

PRIVATE PLACEMENT MEMORANDUM DATED MAY 17, 2018

NEW ISSUE BOOK-ENTRY-ONLY

On the date of initial delivery of the Bonds (defined below), Issuer Bond Counsel (defined on page 2) will render its opinion substantially in the form attached in APPENDIX C - FORM OF OPINION OF BOND COUNSEL.

\$4,650,000
CITY OF ARLINGTON, TEXAS
WATER & WASTEWATER SYSTEM REVENUE BONDS
SERIES 2018 (the "Bonds")

Dated: April 1, 2018

Due: June 1

Interest Date: Interest on the Bonds will be payable on June 1 and December 1 each year, commencing December 1, 2018 (each an "Interest Payment Date"). The Bonds will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE."

Record Date: The close of business on the fifteenth calendar day of the month immediately preceding such interest payment date.

Date Interest Accrues: Each Bond shall bear interest from the Delivery Date thereof or the most recent Interest Payment Date to which interest has been paid or provided for at the rates set forth on page (i), such interest payable semiannually on June 1 and December 1 of each year until the earliest of maturity or prior redemption, commencing on December 1, 2018.

Redemption: The Bonds are subject to redemption prior to maturity as provided herein. See "THE BONDS - Redemption Provisions" herein.

Authorized Denominations: The Bonds are being issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof.

Paying Agent/Registrar/Registrar: The paying agent ("Paying Agent/Registrar/Registrar") for the Bonds is Bank of New York Mellon Trust Company N.A., Houston, Texas.

Book-Entry-Only System Upon initial issuance, the ownership of the Bonds will be registered in the registration books of the Issuer kept by the Paying Agent/Registrar, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") to which principal, redemption premium, if any, and interest payments on the Bonds will be made. The purchasers of the Bonds will not receive physical delivery of bond certificates. Principal of, interest, and premium, if any, on the Bonds will be payable at the designated office of the Paying Agent/Registrar in Houston, Texas as the same become due and payable.

Issuer: City of Arlington, Texas

Official Action: Ordinance passed by the City Council dated April 24, 2018.

Purpose: See "APPENDIX B - OFFICIAL ACTION."

Security for the Bonds: See APPENDIX B - OFFICIAL ACTION."

Ratings: See "OTHER INFORMATION - Ratings"

Delivery Date: May 17, 2018.

See "APPENDIX A - MATURITY SCHEDULE" for Principal Amounts, Maturities, Interest Rates, Prices or Yields, and Initial CUSIP Numbers

CITY OF ARLINGTON, TEXAS

Elected Officials

City Council	Length of Service	Term Expires	Occupation
Jeff Williams Mayor	3 years	May, 2019	Engineer
Sheri Capehart Mayor Pro Tem	18 years ⁽¹⁾	May, 2018	Computer Security Analyst, Retired
Michael Glaspie Deputy Mayor Pro Tem	6 years	May, 2019	Church Minister
Victoria Farrar-Myers Council Member	2 years	May, 2018	Professor
Charlie Parker Council Member	6 years	May, 2018	Community Volunteer
Robert Shepard Council Member	10 years	May, 2018	Attorney
Roxanne Thalman Council Member	1 year	May, 2019	IT Consultant
Kathryn Wilemon Council Member	15 years	May, 2019	Community Volunteer
Lana Wolff Council Member	15 years	May, 2019	Community Volunteer

⁽¹⁾ Previously served as Council member from May 1999 to May 2003.

Selected Administrative Staff

Name	Position	Years of Employment with City
Trey Yelverton	City Manager	25
Gilbert Perales	Deputy City Manager	11
Jennifer Wichmann	Interim Deputy City Manager ⁽¹⁾	14
Jim Parajon	Deputy City Manager	12
Mike Finley	Director of Finance	22
Teris Solis	City Attorney	27
Mary Supino	City Secretary	8

⁽¹⁾ The City is currently looking for a permanent replacement to fill the Deputy City Manager position.

Consultants, Advisors, and Independent Auditors

Bracewell LLP, Bond Counsel

West & Associates, L.L.P., Disclosure Counsel

Estrada Hinojosa & Company, Inc., Financial Advisor

Bank of New York Mellon Trust Company N.A., Paying Agent/Registrar

Grant Thornton LLP, Independent Auditor

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**Private Placement Memorandum
relating to**

\$4,650,000

**CITY OF ARLINGTON, TEXAS
WATER & WASTEWATER SYSTEM REVENUE BONDS
SERIES 2018 (the “Bonds”)**

INTRODUCTION

This Private Placement Memorandum, including the cover page and appendices, contains brief descriptions of the Issuer, provides certain information with respect to the issuance by the Issuer, and summaries of certain provisions of the “Bonds” pursuant to the Official Action. Except as otherwise set forth herein, capitalized terms used but not defined in this Private Placement Memorandum have the meanings assigned to them in the Official Action. See “APPENDIX B – “FORM OF OFFICIAL ACTION” attached hereto.

