

City of Arlington, Texas

RULE 15c2-12 FILING COVER SHEET

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Financial & Operating Data Disclosure Information

Fiscal Period Covered: FYE 2018

City of Arlington
(Tarrant County, Texas)



Annual Report

Updating Financial Information and

Operating Data

For

Fiscal Year Ending

September 30, 2018

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SECTION ONE: OUTSTANDING ISSUANCE

Permanent Improvement Bonds and Combination Tax and Revenue Certificates of Obligation

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Municipal Drainage Utility System Revenue Bonds

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SECTION TWO: CONTINUING DISCLOSURE TABLES

Permanent Improvement Bonds and Certificates of Obligation – Tables 1-14

TABLE 1 - Current Investments ⁽¹⁾

<u>Type of Investment</u>	<u>% Invested</u>
Federal Agencies	82.01
Statewide Pools ⁽²⁾	9.68
Certificates of Deposit	3.96
Municipals	3.83
Cash	0.52
Totals	100.00%

Source: City Finance Department

⁽¹⁾ Reflects current investments for all City funds.

⁽²⁾ Currently invested in TexStar, TexPool, TexPool Prime and Texas Daily.

As of September 30, 2018, the weighted average maturity of the City’s operating portfolio was 425 days and the market value of the operating portfolio was 100 percent of its book value.

TABLE 2 - Tax-Supported Capital Improvement Program

**Remaining Bonds to Sell
(amount in thousands)**

Election Year	Bond Propositions	Authorized Amount	Previously Issued	Unissued
2014	Fire	9,780	-	9,780
2014	Library	6,090	6,090	0
2014	Parks and Recreation	60,000	57,100	2,900
2014	Streets	160,130	79,367	80,763
2017	Active Adult Center	45,000	-	45,000
	Sub-Total	\$ 281,000	\$ 142,557	\$ 138,443
2018	Fire and Police	24,500	-	24,500
2018	City Facilities	8,000	-	8,000
2018	Parks and Recreation	19,165	-	19,165
2018	Streets and Transportation	137,835	-	137,835
	Sub-Total	189,500	-	189,500
	Grand Total	\$ 470,500	\$ 142,557	\$ 327,943

Source: City Finance Department

TABLE 3 - Key Debt Ratios

Fiscal Year	Estimated Population ⁽¹⁾	Estimated Taxable Valuation	Tax-Supported Debt Year Ended	Ratio of Tax-Supported Debt	
		Calendar Year ⁽²⁾	Sept. 30 ⁽³⁾	Per Capita	Taxable Valuation
2014	369,508	\$ 18,088,406,989	\$ 325,315,000	\$ 880	1.80%
2015	379,370	18,905,765,829	323,590,000	853	1.71%
2016	380,740	19,601,363,251	354,185,000	930	1.81%
2017	382,230	21,379,080,714	382,735,000	1,001	1.79%
2018	383,950	23,503,192,007	408,365,000	1,064	1.74%

Source: City Finance Department

- (1) Population estimates are based on percent of occupancy in available residences and U.S. Census Bureau data. Source of 2018 population figure in the North Central Texas Council of Governments.
- (2) Estimated taxable valuation, provided by the Tarrant Appraisal District, is obtained from the certified value as of September of each year including minimum estimated value of property under protest.
- (3) Includes self-supporting debt. See "Table 5 – Computation of Self-Supporting Debt". If revenues or other available funds of the City are not sufficient to pay the self-supporting debt, the City will be obligated to assess an ad valorem tax to pay the differences. Obligations are included for 2018.

TABLE 4 - Debt Service Requirements

Fiscal Year	Outstanding General		Less Self		Total Net Tax
	Ending 9/30	Obligation Debt	Supporting Debt ¹	Service	
	Principal	Interest	Principal	Interest	
2019	\$ 35,355,000	\$ 15,303,786	\$ 1,272,800	\$ 1,112,003	\$ 48,273,983
2020	32,475,000	13,620,926	-	-	46,095,926
2021	30,630,000	12,415,746	-	-	43,045,746
2022	29,380,000	11,204,082	-	-	40,584,082
2023	28,160,000	10,200,575	-	-	38,360,575
2024	27,085,000	9,046,300	-	-	36,131,300
2025	26,010,000	7,935,410	-	-	33,945,410
2026	26,095,000	6,873,804	-	-	32,968,804
2027	24,185,000	5,892,676	-	-	30,077,676
2028	22,985,000	4,898,701	-	-	27,883,701
2029	20,335,000	4,136,850	-	-	24,471,850
2030	18,465,000	3,497,820	-	-	21,962,820
2031	17,465,000	2,878,914	-	-	20,343,914
2032	16,545,000	2,310,660	-	-	18,855,660
2033	15,045,000	1,761,245	-	-	16,806,245
2034	11,915,000	1,256,370	-	-	13,171,370
2035	9,750,000	859,785	-	-	10,609,785
2036	8,145,000	544,795	-	-	8,689,795
2037	5,630,000	284,600	-	-	5,914,600
2038	2,710,000	94,850	-	-	2,804,850
	\$ 408,365,000	\$ 115,017,893	\$ 1,272,800	\$ 1,112,003	\$ 520,998,090

Total Average Annual Debt Service (excluding self-supporting debt) \$ 26,169,145

¹. Self-Supporting debt includes a portion of the Permanent Improvement Refunding Bonds Series 2016 Tax Increment Reinvestment Zone 5 (TIRZ 5). To the extent that such revenues are insufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax.

TABLE 5 - Computation of Self-Supporting Debt

<u>Tax Incremental Reinvestment Zone 5 (TIRZ 5)</u>	
Revenue Available for Debt Service from TIRZ 5, FY 2018	\$ 1,942,816
Debt Service Requirements for a portion of the 2016 PIRB for TIRZ 5, FY 2018	2,406,578
Percentage of TIRZ 5 Obligations Self-Supporting	81%
Total Debt Service Requirements, FY 2019	<u>\$ 2,406,578</u>
Projected Revenue, FY 2019	\$ 2,570,618

Historically the City utilized other revenues, such as: hotel occupancy tax, water sales, park revenue, and airport revenues, to support certain outstanding debt obligations.

TABLE 6 - Tax Adequacy ⁽¹⁾

The following analysis as of September 30, 2018, assumes 98 percent collection of ad valorem taxes levied against the City's fiscal year 2019 Taxable Valuation as certified by Tarrant Appraisal District in September 2018.

Average Annual Requirement (2019-2038)	\$26,169,145
A tax rate of \$0.1030 per \$100 assessed valuation produces	26,169,145
Average Annual Requirement (2019-2028)	37,975,200
A tax rate of \$0.1495 per \$100 assessed valuation produces	37,975,200
Maximum Annual Requirement (2019)	50,658,786
A tax rate of \$0.1994 per \$100 assessed valuation produces	50,658,786

⁽¹⁾ Amounts do not include self-supporting debt.

