of 60 consecutive days, or an order for relief in respect of the County is entered in an involuntary case under the Bankruptcy Code (as now or hereafter in effect); or

(d) The State of Texas or any other Governmental Authority having jurisdiction over the County imposes a debt moratorium, debt restructuring or comparable restriction on repayment when due and payable of the principal of or interest on the County's General Obligation Debt; or

(e) The authority of the County under the Order is limited as a result of federal, state, or municipal legislative or administration action or a final non-appealable judgment by any court having jurisdiction over the County so as to prevent the County from exercising its power to levy taxes sufficient in amount to pay the principal of and interest on any Advance or any Note when due; or as a result of any judgment or other decree by any court having jurisdiction over the County, the County is unable set tax rates or collect revenues in a timely manner sufficient in amount to pay the principal of and interest on any Advance or any Note when due; or

(f) (i) The Credit Agreement in its entirety, (ii) any provision of the Credit Agreement relating to the County's ability (A) to make payments to the Bank for principal and interest on the Bank Notes, (B) to make payments of principal of and interest on the Notes or (C) to raise necessary funds to meet such payment obligations, or (iii) any other material provision of the Credit Agreement relating to the payment of principal and interest on the Bank Notes or on the Notes, as applicable, as a result of federal, state, or municipal legislative or administration action or a final non-appealable judgment by any court having jurisdiction over the County ceases to be valid and binding on the County in accordance with its terms, or is declared to be null and void in a final non-appealable judgment by a court of competent jurisdiction, or the validity or enforceability thereof is contested by the County or a proceeding is commenced by the County seeking to establish the invalidity or unenforceability thereof; or

(g) The rating (without regard to credit enhancement) assigned to any of the long-term General Obligation Debt of the County by Moody's, Fitch and S&P shall be withdrawn or suspended, in either case, for credit related reasons, or fall below "Baa3" by Moody's and "BBB-" by Fitch and S&P; or

(h) Failure to pay or satisfy any final, non-appealable judgment, order, writ or warrant of attachment in an amount in excess of \$25,000,000 against the County or against any of its property within 60 days without staying enforcement thereof;

(i) Any provision of the Credit Agreement or the Bank Note relating to the payment of principal of or interest on the Advances shall cease to be valid and binding, or an authorized representative of the County shall contest, publicly in writing, any such provision, or the County or any authorized agent or trustee on behalf of any of them shall publicly or in writing deny that it has any further liability under any provision of the Credit Agreement or the Bank Note relating to the payment of principal of or interest on the Advances;

(j) (i) The principal of or interest on any General Obligation Debt in the aggregate or the maturity of any such Debt has been accelerated or such obligation is otherwise required to be prepaid prior to the stated maturity thereof or (ii) any event shall occur permitting the holder or holders of any General Obligation Debt in the aggregate to accelerate such Debt or require repayment thereof prior to stated maturity thereof, but not including as such an event the exercise by the County of an option to prepay any General Obligation Debt prior to the stated maturity thereof, in each case for a reason other than as described in another paragraph of this sub-caption "LIQUIDITY FACILITY—Special Events of Default"; or

(k) The County fails to pay when due and payable, after giving effect to any applicable grace period, the interest on the Notes or the principal of and interest on any of its General Obligation Debt (other than such Debt consisting of the obligation of another Person guaranteed by the County).

### **Actions Taken in Respect of Special Events of Default**

Upon the occurrence and continuance of a Special Event of Default, the Bank may take one or more of the following actions: (i) those actions set forth in the sub-caption "LIQUIDITY FACILITY—Actions Taken in Respect of Events of Default" above, (ii) by written notice delivered to the County and the Issuing and Paying Agent, (A) terminate the Available Commitment in whole, and (B), to the extent permitted by law, declare all amounts payable by the County to the Bank under the Credit Agreement and under the Bank Note, including, without limitation, all outstanding Advances, to be forthwith due and payable, whereupon such amounts shall immediately become due and payable, without presentment, demand or protest, all of which are expressly waived by the County, and/or (iii) pursue any other remedy available to the Bank at law or in equity; *provided, however*, that the failure of the Bank to provide the written notice provided for in clause (ii) of this sub-caption "LIQUIDITY FACILITY—Actions Taken in Respect of Special Events of Default" shall not preclude the Bank from exercising the remedies