APPENDIX A contains the maturity schedule for the Bonds. APPENDIX B contains a copy of the City’s Ordinance authorizing the Bonds (the “Official Action”), including a description of the purpose for the proceeds of the Bonds. APPENDIX C contains a copy of the proposed opinion of Bond Counsel with respect to the Bonds. The summaries of the documents contained in the forepart of this Private Placement Memorandum are not complete or definitive, and every statement made in this Private Placement Memorandum concerning any provision of any document is qualified by reference to such document in its entirety.

THE BONDS

General Description

The Bonds are being issued in the aggregate principal amount set forth in APPENDIX A of this Private Placement Memorandum and will mature and be subject to redemption prior to maturity as described therein. The Bonds are being issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof. The Bonds will be dated as of the stated date of issue and will mature on the dates referenced thereon, and will bear interest at the rates per annum set forth in “APPENDIX A - MATURITY SCHEDULE.”

Interest on the Bonds is payable semiannually on each Interest Payment Date, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal and the redemption price with respect to the Bonds will be payable to the Owners upon presentation and surrender at the principal office of the Paying Agent/Registrar.

Purpose

See “APPENDIX B - FORM OF OFFICIAL ACTION.”

Authority for Issuance

The Bonds are issued pursuant to the general laws of the State of Texas, particularly Chapter 1502, Texas Government Code, as amended, Article XIII Section 1 of the City’s Home Rule Charter, and an ordinance passed by the City Council.

Security for the Bonds

See “APPENDIX B - FORM OF OFFICIAL ACTION.”

Redemption Provisions

On June 1, 2028, or on any date thereafter, the Bonds maturing on and after June 1, 2029 may be redeemed prior to their scheduled maturities in inverse order of maturity, upon the written direction of the Issuer, with funds provided by the Issuer, at par plus accrued interest to the date fixed for redemption as a whole, or in part, and if less

than all of a maturity is to be redeemed the Paying Agent/Registrar will determine by lot the Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Bond may be redeemed only in Authorized Denominations).

Notice of Redemption; Selection of Bonds to Be Redeemed

See “APPENDIX B - FORM OF OFFICIAL ACTION.”

The Paying Agent/Registrar, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption of the Bonds, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC.

Book-Entry-Only System

The information in this caption concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book entry system has been obtained from DTC and the Issuer makes no representation or warranty nor takes any responsibility for the accuracy or completeness of such information.

DTC will act as securities depository for the Bonds. The Bonds 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 certificate will be issued for each maturity of the Bonds and deposited with DTC. See APPENDIX B - “FORM OF OFFICIAL ACTION.”

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 and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC’s participants (the “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 Clearance Corporation, and Fixed Income Clearance 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 Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

TAX MATTERS

Opinion

Bond Counsel will deliver its opinion on the date of delivery of the Bonds substantially in the form as attached in “APPENDIX C - FORM OF OPINION OF BOND COUNSEL.”

OTHER INFORMATION

Forward Looking Statements

The statements contained in this Private Placement Memorandum, including the cover page, appendices, and any other information or documents provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer's expectations, hopes, intentions, or strategies regarding the future. Holders and beneficial owners of the Bonds have placed reliance on forward-looking statements. All forward looking statements included in this Private Placement Memorandum are based on information available to the Issuer on the date hereof. It is important to note that the Issuer's actual results could differ materially from those in such forward-looking statements.

Ratings

No application has been made to any ratings agency or municipal bond insurance company for qualification of the Bonds for ratings or municipal bond insurance, respectively.

LITIGATION

General

On the date of delivery of the Bonds to the initial purchasers thereof, the Issuer will execute and deliver a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner questioning the validity of the Bonds.

The Issuer

The City is currently involved in several lawsuits in which some liability is possible. The potential liability as of April 2018 cannot be determined.

The City is currently involved with a personal injury lawsuit in which the plaintiff alleges she was injured when she partially fell into a manhole with an undersized cover. In addition to asserting her own damages, the plaintiff's husband and children, and step-children are asserting bystander claims and loss of consortium claims. This case is set for jury trial on April 16, 2018. The City's maximum liability for damages is capped at \$500,000.00 by the Texas Tort Claims Act.

The City is currently involved with in an employment lawsuit regarding the termination of employment of a former Arlington police officer. The trial court previously ruled that the employee was subject to back pay award of \$164,471. However, that case was appealed, and the matter was ultimately remanded for a new arbitration by the trial court. Both sides have filed a second appeal regarding the decision requiring a new arbitration. In the event of a court ruling against the City, it is possible, although unlikely, that the City could be required to pay back pay from January 21, 2011 to the time of a final court ruling.

The City is currently involved with litigation with an individual who was held in the Arlington Municipal Jail. The individual was held after attempting to run over an Arlington police officer. The police officer shot the individual in the leg. In addition to claiming excessive use of force, the individual asserts that he did not receive proper medical care. The case has currently been stayed by the federal court pending resolution of the appeal of the individual's state law criminal conviction.