TABLE 7 - General Fund Revenue and Expenditure History
(amounts in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Beginning Fund Balance	\$62,849	\$62,478	\$58,023	\$56,191	\$56,740
Revenues					
Ad Valorem Taxes	98,058	91,164	82,901	78,809	76,774
Sales Tax	62,598	59,946	58,318	55,555	52,692
Other Taxes	2,333	2,353	2,345	2,358	2,328
Franchise Fees	25,166	24,859	25,435	26,477	26,970
Service Charges	6,686	5,680	6,320	5,359	5,345
Interest	2,148	1,825	1,705	1,754	1,842
All Other	<u>34,231</u>	<u>32,815</u>	<u>81,601</u>	<u>31,269</u>	<u>31,805</u>
Total Revenues	<u>\$231,220</u>	<u>\$ 218,642</u>	<u>\$ 258,624</u>	<u>\$ 201,581</u>	<u>\$ 197,756</u>
Expenditures					
Total Expenditures	<u>\$237,273</u>	<u>\$ 227,375</u>	<u>\$ 216,279</u>	<u>\$ 208,798</u>	<u>\$ 206,056</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (6,053)</u>	<u>\$ (8,733)</u>	<u>\$ 42,345</u>	<u>\$ (7,217)</u>	<u>\$ (8,300)</u>
Other Financing Sources					
Operating Transfers	<u>9,510</u>	<u>9,104</u>	<u>(37,890)</u>	<u>9,049</u>	<u>7,751</u>
Ending Fund Balance	<u>\$ 66,306</u>	<u>\$ 62,849</u>	<u>\$ 62,478</u>	<u>\$ 58,023</u>	<u>\$ 56,191</u>

TABLE 8 - Debt Service Fund Budget

**DEBT SERVICE FUND BUDGET
Fiscal Year 2019**

Beginning Fund Balance	\$ 2,715,838
Debt Service Revenues	49,759,272
Transfers In ⁽¹⁾	<u>2,384,803</u>
Total Available for Debt Service	54,859,913
Debt Service Expenditures	<u>(51,991,785)</u>
Estimated Ending Fund Balance	<u>\$ 2,868,128</u>

Source: Finance Department

⁽¹⁾ Includes transfers to the Debt Service Fund from TIRZ 5.

TABLE 9 – Tax Rate Distribution and Collection Ratios

FY Ending 09/30	Estimated Net Taxable Value ⁽¹⁾	Tax Rate			% Collected ⁽²⁾		
		General Fund (M&O) Tax	Debt Service (I&S) Tax Rate	Tax Rate	Calculated Levy	Current Year	Prior Years
2014	\$ 18,088,406,989	\$ 0.4423	\$ 0.2057	\$ 0.6480	\$ 117,212,877	97.66	98.57
2015	18,905,765,829	0.4353	0.2127	0.6480	122,509,363	97.64	98.51
2016	19,601,363,252	0.4460	0.2020	0.6480	127,016,834	97.43	98.47
2017	21,379,080,714	0.4538	0.1910	0.6448	137,852,312	96.61	97.63
2018	23,503,192,007	0.4409	0.1989	0.6398	150,373,422	96.76	97.80

Source: Tarrant Appraisal District and City Finance Department

⁽¹⁾ Estimated Net Taxable Valuation (NTV) is the certified roll as of September of each year including minimum estimated value of property under protest. FY2016 estimated NTV is the certified roll as of December FY2017.

⁽²⁾ Prior year’s collections include current year collections, prior year delinquent collections and all penalty and interest collections.

TABLE 10 - Tax Base Distribution

Type	2018	2017	2016	2015	2014
Residential	63.65%	62.79%	60.43%	59.31%	58.45%
Commercial, Industrial, Retail	34.30%	34.86%	35.82%	36.91%	38.03%
Mineral	0.50%	0.63%	1.92%	1.89%	1.53%
Undeveloped	1.55%	1.72%	1.84%	1.90%	1.99%

Source: Tarrant Appraisal District

TABLE 11 - Top Ten Taxpayers

<u>Taxpayer</u>	<u>Total Taxable Value</u>
General Motors LLC	\$ 325,351,697
Arlington Highlands LP	196,058,745
Oncor Electric Delivery Co LLC	158,315,079
Parks at Arlington LP	148,846,566
Six Flags Fund II LTD	97,574,509
Bedrock Holdings II (Dallas) LLC	92,900,000
Pioneer Industrial LLC	77,843,680
Columbia Medical Center	74,516,839
Wal-Mart Real Estate Bus, LLC	72,343,957
BRE RC Lincoln Square TX LP	70,327,340
Total	\$ 1,314,078,412
Top ten taxpayers as % of total tax rolls	5.59%
Total tax roll	\$23,503,192,007

Source: Tarrant Appraisal District

TABLE 12 - Municipal Sales Tax Collection

<u>Fiscal Year</u>	<u>Sales Tax Receipts</u> ⁽¹⁾	<u>Ad Valorem Tax Levy</u>	<u>Sales Tax as a % of Tax Levy</u>	<u>Population Estimate</u> ⁽²⁾	<u>Per Capita Sales Tax Collection</u>
2014	\$ 53,412,259	\$ 117,212,877	45.6%	369,508	\$ 145
2015	56,351,761	122,509,363	46.0%	379,370	149
2016	58,895,721	127,016,834	46.4%	380,740	155
2017	60,447,625	137,852,312	43.8%	382,230	158
2018	62,875,224	150,373,422	41.8%	383,950	164

Source: Finance Department

⁽¹⁾ Receipts reflect the City's 1% sales tax.

⁽²⁾ Estimate from North Central Texas Council of Governments.

Water and Wastewater System Revenue Bonds – Tables 1-5

TABLE 1 - Debt Service Requirements

Fiscal Year				% of
Ending	Principal	Interest	Total	Principal Retired
9/30				
2019	\$ 17,590,000	\$ 7,309,018	\$ 24,899,018	
2020	17,640,000	6,869,709	24,509,709	
2021	16,545,000	6,303,196	22,848,196	
2022	15,750,000	5,754,155	21,504,155	
2023	15,720,000	5,288,793	21,008,793	35.7%
2024	14,940,000	4,814,608	19,754,608	
2025	14,100,000	4,340,293	18,440,293	
2026	14,095,000	3,888,225	17,983,225	
2027	14,085,000	3,381,442	17,466,442	
2028	12,915,000	2,894,436	15,809,436	65.8%
2029	11,010,000	2,439,236	13,449,236	
2030	11,005,000	2,055,801	13,060,801	
2031	9,830,000	1,708,843	11,538,843	
2032	9,830,000	1,405,877	11,235,877	
2033	8,995,000	1,120,195	10,115,195	87.5%
2034	8,550,000	854,627	9,404,627	
2035	7,710,000	604,980	8,314,980	
2036	6,795,000	382,821	7,177,821	
2037	4,485,000	188,771	4,673,771	
2038	1,635,000	57,225	1,692,225	100.0%
	\$ 233,225,000	\$ 61,662,249	\$ 294,887,249	