provided to the Bank in such clause (ii); and *provided, further*, that, to the extent that the Bank pursues the rights granted to it under subclause (ii)(B) of this sub-caption “LIQUIDITY FACILITY—Actions Taken in Respect of Special Events of Default” above, the County shall pay to the Bank such amounts from any unrestricted funds legally available, and following the default, appropriated by the County, for such purpose as described above and to the extent that the County’s legally available and appropriated funds are insufficient to pay such amounts upon demand, the amount of such deficiency shall not become due and payable prior to the earlier to occur of (x) the date on which the County has appropriated unrestricted legally available funds to pay all or a portion of the deficiency or (y) February 1 of the calendar year immediately following the date the County next adopts an order levying ad valorem taxes on tangible property within the limits of the County; and *provided, further*, that interest on any unpaid amounts due under this sub-caption “LIQUIDITY FACILITY—Actions Taken in Respect of Special Events of Default” shall bear interest at the Default Rate until such principal amounts are paid in full. The foregoing provisions of this sub-caption “LIQUIDITY FACILITY—Actions Taken in Respect of Special Events of Default” notwithstanding, upon the occurrence of a Special Event of Default described in paragraphs (b), (c), or (d) of the sub-caption “LIQUIDITY FACILITY—Special Events of Default”, the Available Commitment shall automatically terminate and the Bank Note and all then outstanding Advances shall be deemed to be immediately and automatically tendered for payment in full by the County, and, to the extent permitted by law, all amounts payable by the County to the Bank under the Credit Agreement and under the Bank Note, including, without limitation, all outstanding Advances, shall become immediately due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the County.

### **No Remedy Exclusive**

The rights and remedies of the Bank under the Credit Agreement shall be cumulative and not exclusive of any rights or remedies which it would otherwise have, and no failure or delay by the Bank in exercising any right shall operate as a waiver of it, nor shall any single or partial exercise of any power or right preclude its other or further exercise or the exercise of any other power or right.

### **Depository Trust Company**

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each issue of the Notes, each 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 issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade

settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities 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 a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes 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 the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 the Notes with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the financing documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes 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 County or the Issuing and Paying Agent, 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Issuing and Paying Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Issuing and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the County or the Issuing and Paying Agent as set forth in the Order. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note 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 County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

### **PENDING LITIGATION**

The County is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of the performance of governmental functions, certain of which seek substantial damages. Such litigation includes lawsuits claiming damages that allege personal injuries, wrongful deaths and property damage and lawsuits alleging discriminatory hiring and firing practices; various claims from contractors for amounts under construction contracts; inverse condemnation claims; and various other liability claims. The status of such litigation ranges from

an early discovery stage to various levels of appeal of judgments. The amount of damages is limited in certain cases under the Texas Tort Claims Act and is subject to appeal.

In 2016, the case of *O'Donnell v. Harris County*, Case No. 4:16-cv-01414, was filed in the United States District Court for the Southern District of Texas, alleging violations of civil rights on the basis of unequal treatment of indigent misdemeanor defendants in the requirements applied to be released on bail. The parties entered into, and the District Court approved, a seven-year consent decree which will result in expenditures by the County in the amount of \$18,076,503.33 through Fiscal Year 2029.

In 2019, the case of *Russell v. Harris County*; Case No. 4:19-cv-00226 was filed in the United States District Court for the Southern District of Texas against the County and the Harris County Sheriff, and later amended to include class action allegations and the addition of twenty-three state criminal district court judges, alleging violations of civil rights on the basis of unequal treatment of indigent felony defendants in the requirements applied to be released on itself against these suits vigorously. The County cannot predict, as of the date hereof, the final outcome of any of such claims and suits. In the opinion of management of the County, it is improbable that lawsuits now outstanding against the County that are associated with its operation could become final in a time and manner so as to have a material adverse financial impact upon the operations of the County.