As of March 9, 2018, there are twenty-five lawsuits pending against the City. Four of those lawsuits are brought in the Justice Courts with maximum damage caps of \$10,000 each. Seven additional cases assert state law tort claims which are subject to the Texas Tort Claims Act (TTCA). The TTCA limits liability for money damages to \$250,000 for each person and \$500,000 for each single occurrence for bodily injury and death. Further, the TTCA limits liability for property damage to \$100,000.00 for each single occurrence. See Texas Civil Practice and Remedies Code, Section 101.023(c). One of the state court lawsuits is subject to full indemnity by a third party pursuant to a contractual agreement.

Various other claims and lawsuits are pending against the City. In the opinion of City management, the potential losses, in excess of Arlington's Self Insurance & Risk Management Program limitations (see Note 13 of the City's audited basic financial statements in Appendix B hereto) of insurance coverage, if any, on all claims will not have a material adverse effect on the City's financial position as a whole.

CONTINUING DISCLOSURE OF INFORMATION

In the Official Action, the Issuer has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data, and timely notice of specified material events, to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System. SEE APPENDIX B - "FORM OF OFFICIAL ACTION."

Compliance with Prior Undertakings

In 2013, the City did not timely file notice of the upgrading of its underlying, unenhanced credit rating with respect to its water and wastewater system revenue bonds and general obligation bonds by S&P. The City filed event notices with respect to the upgrades on May 28, 2014. Also for fiscal year 2013, the City filed its required quantitative financial information and operating data, including the City's September 30, 2013 audited financial statements (the "2013 Audit"), with the Municipal Advisory Council of Texas by the required date but due to an administrative error, the 2013 Audit was not timely filed with EMMA. After noticing the error, the City filed the 2013 Audit with EMMA on May 22, 2014, and an event notice with respect to the oversight on June 10, 2014. Additionally, the City did not timely file a notice of defeasance upon the issuance of the City's Water and Wastewater System Revenue Refunding Bonds Series 2013B, which defeased portions of the City's Water and Wastewater System Revenue Refunding Bonds, Series 2003 and Water and Wastewater System Revenue Bonds, Series 2004 (the "Defeasance"). The City filed an event notice with respect to the Defeasance on May 8, 2017. The City has implemented procedures to ensure that event notices are timely filed in the future.

MISCELLANEOUS

Any statements made in this Private Placement Memorandum involving matters of opinion or of 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 the estimates will be realized. Neither this Private Placement Memorandum nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Bonds.

The information contained above is neither guaranteed as to accuracy or completeness nor to be construed as a representation by the Issuer. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Private Placement Memorandum nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the Issuer or the Issuer from the date hereof.

The Private Placement Memorandum is submitted in connection with the sale of the securities referred to herein to the Texas Water Development Board on the Delivery Date and may not be reproduced or used, as a whole or in part, for any other purpose.

ADDITIONAL INFORMATION

The Private Placement Memorandum speaks only as of its date and the information contained herein is subject to change. Descriptions of the Bonds and the Official Action and any other agreements and documents contained herein constitute summaries of certain provisions thereof and do not purport to be complete. This Private Placement Memorandum was approved by the Issuer.

APPENDIX A

MATURITY SCHEDULE

<u>(June 1)</u> <u>Maturity</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Yield</u>	<u>CUSIP</u> ⁽¹⁾
2019	\$ 245,000	0.010%	0.010%	04184KTV7
2020	245,000	0.110%	0.110%	04184KTW5
2021	245,000	0.230%	0.230%	04184KTX3
2022	245,000	0.330%	0.330%	04184KTY1
2023	245,000	0.440%	0.440%	04184KTZ8
2024	245,000	0.510%	0.510%	04184KUA1
2025	245,000	0.580%	0.580%	04184KUB9
2026	245,000	0.650%	0.650%	04184KUC7
2027	245,000	0.700%	0.700%	04184KUD5
2028	245,000	0.750%	0.750%	04184KUE3
2029	245,000	0.800%	0.800%	04184KUF0
2030	245,000	0.850%	0.850%	04184KUG8
2031	245,000	0.900%	0.900%	04184KUH6
2032	245,000	0.950%	0.950%	04184KUJ2
2033	245,000	1.010%	1.010%	04184KUK9
2034	245,000	1.070%	1.070%	04184KUL7
2035	245,000	1.110%	1.110%	04184KUM5
2036	245,000	1.140%	1.140%	04184KUN3
2037	240,000	1.170%	1.170%	04184KUP8

(Interest to accrue from date of initial delivery)

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Financial Advisor, nor the Purchasers are responsible for the selection or correctness of the CUSIP numbers set forth herein.

APPENDIX B

FORM OF OFFICIAL ACTION

[ATTACH COPY OF OFFICIAL ACTION]

APPENDIX C

FORM OF OPINION OF BOND COUNSEL