Average Annual Debt Service \$ 14,744,362

Source: Finance Department

TABLE 2 - Water and Wastewater System Statement of Net Assets

WATER AND WASTEWATER SYSTEM STATEMENT OF NET POSITION
Fiscal Year Ended September 30
(amounts in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets					
Cash and cash equivalents	\$ 25,453	\$ 24,580	\$ 23,709	\$ 19,053	\$ 13,674
Receivable (net of allowances for uncollectibles)	19,450	19,364	20,338	22,044	14,673
Inventory of supplies, at cost	1,846	1,330	1,824	1,230	644
Prepaid Expenditures	-	-	2,160	-	-
Restricted assets:					
Bond contingency	23,044	19,898	16,698	14,096	13,435
Capital/Bond construction	148,506	117,787	86,204	60,875	70,728
Meter deposits	6,051	5,659	5,429	5,351	5,211
Property, plant and equipment less accumulated depreciation	698,422	673,637	651,874	632,577	616,977
Total Assets	<u>\$ 922,772</u>	<u>\$ 862,255</u>	<u>\$ 808,236</u>	<u>\$ 755,226</u>	<u>\$ 735,342</u>
Deferred Outflows of Resources:					
Deferred Outflow and loss on debt refunding	<u>\$ 5,991</u>	<u>\$ 6,208</u>	<u>\$ 7,069</u>	<u>\$ 3,975</u>	<u>\$ 1,479</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 928,763</u></u>	<u><u>\$ 868,463</u></u>	<u><u>\$ 815,305</u></u>	<u><u>\$ 759,201</u></u>	<u><u>\$ 736,821</u></u>
Liabilities and Net Position					
Current Liabilities:					
Accounts payable and accrued liabilities	\$ 3,414	\$ 3,616	\$ 2,918	\$ 3,321	\$ 4,028
Accrued compensated absences	98	116	123	141	130
Revenue bonds payable from unrestricted assets	1,567	703	10,139	7,725	6,906
Payable from restricted assets	28,975	24,907	12,759	12,779	14,748
Noncurrent Liabilities:					
Compensated absences	1,962	1,735	1,470	1,660	1,645
Revenue bonds payable from unrestricted assets	225,969	192,376	162,283	131,148	122,374
Net pension liability	7,036	11,066	10,840	7,249	-
OPEB liability	7,972	-	-	-	-
Total Liabilities	<u>\$ 276,993</u>	<u>\$ 234,519</u>	<u>\$ 200,532</u>	<u>\$ 164,023</u>	<u>\$ 149,831</u>
Deferred Inflows of Resources:					
Deferred Inflow - Investment/Actuarial Assumption	<u>\$ 3,905</u>	<u>\$ 588</u>	<u>\$ 561</u>	<u>\$ 599</u>	<u>\$ -</u>
Invested in Capital Assets	582,690	574,450	560,229	548,811	550,595
Restricted	37,965	20,334	18,150	14,947	16,169
Unrestricted	27,210	38,572	35,833	30,821	20,226
Total Net Position	<u>\$ 647,865</u>	<u>\$ 633,356</u>	<u>\$ 614,212</u>	<u>\$ 594,579</u>	<u>\$ 586,990</u>
Total Liabilities and Net Position	<u><u>\$ 928,763</u></u>	<u><u>\$ 868,463</u></u>	<u><u>\$ 815,305</u></u>	<u><u>\$ 759,201</u></u>	<u><u>\$ 736,821</u></u>

Source: Finance Department

TABLE 3 - Historical Net Revenues Available for Debt Service

HISTORICAL NET REVENUES AVAILABLE FOR DEBT SERVICE
Fiscal Year Ended September 30
(amounts in thousands)

<u>Revenues</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Water Sales	\$ 81,476	\$ 71,151	\$ 69,628	\$ 64,606	\$ 59,327
Wastewater Service	67,071	60,324	55,188	53,874	52,096
Interest Income	859	444	546	413	279
Other Income	7,411	6,532	6,270	5,390	4,722
Total Revenues	<u>\$ 156,817</u>	<u>\$ 138,451</u>	<u>\$ 131,632</u>	<u>\$ 124,283</u>	<u>\$ 116,424</u>
<u>Expenses</u>					
Labor Costs	\$ 15,519	\$ 15,602	\$ 14,290	\$ 14,398	\$ 14,688
Supplies	2,046	2,051	2,499	1,860	3,476
Maintenance	3,936	4,021	4,724	4,798	4,235
Water Supply (The District)	22,622	24,905	19,743	22,335	21,191
Wastewater Treatment Contracts	34,550	32,884	29,383	29,373	28,151
Utilities	2,204	2,875	3,090	2,956	2,806
Other Expenses	4,327	4,293	4,559	4,213	4,125
Total Operating Expenses Before Depreciation	<u>\$ 85,204</u>	<u>\$ 86,631</u>	<u>\$ 78,288</u>	<u>\$ 79,933</u>	<u>\$ 78,672</u>
Net Revenues of the System	\$ 71,613	\$ 51,820	\$ 53,344	\$ 44,350	\$ 37,752
Interest During Construction Included Above	<u>(786)</u>	<u>(418)</u>	<u>(185)</u>	<u>(71)</u>	<u>(64)</u>
Net Revenues Available for Debt Service	<u>\$ 70,827</u>	<u>\$ 51,402</u>	<u>\$ 53,159</u>	<u>\$ 44,279</u>	<u>\$ 37,688</u>
Debt Service Paid ⁽¹⁾	\$ 21,823	\$ 18,419	\$ 16,235	\$ 15,602	\$ 14,683
Debt Service Coverage (times)	3.25 x	2.79 x	3.27 x	2.84 x	2.57 x

Source: Finance Department

⁽¹⁾ Excludes Trinity River Authority Revenue Bonds, accrued interest from bond sales, and refunding or cash defeasances.

TABLE 4 - Historical Net Revenues of the System and Financial Ratios
(amounts in thousands)

	<u>FY18</u>	<u>FY17</u>	<u>FY16</u>	<u>FY15</u>	<u>FY14</u>
Gross Operating Revenues ⁽¹⁾	\$155,958	\$ 138,007	\$ 131,086	\$ 123,870	\$ 116,145
Interest Revenues (Excluding Interest During construction)	73	26	361	342	215
Operating Expenses Before Depreciation	<u>(85,204)</u>	<u>(86,631)</u>	<u>(78,288)</u>	<u>(79,933)</u>	<u>(78,672)</u>
Net Revenues Available for Debt Service	<u>\$ 70,827</u>	<u>\$ 51,402</u>	<u>\$ 53,159</u>	<u>\$ 44,279</u>	<u>\$ 37,688</u>
Average Annual Debt Service	\$ 14,744	\$ 12,651	\$ 10,559	\$ 8,631	\$ 8,195
Average Annual Debt Service Coverage (times)	4.80 x	4.06 x	5.03 x	5.13 x	4.60 x
Accounts Receivable to Gross Operating Revenues (%)	12%	14%	15%	18%	13%
Unrestricted Cash to Unrestricted Current Liabilities (times)	5.01 x	5.54 x	1.80 x	1.70 x	1.24 x
Unrestricted Current Assets to Unrestricted Current Liabilities (times)	9.20 x	10.21 x	3.51 x	3.46 x	2.62 x
Long-term Debt to Capital Assets Net Accumulated Depreciation (%)	32%	29%	25%	21%	20%

Source: Finance Department

⁽¹⁾ Gross Operating Revenues excludes interest income.

TABLE 5 - Current Investments ⁽¹⁾

<u>Type of Investment</u>	<u>% Invested</u>
Federal Agencies	82.01
Statewide Pools ⁽²⁾	9.68
Certificates of Deposit	3.96
Municipals	3.83
Cash	0.52
Totals	100.00%

Source: Finance Department

⁽¹⁾ Reflects current investments for all City funds.

⁽²⁾ Currently invested in TexStar, TexPool, TexPool Prime and Texas Daily.

As of September 30, 2018, the weighted average maturity of the City's operating portfolio was 425 days and the market value of the operating portfolio was 100 percent of its book value.