## **ENVIRONMENTAL REGULATION**

### **General**

The County is subject to the environmental regulations of the State and the United States. These laws and regulations are subject to change, and the County may be required to expend substantial funds to meet the requirements of such regulatory authorities.

### **Air Quality**

Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality ("TCEQ") may curtail new industrial, commercial and residential development in the County. Under the Clean Air Act ("CAA") Amendments of 1990, the eight county Houston-Galveston-Brazoria Area ("HGB Area") has been designated by the EPA as a non-attainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"); and the EPA's most recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

On April 5, 2015, the EPA revoked the 1997 Ozone Standards. Although the HGB Area air quality has been attaining the 1997 Ozone Standards since 2014, EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area "anti-backsliding" requirements. In late

2016, EPA approved the TCEQ's "redesignation substitute" for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard). 81 Fed. Reg. 78691 (Nov. 8, 2016).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018). The court vacated the EPA redesignation substitute rule that provided the basis for EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. To address the uncertainty created by the South Coast court's ruling, the TCEQ developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. In December 2018, the TCEQ submitted a revision to the state implementation plan ("SIP") formally requesting redesignation under the 1997 Ozone Standards. EPA responded in February 2020 by adopting a final rule stating that the HGB Area has no designation under the revoked 1997 Ozone Standards and terminating all "anti-backsliding" obligations that remained applicable to the HGB Area based on the area's continued attainment of the revoked 1997 Ozone Standards. 85 Fed. Reg. 8411 (Feb. 14, 2020). The HGB Area is no longer subject to control requirements associated with the 1997 Ozone Standards.

Since September 23, 2019, the HGB Area was designated as a "serious" ozone nonattainment area with an attainment deadline of July 20, 2021 under the 2008 Ozone Standard. Previously, the HGB Area was designated as a "moderate" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018, but the EPA determined that the HGB Area failed to meet the attainment deadline. In March 2020, the TCEQ adopted a revision to the Texas SIP that included an updated attainment demonstration for the 2008 Ozone Standard and submitted it to the EPA in May 2020. The TCEQ requested a 1-year attainment date extension for the 2008 Ozone Standard. The EPA denied the State's request for an attainment date extension and recently, published notice in the Federal Register that Texas regulators failed to attain the appropriate standard by the attainment date.

The HGB Area will be reclassified in December 2022 and designated as a "severe" nonattainment area for the 2008 Ozone Standard and a "moderate" nonattainment area for the 2015 Ozone Standard. For purposes of the 2015 Ozone Standards, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties. The new attainment date for the 2015 Ozone Standard is August 3, 2024. However, the TCEQ requested a 1-year attainment date extension.

Under the CAA, the State is subject to ongoing obligations to make progress toward and eventually to reach compliance with the federal ozone standards in the HGB Area, based on monitored air quality. The TCEQ's SIP for the HGB Area demonstrates progress toward attainment, and includes emission control requirements for ozone-causing pollutants emitted by the industrial sector. Failure to attain an ozone standard could subject industrial sources in the HGB Area to more-stringent controls on emissions. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

Regarding the HGB Area SIP requirements that regulate the inspection and use of automobiles, such measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to attain the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB Area's economic growth and development.

Other potential impacts upon economic growth and development include lawsuits filed under the CAA by plaintiffs seeking to require emission reduction measures that are even more stringent than those adopted by TCEQ and approved by EPA. From time to time, various plaintiff environmental organizations have filed lawsuits against TCEQ and EPA seeking to compel the adoption of additional emission reduction measures, many of which could make it more difficult for businesses to construct or expand industrial facilities or which could result in travel restrictions or other limitations on the actions of businesses, governmental entities and private citizens. Any successful court challenge to the currently effective SIP could result in the imposition of even more stringent air emission controls.