Municipal Drainage Utility System Revenue Bonds (Stormwater) – Tables 1-5

TABLE 1 - Residential Monthly Drainage Utility Fee Rates ⁽¹⁾

Date of Rate Change	Flat Rate
October 1, 2009	\$ 3.50
October 1, 2010	\$ 4.25
October 1, 2011	\$ 4.25
October 1, 2012	\$ 4.25
October 1, 2013	\$ 4.25
*November 1, 2014	\$ 4.75
October 1, 2015	\$ 5.25
October 1, 2016	\$ 5.75
October 1, 2017	\$ 6.25
October 1, 2018	\$ 6.75
October 1, 2019	\$ 7.25
October 1, 2020	\$ 7.50

Source: Public Works & Transportation Department

⁽¹⁾ Commercial rate is calculated using the residential rate multiplied by the current Equivalent Residential Unit (the “ERU”). The Minimum ERU is 1.0.

*2014 Rate change was started for November billing cycle instead of October.

TABLE 2 - Drainage Fee Revenue and Account History ⁽¹⁾

<u>Drainage Fee Revenue History</u>					
	2018	2017	2016	2015	2014
Residential	\$ 8,794,458	\$ 7,990,445	\$ 7,297,314	\$ 6,507,894	\$ 5,862,392
Commercial	\$ 7,589,570	\$ 6,901,797	\$ 6,246,168	\$ 5,545,468	\$ 4,982,059
Total	\$ 16,384,028	\$ 14,892,242	\$ 13,543,482	\$ 12,053,362	\$ 10,844,451

<u>Number of Accounts</u>					
	2018	2017	2016	2015	2014
Residential	\$ 96,361	\$ 95,981	\$ 95,574	\$ 95,227	\$ 94,648
Commercial	\$ 5,632	\$ 5,348	\$ 5,365	\$ 5,343	\$ 5,363
Total	\$ 101,993	\$ 101,329	\$ 100,939	\$ 100,570	\$ 100,011

Source: Public Works & Transportation Department

⁽¹⁾ Amounts do not include interest.

TABLE 3 – Debt Service Requirements

Fiscal Year Ending 9/30	Principal	Interest	Total	% of Principal Retired
2019	2,010,000	1,178,525	3,188,525	
2020	2,010,000	1,107,732	3,117,732	
2021	2,010,000	1,033,532	3,043,532	
2022	2,010,000	959,332	2,969,332	
2023	2,010,000	885,132	2,895,132	32.7%
2024	2,005,000	798,132	2,803,132	
2025	2,005,000	711,382	2,716,382	
2026	2,000,000	628,432	2,628,432	
2027	2,005,000	553,469	2,558,469	
2028	2,005,000	476,019	2,481,019	65.4%
2029	2,005,000	392,469	2,397,469	
2030	2,005,000	311,819	2,316,819	
2031	2,005,000	229,569	2,234,569	
2032	725,000	145,719	870,719	
2033	725,000	123,969	848,969	89.7%
2034	725,000	101,875	826,875	
2035	725,000	79,438	804,438	
2036	725,000	57,000	782,000	
2037	725,000	33,313	758,313	
2038	275,000	9,625	284,625	100.0%
	\$ 30,710,000	\$ 9,816,480	\$ 40,526,480	

Average Annual Debt Service \$ 2,026,324

Source: Finance Department

TABLE 4 – Condensed Schedule of Operations
(amounts in thousands)

	Fiscal Years Ended September 30,				
	2018	2017	2016	2015	2014
<u>Revenues</u>					
Service Charges	\$ 16,384	\$ 15,011	\$ 13,575	\$ 12,160	\$ 10,774
Interest Revenue	250	175	116	142	69
Net Increase (decrease) in the fair value of investments	(121)	(71)	(10)	9	11
Other Income	(399)	(438)	(151)	-	-
Total Revenues	\$ 16,114	\$ 14,677	\$ 13,530	\$ 12,311	\$ 10,854
<u>Expenses</u>					
Salaries and Wages	2,028	1,875	1,681	1,685	1,595
Employee's Retirement	304	270	249	247	235
Supplies	72	64	62	55	70
Maintenance and Repairs	365	429	747	454	344
Utilities	21	20	17	16	15
Miscellaneous Services	1,113	783	674	653	650
Total Operating Expenses Before Depreciation	\$ 3,903	\$ 3,441	\$ 3,430	\$ 3,110	\$ 2,909
Net Revenues of the System	12,211	11,236	10,100	9,201	7,945
Transfers in/(out)	(1,785)	(1,164)	(1,106)	(1,803)	(1,001)
Capital Outlay	-	-	-	-	-
Net Remaining Revenues Available for Debt Service	\$ 10,426	\$ 10,072	\$ 8,994	\$ 7,398	\$ 6,944
Debt Service Paid	\$ 2,748	\$ 2,102	\$ 2,154	\$ 2,205	\$ 2,243

Source: Finance Department

TABLE 5 - Pro Forma Coverage
(amounts in thousands)

Maximum Principal and Interest Requirements, 2019	\$ 3,189
Coverage of Maximum Requirements by Fiscal Year End Revenues*	5.05 x
Average Principal and Interest Requirements, 2019-2038	\$ 2,026
Coverage of Average Requirements by Fiscal Year End Revenues*	7.95 x

Source: Finance Department

*The Bonds are secured by a gross pledge of revenues.

Special Tax Revenue Bonds (Venue Projects) – Tables 1, 5 - 6

TABLE 1 – Debt Service Requirements
Special Tax Revenue Bonds

<u>Venue Debt</u> <u>Fiscal Year</u> <u>Ending 9/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> ⁽¹⁾	<u>% of Principal</u> <u>Retired Principal</u> <u>Retired</u>
2019	\$ 250,000	\$ 27,384,903	\$ 27,634,903	
2020	2,030,000	27,351,593	29,381,593	
2021	3,510,000	27,268,656	30,778,656	
2022	4,815,000	27,122,449	31,937,449	
2023	5,965,000	26,909,283	32,874,283	2.90%
2024	7,150,000	26,617,889	33,767,889	
2025	9,170,000	26,223,086	35,393,086	
2026	10,095,000	25,754,114	35,849,114	
2027	11,490,000	25,226,755	36,716,755	
2028	12,985,000	24,626,631	37,611,631	11.82%
2029	13,640,000	23,972,459	37,612,459	
2030	15,365,000	23,258,582	38,623,582	
2031	16,230,000	22,479,731	38,709,731	
2032	17,700,000	21,640,613	39,340,613	
2033	18,660,000	20,739,108	39,399,108	26.12%
2034	19,595,000	19,790,535	39,385,535	
2035	20,645,000	18,794,047	39,439,047	
2036	21,695,000	17,746,897	39,441,897	
2037	22,800,000	16,646,364	39,446,364	
2038	23,955,000	15,489,327	39,444,327	45.17%
2039	25,125,000	14,317,316	39,442,316	
2040	26,310,000	13,132,316	39,442,316	
2041	27,550,000	11,891,745	39,441,745	
2042	28,930,000	10,589,450	39,519,450	
2043	30,295,000	9,222,575	39,517,575	69.39%
2044	31,365,000	7,844,375	39,209,375	
2045	33,185,000	6,335,625	39,520,625	
2046	34,885,000	4,633,875	39,518,875	
2047	36,675,000	2,844,875	39,519,875	
2048	38,560,000	964,000	39,524,000	100.00%
	\$ 570,625,000	\$ 546,819,174	\$ 1,117,444,174	

Average Annual Debt Service \$ 37,248,139

Source: Finance Department

⁽¹⁾ Does not include annual bond insurance premium payment for the Build America Mutual Assurance Company bond insurance policy for the Series 2018C Bonds which start in 2023 and are based on outstanding BAM-insured principle at the time.