### **Area Topography and Land Subsidence**

The land surface in certain areas of the County has subsided several feet over the past seventy-five (75) years and the subsidence is continuing. The principal causes of subsidence are considered to be the withdrawal of groundwater and, to a lesser extent, oil and gas production. Subsidence may impair development in certain areas and expose such areas to flooding and severe property damage in the event of storms and hurricanes, and thus may affect assessed valuations in those areas. In 1975, the Texas Legislature created the Harris-Galveston Coastal Subsidence District ("Subsidence District") to provide regulatory control over the withdrawal of groundwater in Harris and Galveston Counties in an effort to limit subsidence. This groundwater conservation district, with no powers to levy taxes or incur debt, has required most suppliers of water to reduce consumption of groundwater and to convert their primary source of supply to surface water.

With the reduction of withdrawal of groundwater, the rate of subsidence has been reduced. However, Subsidence District regulations that require conversion to surface water can be costly to industries, municipalities and other water suppliers since the process of converting from a groundwater supply to a surface water supply can result in substantial capital expenditures. The per unit cost of supplying surface water is substantially higher due to the greater cost of treatment and transportation. In response to the Subsidence District's requirements, local municipalities within the County, water authorities and water districts have initiated several measures and programs to provide treated surface water in the region, including the negotiation and execution of water supply contracts and capital cost sharing agreements to support the development and expansion of water purification plants in the region.



## **PANDEMICS, WEATHER EVENTS AND PERIODIC FLOODING**

### **COVID-19 Pandemic**

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

On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. Subsequently in response to a rise in COVID-19 infections in the State, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities. There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State of Texas. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Offering Memorandum.

The Pandemic has negatively affected travel, commerce, and financial markets globally and is widely expected to continue negatively affecting economic growth and financial markets worldwide. The County continues to monitor the Pandemic and work with local, state and national agencies to address its potential impact on the County. The impact of COVID-19 is expected to have a negative financial impact on local, state and national economies, the severity of which is unknown at this time, in a manner that could adversely affect the amount of property and sales and use taxes, franchise charges and fees, and other general revenues received by the County.

The County has identified several funding sources to assist with expenses related to the Pandemic. In April 2020 the County received \$426 million from the U.S. Department of Treasury pursuant to the Coronavirus Aid Relief & Economic Security Act (the “*CARES Act*”). As of September 30, 2022, the period of performance for the CARES funds has ended. Programs and expenses approved by Commissioners Court include: (1) a \$4.7 million Childcare Assistance Program, (2) a \$35.6 million Emergency Rental Assistance Fund, (3) a \$26.9 million Small City Assistance Program, (4) a \$46.6 million Student Digital Services Program, (5) a \$67.6 million Direct Assistance Program, (6) a \$2.2 million Community Spread Survey Program, (7) a \$10.5

million Small Business Grant Program, (8) a \$4 million Census Outreach Program, (9) a \$2.3 million Workforce Development Program, (10) a \$2.2 million Domestic Violence Program, (11) \$5.8 million in expenditures for program management office administration, and (12) \$217.5 million expenditure for law enforcement labor. In addition, the Commissioners Court approved the \$30 million COVID-19 Relief Fund to provide aid for County residents who are ineligible for federal aid through the CARES Act.

The County has also received funding under the American Rescue Plan Act of 2021 (ARPA). As of June 28, 2022, the County had received \$915.5 million in ARPA Local Fiscal Recovery funding. The ARPA Local Fiscal Recovery funds must be obligated by December 2024 and spent by December 2026 and can cover a range of eligible uses, including recovery from the public health emergency or economic impacts of the Pandemic, investments in water, sewer, and broadband infrastructure, and coverage of revenue shortfalls that may arise relative to expected revenue at pre-pandemic growth rates. To date, \$465.5 million in ARPA Local Fiscal Recovery Funds have been dedicated to projects including direct financial assistance to low-income households (\$65 million), small business grants (\$32 million), emergency COVID medical staff (\$72 million), vaccine incentives (\$13 million), lead testing and abatement (\$20 million), behavioral health (\$23.7 million, of which \$8.9 million is dedicated to Healthy Minds and Healthy Communities plus \$14.8 million for Behavioral Health awards), justice and safety initiatives (\$67 million), homelessness services (\$47 million), coordinated care technology investments (\$14 million), early childhood initiatives (\$9 million), maternal and child health (\$8 million), affordable housing (\$7 million), food and nutrition programs (\$7 million), workforce development (\$9.7 million), public health and library payroll and other eligible expenses (\$12 million), and other recovery efforts. The County has also been allocated \$166 million in rental assistance funding for use in supporting local residents: \$93 million from the Consolidated Appropriations Act of 2021 and \$73 million from ARPA, together with \$17 million in HOME-ARP funding to support homeless individuals. The County has not included the federal COVID-19 relief funding under the CARES Act or the ARPA in its General Fund.