TABLE 5 (Series 2017) and Table 6 (Series 2018A, B, and C) – Pledged Special Taxes

Fiscal Year	Sales Tax Receipts	Percent Change	Percent of Total Pledged Revenue	Hotel Tax Receipts	Percent Change	Percent of Total Pledged Revenue	Motor Vehicle Rental Tax Receipts	Percent Change	Percent of Total Pledged Revenue	Total Pledged Special Tax Receipts	Total Percent Change
2009	\$ 23,122,330	-1.5%	92.1%	\$ 1,376,441	-9.3%	5.5%	\$ 597,408	-17.8%	2.4%	\$ 25,096,179	-2.5%
2010	23,610,462	2.1%	92.0%	1,485,956	8.0%	5.8%	578,274	-3.2%	2.3%	25,674,692	2.3%
2011	24,704,639	4.6%	91.0%	1,823,412	22.7%	6.7%	630,567	9.0%	2.3%	27,158,618	5.8%
2012	25,576,155	3.5%	91.3%	1,757,222	-3.6%	6.3%	670,165	6.3%	2.4%	28,003,542	3.1%
2013	26,716,577 ⁽¹⁾	4.5%	91.3%	1,891,698	7.7%	6.5%	662,010	-1.2%	2.3%	29,270,285	4.5%
2014	26,706,128	0.0%	90.7%	2,090,079	10.5%	7.1%	638,400	-3.6%	2.2%	29,434,607	0.6%
2015	28,175,880	5.5%	90.5%	2,239,887	7.2%	7.2%	709,485	11.1%	2.3%	31,125,252	5.7%
2016	29,447,861	4.5%	89.8%	2,407,926	7.5%	7.3%	934,377	31.7%	2.8%	32,790,164	5.3%
2017	30,235,651	2.7%	89.4%	2,568,974	6.7%	7.6%	1,002,859	7.3%	3.0%	33,807,484	3.1%
2018	31,364,704	3.7%	89.9%	2,645,787	3.0%	7.6%	896,719	-10.6%	2.6%	34,907,209	3.3%

⁽¹⁾ Includes approximately \$500,000 in adjustments for years 2009 to 2012 paid to the City by the State Comptroller.

Pledge Special Taxes – Debt Service Coverage

Fiscal Year	Debt Service	Total Pledged Special Tax Receipts	Debt Service Coverage
2017	\$ -	\$ 33,807,484	-
2018	18,614,838	34,907,209	1.88x

Source: Finance Department

SECTION THREE: THE CITY OF ARLINGTON, TEXAS

City Information

Introduction

The City is located in the eastern part of Tarrant County, equidistant between Dallas and Fort Worth on Interstate Highways 20 and 30, which are limited access highways. The City's location places it at the geographical center of the Dallas-Fort Worth metropolitan area. The land area of the City contained within its corporate boundary is approximately 99.5 square miles.

The City incorporated January 17, 1920, under the provisions of the Home Rule Amendment to the Texas State Constitution. The residents of the City receive the following services: public safety (police and fire), public works, public welfare, parks and recreation, public health, water and wastewater utilities, and general administrative services.

General

The City operates under the Council-Manager form of government as established by its charter. A nine-member City Council (the "Council") has local legislative power. Elected "at large" are three council members and the Mayor. Five single member districts elect five council members. All elected members of the Council serve two-year terms, with the elections held in even/odd years for approximately half the seats. Council member positions and the Mayor are term limited to six years each. The Council elects both a Mayor Pro Tempore and Deputy Mayor Pro Tempore from among its members.

Mayor and City Council

Policy-making and supervisory functions are the responsibility of and vested in the Council under provisions of the City Charter. Ordinances, resolutions and zoning proposals typically go before Council at 6:30 p.m. on the second and fourth Tuesday of each month; however, additional meetings may be scheduled on the call of the Mayor and may be cancelled by majority affirmative vote of all members of the Council. The local cable public access station broadcasts the Council meetings. A simple majority of the Council constitutes a quorum. The Mayor is required to vote on all matters considered by the Council but has limited power to veto Council actions that can be overridden by simple majority action of the Council.

Administration

The City Manager is the administrative head of the municipal government and carries out the policies of the Council. With the assistance of two Deputy City Managers and an Assistant City Manager, he coordinates the functions of the various municipal agencies and departments responsible for the delivery of services to residents. The Council appoints the City Manager and he serves at the pleasure of the Council.

The City Manager appoints and removes all City employees excluding the positions and offices of the City Attorney, City Auditor, Municipal Court Judges, and other designated appointments reserved for Council action. The City Manager exercises control over all City departments and divisions; supervises their personnel; recommends Council legislative actions; advises Council on the City's financial conditions and needs; prepares and submits to Council the annual budget; and performs such duties required by Council.

Certain City Council Appointees

The Council appoints the City Attorney who has management, charge, and control of all legal business of the City. The City Attorney is chief legal advisor to the Council, the City Manager, and all City departments and agencies. It is the City Attorney's duty to advise Council concerning the legality of actions by the City and to represent the City in all matters affecting its interest.

The City's Municipal Court Judiciary provides for the adjudication of Class "C" misdemeanor cases, issuance of warrants and the arraignment of prisoners.

The Council appoints the City Auditor who manages the Internal Audit Division, which monitors the internal controls and operations of the City. The City Auditor responds to management requests for analysis, appraisals, recommendations, as well as, monitors security of electronic data and assets.

The Council also appoints members to certain boards, commissions, and authorities, as it deems necessary to the operation of the City.

Principal Executive Officers

City Manager – Mr. Trey Yelverton – with the City since January 1993. Prior to becoming City Manager, Mr. Yelverton was the Deputy City Manager for Neighborhood Services and Economic Development. Prior to this he was Director of the Neighborhood Services Department since 2000. He received an undergraduate degree in political science - public administration from the University of Texas at Arlington, and a M.P.A. from University of North Texas.

Deputy City Manager for Neighborhood Services– Mr. Gilbert Perales – with the City since January 2007. Prior to working for the City, Mr. Perales was the Assistant City Manager of the City of Irving for over 6 years. He received a bachelor's degree in political science and a master's degree in public and institutional administration from St. Mary's University.

Deputy City Manager for Economic Development & Capital Investment – Mr. Jim Parajon – with the City since 2006. Prior to becoming Deputy City Manager, Mr. Parajon was the Director of Community Development and Planning. Mr. Parajon has been elected to the College of Fellows for the American Institute of Certified Planners in 2014. Previously, Mr. Parajon worked for the City of Raleigh, North Carolina where he served as Assistant Planning Director. He is a graduate of Dickinson College and received a master's degree in regional planning from the University of Massachusetts at Amherst.

Assistant City Manager for Shared Services – Ms. Jennifer Wichmann – with the City since 2003. Prior to becoming Assistant City Manager, Ms. Wichmann was the Director of Management Resources. She has also held positions as the Assistant to the Mayor and as a Budget Analyst with the City. She has an undergraduate degree is from Rutgers University and received a dual master's degree in social work and public administration from the University of Texas at Arlington.