In addition to the development of programs to distribute funds to residents and small businesses in response to the Pandemic, on May 19, 2020 the Commissioners Court approved increasing the existing homestead exemption for homeowners who are 65 years of age or older or disabled from \$160,000 to \$229,000 and in June 2022 the exemption was raised from \$229,000 to \$250,000.

The County entered the Pandemic with over \$300 million set aside in its Public Contingency Fund to help mitigate adverse impacts on the County's revenues and expenses resulting from emergencies and other contingencies such as the Pandemic, major flood events and other major weather events (such as potential hurricanes). Primarily due to COVID-related spending, the Public Contingency Fund balance has dropped to an unencumbered balance of \$60 million as of April 26, 2022. The County continues to pursue FEMA reimbursement for eligible spending and anticipates a total estimated reimbursement of \$338 million, consisting of \$28 million received and future reimbursement of \$309 million. On April 26, 2022, Harris County Commissioners Court authorized the transfer of up to \$124 million to help restore the contingency balance (\$75 million from the General Fund and \$49 million from the Response and Recovery Fund). The County does not expect the total amount of unreimbursed Pandemic-related expenses to affect its ability to timely make debt service payments on the Certificates, its outstanding bonds,

or other obligations or to have a significant impact on the County's ability to fund essential operations. The long-term impact of the Pandemic on the County cannot be quantified at this time.

### **General Weather Events**

The County is located near the Texas Gulf coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by rain events, hurricanes, tropical storms, and other tropical disturbances. Due in part to its relatively flat topography and moist coastal climate, and partly due to the effects of subsidence, certain areas of the County are subject to periodic flooding and associated severe property damage as a result of rain events, tropical storms and hurricanes. See "Hurricane Harvey." The County and most of the municipalities located within the County participate in the National Flood Insurance Program administered by the Federal Emergency Management Agency ("FEMA"). Communities participating in the National Flood Insurance Program are required by FEMA to adopt restrictions on development in designated flood-prone areas. In exchange, the National Flood Insurance Program makes federal subsidized flood insurance available to property owners located in the participating communities. Given the ongoing effects of subsidence as well as increased development and urbanization within the County, FEMA periodically updates and revises its maps designating the areas of the County that are subject to special flood hazards. Properties that are currently located outside of a designated flood-prone area may suffer a reduction in value if they are placed within the boundaries of a special flood hazard area the next time FEMA updates and revises its flood maps.

Not all flood hazards are mapped on the FEMA flood maps, nor is every bayou or creek in the County studied. Flooding can occur from ponding or overland sheet flow when intense rainfall overwhelms the local street drainage system. The mapped floodplain is only an estimate of where flooding is predicted to occur from a bayou or creek, given a set of parameters including a hypothetical rainfall occurring over a watershed for an assumed amount of time. During an actual rain event, natural conditions can result in greater amounts of rainfall or runoff, resulting in flood levels deeper and wider than shown on the FEMA maps.

From February 12-19, 2021, the State experienced a severe winter storm ("Winter Storm Uri") which included prolonged freezing temperatures, heavy snow and freezing rain statewide. Winter Storm Uri led to power outages and potable and non-potable water shortages in many areas of the State, including the County. The federal government issued a Major Disaster Declaration for the State of Texas and has included federal funding for emergency protective measures. The County did not sustain material damage to its infrastructure during Winter Storm Uri, but the County cannot predict the impact of future weather events.

If flooding or another weather-related event, including a winter storm, were to significantly damage improvements within the County, the assessed value of property within the County could be reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the County's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the County will be covered by insurance (or property owners will choose to carry flood insurance), any insurance company will fulfill its obligations to provide insurance proceeds or that insurance proceeds will be used to rebuild or repair damaged improvements within the County. Even if insurance proceeds are available and improvements are rebuilt, there could be a period of time in which assessed values within the County would be adversely affected.

## Hurricane Harvey

Hurricane Harvey made landfall on August 25, 2017 near Corpus Christi, Texas, 200 miles south of the County. The impact of Hurricane Harvey on Harris County was primarily a historic flooding event; the County sustained minimal damage from wind, storm surge and other weather effects typically associated with a hurricane. Four buildings, including the Criminal Justice Building and Jury Assembly Building, both in downtown Houston, and two courthouse annexes were severely damaged and several smaller buildings around the county received minor damage. At this time, the Criminal Justice Building is partially occupied and functional while it is being repaired and both annexes have been repaired and re-opened. The Jury Assembly Building has been repaired but is not being used currently. The combination of FEMA funding, State funding and insurance coverage is expected to cover most of the cost of repairing these buildings. The County has sufficient funds on hand to cover any unreimbursed expenses relate to its damaged assets. The County was reimbursed by FEMA for most of its costs incurred for emergency operations during the storm, debris removal after the storm and other recovery costs.

Property values were temporarily impacted for homes that sustained flood damage and that were still being repaired on January 1, 2018. Once fully repaired, these homes generally returned to their pre-storm values. The ad valorem tax values as of January 1, 2019 and the estimated values as of January 1, 2020 were both up overall by 3-6%. As with similar events, there was not a significant impact on property values for Harris County, due to continued growth in both residential and business property.

On August 25, 2018, voters approved \$2,500,000,000 in bonds for the purpose of financing flood control. The projects include the purchase of lands, easements, rights-of-way and structures, voluntary buyouts of flood-prone properties, property acquisition for preserving natural flood plains, and for the acquisition and construction of detention basins, channel modifications and other improvements and works suitable for use in connection with flood damage reduction. The Flood Control District currently also receives an annual allocation of \$120 million of property tax revenue for use in flood control efforts. As a result of Hurricane Harvey and other major flooding events over the last few years, several potential changes to the local system of watersheds, reservoirs and channels are being considered, some of which would require significant additional funding, including State and Federal funds, as well as additional County and Flood Control District resources. The County is reviewing additional funding options to finance flood control, but the required additional funding is not expected to slow flood control projects for several years.

## FINANCIAL AND OTHER INFORMATION

### Continuing Disclosure of Information

Pursuant to SEC Rule 15c2-12 (the “Rule”), the County has agreed to provide annual updated financial information and operating data to certain information vendors in connection with the issuance of its bonds or notes that are not otherwise exempt. **Exempt obligations from the requirements of the Rule include the Notes.** The information to be updated includes quantitative financial information and operating data with respect to the County, including estimated County-wide and overlapping ad valorem tax debt. The County has agreed to update and provide this information within six (6) months after the end of each fiscal year, beginning with the Fiscal Year

ending September 30, 2022. The County is only required to make filings with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Market Access System (“EMMA”).

The County may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements if the County commissions an audit and the audit is completed by the required time. If audited financial statements are not available by the required time, the County will provide unaudited financial statements and audited financial statements when and if the audit becomes 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 County may be required to employ from time to time pursuant to state law or regulation.

The County recently transitioned to a new fiscal year that will begin on October 1 and end on September 30 of the next calendar year. In order to implement this change, the County had a seven month stub fiscal year that began on March 1, 2022 and ended on September 30, 2022. The County will issue financial statements within 180 days of the September 30, 2022 end of the seven month stub fiscal year. The next fiscal year is a full twelve month fiscal year that began on October 1, 2022 and will end on September 30, 2023.

### **Independent Auditor**

Appendix B to this Offering Memorandum contains the County’s audited financial statements for the fiscal year ended February 28, 2022. The financial statements of the County as of and for the Fiscal Year ended February 28, 2022, included in this Offering Memorandum have been audited by Deloitte & Touche LLP, an independent auditor, as stated in their report included with such financial statements in Appendix B.