Director of Finance, CFO – Mr. Michael Finley – with the City from May 1995- November of 2000; and then from February of 2002-present. Mr. Finley received a bachelor's degree in political science and master's degree in public administration, both from Texas A&M University. He had been Budget Manager since 2004 and was promoted to CFO in December 2013.

City Attorney – Ms. Teris Solis – with the City since May 1991 as an Assistant City Attorney. Ms. Solis received an honors bachelor's degree in political science from the University of Texas at Arlington and a Juris Doctor Degree from Southern Methodist University School of Law. Ms. Solis currently holds a designation as a Local Government Fellow from the International Municipal Lawyers Association.

Governmental Services and Facilities

The City provides a full range of municipal services including police and fire, health, parks and recreation, public works, planning, and general administrative services. The City's Enterprise Funds accounts for water and wastewater services and stormwater utility services. Beginning in May 2005, the City leased operation of the landfill to Republic Services.

The City's main municipal facilities include two general administrative buildings and a public safety building. There are seventeen fire stations, four geographically distributed police stations, a police-training center, a fire training center, eighty-five city parks, four municipal golf courses, and seven branch libraries including a new downtown library that opened in 2018.

Some of the other major facilities provided by the City include a convention center that has been converted into the new Esports Stadium Arlington & Expo Center, four recreational centers, two senior citizen centers, a tennis facility and a municipal airport.

Economic & Demographic Factors

Population Arlington and the United States Selected Years

Year	Arlington	United States
1950	7,692	150,697,361
1960	44,775	178,464,236
1970	90,229	203,211,926
1980	160,113	226,545,805
1990	261,721	248,765,170
2000	332,969	281,421,906
2010	365,438	308,745,538
2011	365,530	312,759,230
2012	365,860	314,395,013
2013	365,930	316,128,839
2014	369,508	318,857,056
2015	379,370	321,418,820
2016	380,740	323,127,513
2017	382,230	326,385,143
2018	383,950	327,747,936

Source: U.S. Census, North Central Texas Council of Governments

Unemployment Rate

Region	2018	2017	2016	2015	2014
Arlington	3.5	3.9	3.8	4.0	5.2
Texas	3.9	4.6	4.5	4.3	5.5
United States	4.0	4.5	4.9	5.4	6.5

Source: U.S. Bureau of Labor Statistics

Arlington Major Employers

Company Name	No. of Employees
Arlington Independent School District	8,200
University of Texas at Arlington	5,300
General Motors Co.	4,484
Texas Health Resources	4,063
Six Flags Over Texas	3,800
The Parks at Arlington	3,500
GM Financial	2,965
City of Arlington	2,509
J.P. Morgan Chase	1,965
Texas Rangers Baseball Club	1,881
Total	38,667

Source: Arlington Chamber of Commerce Membership Directory 2018

Building Permits

	2018		2017		2016	
	<u>Permits</u>	<u>Declared Value</u>	<u>Permits</u>	<u>Declared Value</u>	<u>Permits</u>	<u>Declared Value</u>
New Single Family	566	\$ 143,824,017	524	\$ 89,162,382	477	\$ 77,997,363
New Multifamily	21	\$ 98,308,576	3	\$ 35,824,000	2	\$ 34,378,989
New Commercial	116	\$ 981,290,295	97	\$ 142,276,696	141	\$ 231,298,862
Other	8,783	\$ 392,518,994	9,185	\$ 641,251,810	7,092	\$ 376,368,316
Total	9,486	\$ 1,615,941,882	9,809	\$ 908,514,888	7,712	\$ 720,043,530

Note: Number of permits includes: Sign Permits, Certificates of Occupancy, and Fire Permits issued.

Source: Planning and Services Department

Water Facilities

Water Treatment Facilities

The City of Arlington currently owns and operates two surface water treatment plants to treat raw water and purify it to meet and/or exceed state and federal drinking water standards. Treated water is then pumped to the distribution system for customer use.

The Pierce-Burch Water Treatment Plant (PBWTP) is located in west Arlington along Green Oaks Boulevard near the intersection of Arkansas Lane. The PBWTP draws water directly from Lake Arlington. PBWTP-South was constructed in 1970 and with subsequent expansions has a treatment capacity of 75 million gallons per day (MGD). PBWTP-South is a conventional water treatment plant utilizing ozonation and biologically active GAC filtration. PBWTP-North was constructed in 1957, but has since been decommissioned and is no longer in service. There are no current plans to expand the PBWTP.

Located in the southern portion of Arlington along US Highway 287 and just east of the intersection with Eden Road sits the John F. Kubala Water Treatment Plant (JKWTP). The JKWTP receives raw water directly from the Tarrant Regional Water District's (TRWD) pipeline system that conveys water from their Richland Chambers, Cedar Creek and Benbrook Reservoirs. Placed online in 1989 the JKWTP has undergone two subsequent expansions, for a current treatment plant capacity of 97.5 MGD. Also designed as a conventional water treatment plant, the JKWTP was modified in 1999 to include ozonation and biologically active GAC filtration. The plant was designed for ultimate build out capacity of 130 MGD. Currently, there are no current plans to expand the JKWTP.

The Distribution System

The City's water distribution system has three pressure planes, referred to as the Upper, West and Lower planes. Either of the two City-owned and operated water treatment facilities can fully provide the average day demand to each of the pressure zones thus providing the City with 100% redundancy for water treatment and distribution. When both plants are operating concurrently, the JKWTP supplies the Upper and West pressure planes and the PBWTP supplies the lower pressure plane. A combination of electrically driven and natural gas pumps transfer water from the plants into the distribution system. There are ten elevated storage tanks with a combined capacity of 17.5 million gallons.

The City's water distribution system is fully metered and consists of 1,629 miles of pipe. The City has 109,706 water meters of which 53.49% are automated. The System consists of concrete cylinder, cast iron, polyvinyl chloride (PVC), ductile iron, asbestos cement (AC), high-density polyethylene (HDPE) and transite pipes. The entire System meets the minimum standards prescribed by the Texas Fire Insurance Commission, the United States Environmental Protection Agency and the Texas Commission on Environmental Quality (TCEQ).

The City's water system has adequately met the demand for treating and distributing water during the past ten fiscal years as follows:

Treatment & Distribution of Water

Fiscal Year	Average Daily Pumpage (MGD)	Maximum Daily Pumpage (MGD)
2009	59.54	115.20
2010	55.44	102.24
2011	64.25	114.69
2012	57.99	106.45
2013	55.20	95.76
2014	53.35	88.82
2015	52.48	104.26
2016	57.64	102.46
2017	51.36	76.83
2018	50.32	108.17

Source: Water Utilities Department

Water Supply

The Tarrant Regional Water District is the primary supplier of raw water used by over 50 municipal and non-municipal entities located both within and outside of Tarrant County. Among the major customers of the District are the cities of Fort Worth, Arlington, and Mansfield, and a wholesale water provider, the Trinity River Authority (TRA).

The City receives water from TRWD's Cedar Creek and Richland Chambers Reservoirs. Water from these reservoirs is transported through transmission facilities to Lake Arlington and the John F. Kubala Water Treatment Plant. In August 1998, TRWD also began delivering water from the U.S. Army Corps of Engineers-owned reservoir Lake Benbrook. This water supply service was initially provided under the terms and provisions of a contract dated July 13, 1971. Under that contract, TRWD agrees to supply all of the City's municipal water requirements during its term.