The basic financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America and, in addition to financial information with respect to the County, include financial information with respect to the District, the Harris County Sports & Convention Corporation, the Harris County Redevelopment Authority, the Harris County Hospital District, doing business as Harris Health System, Harris County Housing Finance Corporation, Harris Center for Mental Help and IDD (formerly Mental Health and Mental Retardation Authority of Harris County), Harris County Industrial Development Corporation, Children’s Assessment Center foundation, Inc., Harris County Health Facilities Development Corporation, Harris County Cultural Education Facilities Finance Corp. and Friends of County Pets, all of which are separate entities which are not obligated for the payment of the Notes. Accordingly, financial and statistical information with respect to such separate entities is generally not included in this Offering Memorandum.

The County’s audited financial statements for the Fiscal Year ended February 28, 2022 were presented to the Commissioners Court in early September 2022. Following the acceptance of the audited financial statements, the County posted them to EMMA in accordance with its existing continuing disclosure agreements.

## **RATINGS**

S&P has assigned a rating of “A-1+” to the Notes and Fitch has assigned a rating of “F1+” to the Notes. The ratings reflect only the views of the rating agencies, from which an explanation of the significance of such ratings may be obtained. There is no assurance that ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal could have an adverse effect on the market price of the Notes. The County will undertake no responsibility to notify the owners of the Notes of any such revisions or withdrawals of the ratings.

NO DEALER, BROKER, SALESMAN, OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS OFFERING MEMORANDUM IN CONNECTION WITH THE OFFERING DESCRIBED HEREIN AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE NOTES OFFERED HEREBY, NOR SHALL THERE BE ANY OFFER OR SOLICITATION OF SUCH OFFER OR SALE OF NOTES IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION, OR SALE. NEITHER THE DELIVERY OF THIS OFFERING MEMORANDUM NOR THE SALE OF ANY OF THE NOTES IMPLIES THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF. THE INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED FROM THE COUNTY, PUBLISHED SOURCES, AND OTHER DATA FURNISHED BY THE COUNTY. THE DEALER MAKES NO REPRESENTATION AS TO EITHER THE ACCURACY OR COMPLETENESS OF THE INFORMATION HEREIN. ADDITIONAL COPIES OF THIS COMMERCIAL PAPER MEMORANDUM MAY BE REQUESTED FROM J.P. MORGAN SECURITIES LLC AT (212-832-7223).

**For Further Information - Please Contact:**

County

Harris County, Texas  
County Administration Building  
Office of Management and Budget  
1001 Preston Street, Suite 500  
Houston, Texas 77002  
Attention: Deputy Executive Director  
Telephone: (713) 274-1100  
Fax: (713) 437-5869

Dealer

J.P. Morgan Securities LLC  
383 Madison Avenue, 8<sup>th</sup> Floor  
New York, NY  
Telephone: (212)-832-7223  
Attention: Peter McCarthy

**APPENDIX A  
(BANK DISCLOSURE)**

**WELLS FARGO BANK, NATIONAL ASSOCIATION**

*The information under this heading has been provided solely by the Bank and is believed to be reliable. This information has not been verified independently by the County or the Dealer. The County and the Dealer make no representation whatsoever as to the accuracy, adequacy or completeness of such information.*

**Wells Fargo Bank, National Association**

The Bank is a national banking association organized under the laws of the United States of America with its main office at 101 North Phillips Avenue, Sioux Falls, South Dakota 57104, and engages in retail, commercial and corporate banking, real estate lending and trust and investment services. The Bank is an indirect, wholly-owned subsidiary of Wells Fargo & Company ("Wells Fargo"), a diversified financial services company, a financial holding company and a bank holding company registered under the Bank Holding Company Act of 1956, as amended, with its principal executive offices located in San Francisco, California ("Wells Fargo").