On September 1, 1982, TRWD entered into a revised water supply contract ("Amendatory Contract") with the City, and the cities of Fort Worth, Mansfield and TRA. The revised contract will continue in effect until all bonds of TRWD relating to TRWD's System have been paid, and thereafter during the useful life of TRWD's System. Under the Amendatory Contract, the City is required to purchase all of its raw water needs from TRWD. TRWD is obligated to meet the City's needs by developing additional water supply sources, subject to force majeure, the ability of TRWD to obtain suitable financing and a determination of feasibility. If TRWD is unable to supply all of the City's raw water requirements or if it should become apparent that TRWD will become unable to supply such requirements, the Amendatory Contract provides a procedure by which the City would be permitted to develop or obtain a supplemental water supply to meet its needs. The City is depending upon TRWD to meet its full raw water needs under the Amendatory Contract and, at present, the City has no assurance of the availability of a supplemental water supply if TRWD should fail to meet such needs. TRWD's current sources as well as additional supplies that are actively under development are projected to provide an adequate water supply through 2030.

TRWD's most recent system enhancements include completion of the Eagle Mountain Pipeline and George W. Shannon Wetlands at Richland-Chambers Reservoir.

Tarrant Regional Water District estimates that the existing and permitted water supply system has adequate water to meet its customers' projected water requirements through the year 2030. TRWD continues to participate in statewide and regional water supply planning authorized by the 1997 passage of Senate Bill 1. The regional plan for the Dallas-Fort Worth region includes plans for TRWD to develop an additional 489 MGD through the year 2070 at an estimated cost of \$5.62 billion. These projects include water conservation, reuse, reservoir, and pipeline construction.

Under the terms of the Amendatory Contract, the City pays TRWD an amount equal to the City's proportionate share of TRWD's "Annual Requirement." Said annual requirement includes the costs of operation and maintenance

of TRWD's raw water supply facilities, debt service on TRWD's bonds and any future bonds it might issue, including deposits to any special or reserve fund established in TRWD's bond resolutions. Based upon the projected usage of the City for the 2018–2019 fiscal year, the budgeted monthly purchase price to be paid by the City under the revised water contract is \$2,102,482, which results in a rate of approximately \$1.26370 per one thousand gallons. Such amount is subject to adjustment as provided in the Amendatory Contract. The City is obligated to pay TRWD for all water used by it, and under the Amendatory Contract, the minimum amount of water the City shall be deemed to have used shall be calculated at an amount equal to the greater of 30 MGD or the average MGD actually used by the City during the period of the immediately preceding five consecutive annual periods.

The Amendatory Contract provides that all payments to be made under said Contract shall constitute reasonable and necessary operating expenses of the System, and thus the City's requirement to make such payments from its revenues to the System shall have priority over any obligation to make payments from such revenues, including payment of principal and interest on the City's Outstanding Bonds, the Bonds and any additional Bonds.

Average Daily Consumption (MGD)

Property Type	2018	2017	2016	2015	2014
Residential	26.83	23.65	24.00	24.50	24.90
Commercial	9.32	8.82	9.18	8.88	8.72
Fire lines, Sprinklers	5.07	4.14	4.44	4.25	4.43
Apartment Units	7.84	7.87	7.94	7.61	7.62
Mobile Homes, Condominiums, Townhouses	0.44	0.58	0.61	0.64	0.65
Wholesale	0.40	0.32	-	-	-
Total	49.90	45.38	46.17	45.88	46.32

Source: Water Utilities Department

Number of Units Served

Property Type	2018	2017	2016	2015	2014
Residential	96,339	95,358	94,796	94,435	93,764
Commercial	4,918	4,876	4,874	4,808	4,821
Fire lines, Sprinklers	1,115	1,085	1,075	1,061	1,066
Apartment Units	45,802	45,849	45,825	45,876	45,950
Mobile Homes, Condominiums, Townhouses	2,125	2,127	2,124	2,087	2,084
Total	150,299	149,295	148,694	148,267	147,685

Source: Water Utilities Department

Top Ten Water Customers

<u>Name</u>	<u>Consumption in 1,000 Gallons</u>	<u>Billing</u>
EUSB/General Motors	362,604	\$ 1,193,361
University Texas Arlington	279,523	\$ 1,250,875
City of Arlington	230,158	\$ 1,637,724
Arlington ISD	228,837	\$ 1,421,812
Hurricane Harbor	84,048	\$ 277,391
AT&T Stadium	80,210	\$ 401,611
Mansfield ISD	75,411	\$ 539,904
Crossway Apartments	69,206	\$ 226,257
Six Flags Over Texas	61,669	\$ 263,455
Arlington Memorial Hospital	60,588	\$ 237,323
Total	1,532,254	\$ 7,449,714

Source: Water Utilities Department

Historical Water Consumption Data (Inside City Limits)

<u>Fiscal Year Ended 9/30</u>	<u>Number of Water Meters</u>	<u>Total Water Pumped MG</u>	<u>Average Water Pumped MGD</u>	<u>Maximum Day Pumpage MGD</u>	<u>GPD Per Account</u>	<u>Ratio Maximum Day to Average Day</u>
2014	107,408	19,473	53.35	88.82	515	1.60
2015	107,926	19,155	52.48	104.26	487	1.99
2016	108,437	21,039	57.64	102.46	531	1.78
2017	108,945	18,746	51.36	76.83	471	1.50
2018	109,706	18,367	50.32	108.17	459	2.15

Source: Water Utilities Department

Treated Water Sales

The City of Arlington currently has two active agreements to sale and deliver treated water. The current agreements are with the City of Dalworthington Gardens (DWG) and Bethesda Water Supply Corporation (BWSC). The agreement with DWG requires that DWG take a minimum of 0.25 MGD of water per month. The agreement with BWSC requires that BWSC take a minimum of 15 MG of water per month. In each case, if the entity does not take at least the minimum gallons of water required per the contract, the entity will be billed for the minimum monthly amount.

Wastewater Facilities

The wastewater collection system that serves all developed areas within the City limits is comprised of approximately 1,343 miles of sanitary sewer mains ranging in size from six to seventy-two inches. Although the City owns and maintains an extensive wastewater collection system, it does not treat its own wastewater. Wastewater produced in the City is treated under contract by the Trinity River Authority's (TRA) Central Regional Wastewater System (CRWS). The City's annual volume of contributing flow amounts to approximately 25.5 percent of the total wastewater flow into the CRWS Plant. As the city with the largest population in the CRWS service area, Arlington contributes the highest daily flow of all TRA regional plant customers. The CRWS Plant meets the effluent permit conditions to treat 162 MGD as set by the TCEQ and Environmental Protection Agency (EPA).

The following is a list of Arlington's wastewater flows treated by TRA's CRWS plant during the last five fiscal years.