The Bank prepares and files Call Reports on a quarterly basis. Each Call Report consists of a balance sheet as of the report date, an income statement for the year-to-date period to which the report relates and supporting schedules. The Call Reports are prepared in accordance with regulatory instructions issued by the Federal Financial Institutions Examination Council. While the Call Reports are supervisory and regulatory documents, not primarily accounting documents, and do not provide a complete range of financial disclosure about the Bank, the reports nevertheless provide important information concerning the Bank's financial condition and results of operations. The Bank's Call Reports are on file with, and are publicly available upon written request to the FDIC, 550 17th Street, N.W., Washington, D.C. 20429, Attention: Division of Insurance and Research. The FDIC also maintains an internet website that contains the Call Reports. The address of the FDIC's website is <http://www.fdic.gov>. The Bank's Call Reports are also available upon written request to the Wells Fargo Corporate Secretary's Office, Wells Fargo Center, MAC N9305-173, 90 South 7<sup>th</sup> Street, Minneapolis, MN 55479.

**The Liquidity Facility will be solely an obligation of the Bank and will not be an obligation of, or otherwise guaranteed by, Wells Fargo & Company, and no assets of Wells Fargo & Company or any affiliate of the Bank or Wells Fargo & Company will be pledged to the payment thereof. Payment under the Liquidity Facility will not be insured by the FDIC.**

The information contained in this section, including financial information, relates to and has been obtained from the Bank, and is furnished solely to provide limited introductory information regarding the Bank and does not purport to be comprehensive. Any financial information provided in this section is qualified in its entirety by the detailed information appearing in the Call Reports referenced above. The delivery hereof shall not create any implication that there has been no change in the affairs of the Bank since the date hereof.



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## **APPENDIX B**

**County's Audited Financial Statements for Fiscal Year Ended February 28, 2022**

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## **APPENDIX C**

### **Form of Legal Opinion**

Harris County, Texas  
General Obligation Commercial Paper Notes, Series D

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THE STATE OF TEXAS       §  
  §  
COUNTY OF HARRIS       §

I, the undersigned, the duly elected, qualified and acting County Clerk and Ex Officio Clerk of the Commissioners Court of Harris County, Texas, do hereby certify that the attached and foregoing is a true and correct copy of an order entitled:

**EIGHTH AMENDED AND RESTATED ORDER AUTHORIZING THE  
ISSUANCE OF HARRIS COUNTY, TEXAS, GENERAL OBLIGATION  
COMMERCIAL PAPER NOTES, SERIES D, SERIES D-2 AND SERIES D-3 IN  
AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$700,000,000  
FOR THE PURPOSE OF PROVIDING MONEY FOR CERTAIN  
AUTHORIZED PURPOSES; APPROVING AND AUTHORIZING CERTAIN  
AUTHORIZED OFFICERS AND EMPLOYEES TO ACT ON BEHALF OF  
THE COUNTY IN THE SELLING AND DELIVERY OF SUCH NOTES,  
WITHIN THE LIMITATIONS AND PROCEDURES SPECIFIED HEREIN;  
MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION  
THEREWITH; RESOLVING OTHER MATTERS INCIDENT AND RELATED  
TO THE ISSUANCE, SALE, DELIVERY AND SECURITY OF THE NOTES,  
INCLUDING THE APPROVAL OF OFFERING MEMORANDA AND  
RATIFYING AND CONFIRMING THE TERMS AND PROVISIONS OF THE  
CREDIT AGREEMENT, THE ISSUING AND PAYING AGENT AGREEMENT  
AND COMMERCIAL PAPER DEALER AGREEMENT**

adopted by such Commissioners Court at a meeting, open to the public, held on January 10, 2023, together with an excerpt from the minutes of said meeting showing the adoption thereof, as same appears of record in the official minutes of said Commissioners Court on file in my office.

I further certify that the written notice of the date, hour, place, and subject of the meeting of the Commissioners Court of Harris County, Texas, acting for and on behalf of Harris County, at which the foregoing order was adopted, was posted on a bulletin board located at a place convenient to the public in the County Courthouse and readily accessible to the general public at the earliest possible time, pursuant to Chapter 551, Texas Government Code, as amended.

WITNESS MY HAND AND THE OFFICIAL SEAL OF SAID COURT, this January 10, 2023.

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County Clerk

(SEAL)