Wastewater Treated (Millions of Gallons)				
2018	2017	2016	2015	2014
12,660	12,857	14,278	13,417	12,408

Source: Water Utilities Department

Treatment Contract with Trinity River Authority (TRA)

The City's wastewater is treated under the terms of a 50-year contract with TRA dated October 10, 1973. Contract term limits are automatically extended based upon outstanding system debt service. TRA is the owner and operator of the CRWS Plant and the interceptor pipeline system, which serves part of Dallas, Dallas-Fort Worth International Airport, and 19 other Dallas County and Tarrant County municipalities. Under the terms of the contract, each contracting party contributes to TRA's "Annual Requirements" in proportion to its contributing flow of wastewater into the CRWS Plant. The "Annual Requirements" include cost of operation and maintenance of the system and debt service on TRA's bonds issued to construct the system, including deposits to special funds established by the bond resolution. Based upon actions approved in 1996, TRA began treating all of Arlington's wastewater when facilities constructed by Arlington were completed in September 2000. These pipeline facilities convey west Arlington wastewater to TRA System facilities, and on to the TRA treatment plant for final treatment. This Arlington to TRA pipeline project cost was \$11,000,000.

For TRA's fiscal year beginning December 1, 2017, the volume of contributing flow by the City is estimated to average 36.276 MGD, which amounts to approximately 26.77 percent of the total volume of wastewater flow into the CRWS plant. This percentage of wastewater flow is used to determine the City's annual requirements under this contract. Arlington has the largest service area population and contributes the highest average daily flow of all TRA CRWS Plant customers. The City's cost of wastewater treatment budgeted for 2018 is \$35,726,944.

In addition, the City is a party to a contract (the "Arlington Project Contract") dated October 10, 1973, under which TRA constructed certain improvements to the City's System with the proceeds of its revenue bonds, which the City, by the terms of the contract, was to pay, together with certain fees and administrative overhead. The payment of these bonds was completed in August 2000, as was the final administrative overhead payment.

The facilities constructed by TRA related to the Arlington Project Contract are integral parts of the System and are maintained and operated by the City. Ownership of such facilities was vested in the City when all the TRA bonds were paid.

Municipal Drainage Utility System

Establishment

Chapter 552, Subchapter C of the Texas Local Government Code provides the authority for municipalities to establish a municipal drainage utility system and to develop a schedule of charges within the City. This enabling legislation was created in order to provide municipalities a funding source to address public health and safety in municipalities from loss of life and property by surface water overflows, surface water stagnation, and pollution arising from nonpoint source runoff within the boundaries of an established surface area.

The City established a Municipal Drainage Utility System in August 1990, to protect the public health and safety from loss of life and property caused by surface water overflows and surface water stagnation.

Drainage Utility Charges and Billing

The City charges “Stormwater” Fees in support of the System. The current stormwater fee structure and rates became effective on November 1, 2014. The current residential fee structure is described in the “Residential Monthly Drainage Utility Fee Rates” table. Commercial property owners are charged based on an impervious area calculation shown. A stormwater fee is added to each monthly utility bill. The City has the authority to impose stormwater fees by ordinance without limitation.

Residential Property

Residential parcels include any benefited property platted, zoned or used for residential development including single family, duplex, triplex, quadraplex, town homes, manufactured homes or other improved parcel upon which buildings contain less than five dwelling units. Residential parcels will be billed based on one Equivalent Residential Unit (“ERU”) at the scheduled rate, for the number of dwelling units.

Commercial Property

Every commercial property owner pays the same unit rate based on the amount of impervious area on the property. Impervious area is defined as a surface that is resistant to infiltration by water. Several examples of impervious area include asphalt or concrete pavement, parking lots, driveways, sidewalks and buildings. Based on a study of Arlington residential property, the average square feet of impervious surface is 2800, referred to as an ERU.

Non-residential parcels include all benefited property that is not defined as residential by the Stormwater Drainage ordinance, including commercial, industrial, institutional, multi-family and governmental property. The monthly fee for non-residential parcels is determined by dividing impervious area square footage by 2800 square feet and multiplying by the current rate – the result shall be a minimum of 1 ERU for each non-residential account.

Venue Projects

The City is the home to both AT&T Stadium, the home of the Dallas Cowboys, and Globe Life Park, the home of the Texas Rangers. The City financed a portion of the construction of both venues through the issuance of special tax revenue bonds.

The 2004 Venue Election and the Cowboys Project

At an election held in the City, on November 2, 2004 pursuant to Chapter 334, Texas Local Government Code, as amended, a majority of the voters voting at said election voted in favor of a proposition authorizing the City to (i) establish and finance the Dallas Cowboys Complex (the “Cowboys Project”) as a sports and community venue project of the type described and defined in the Act, (ii) impose a sales and use tax within the City at a rate of one-half of one percent (0.5%) (the “Sales Tax”), (iii) impose a tax at a maximum rate of five percent (5%) on the gross rental receipts from the short-term rental in the City of a motor vehicle (the “Motor Vehicle Rental Tax”), (iv) impose a tax on the occupancy of a room in a hotel located within the City, at a maximum rate of two percent (2%) of the price paid for such room (the “Hotel Occupancy Tax” and together with the Sales Tax and the Motor Vehicle Rental Tax, the “Pledged Special Taxes”), (v) impose an admissions tax on each ticket sold as admission to an event held at the Cowboys Project, at a rate not to exceed ten percent (10%) of the price of the ticket sold as admission (the “Cowboys Admissions Tax”), and (vi) to impose a tax, not to exceed three dollars (\$3.00) per vehicle, on each parked motor vehicle parking in a facility of the Cowboys Project (the “Cowboys Parking Tax”) for the purpose of financing the Cowboys Project. The Dallas Cowboys play their home games at AT&T Stadium located in the City. The Dallas Cowboys are a professional football team owned by the Dallas Cowboys Football Club, Ltd., a Texas limited partnership (the “Cowboys’ Owner”), operating under a franchise issued by the National Football League (the “NFL”) in 1960.

The City financed a portion of AT&T Stadium through the issuance of Series 2005A, B, and C totaling \$297,990,000 of special tax revenue bonds in 2005 (the “Series 2005 Bonds”). The Series 2005B Bonds were refinanced by the issuance of both the City’s \$112,185,000 Special Tax Revenue Bonds, Series 2008 (the “Series 2008 Bonds”) and the City’s \$62,820,000 Special Tax Revenue Bonds, Series 2009 (the “Series 2009 Bonds” and together with the Series 2008 Bonds, the “Prior Obligations”).

Stadium Lease - As part of the Funding Agreement, the City entered into a lease agreement with the Cowboys Stadium, L.P. (the “Tenant”) for lease of the Complex. The Lease Agreement calls for an initial term of 30 years. Monthly lease payments of \$166,666.67 began in June 2009 for an annualized rental rate of \$2 million per year. The Lease Agreement contains several renewal options at guaranteed annual rental payments of \$1 million per year for the first 10 years and \$1.25 million per year for all remaining renewals. The Lease Agreement also provides the Tenant with an option to purchase the Complex from the City at the end of the initial lease term and each renewal option thereafter. Under the lease, the Tenant pays for all costs of operation and maintenance of the Complex. The tenant will also make separate annual payments to the City, beginning during the construction period, equal to five percent of the net naming rights revenue, if any, received by the Tenant, capped at \$500 thousand per year. The revenue for this fiscal year was \$500,000. The lease is accounted for as an operating lease. The cost of the stadium is \$1,109,951,954 with accumulated depreciation of \$219,361,486.

Conduit Debt - In 2006, \$147,865,000 Cowboy Complex Admissions and Parking Taxes Revenue Bonds, Taxable Series 2006 (the “Cowboys Admission and Parking Taxes Revenue Bonds”) with a pledge of a 10% admissions tax and a \$3 parking tax for events held at the Complex, with additional security provided by a Guaranty Agreement from The Cowboys Stadium, L.P., were issued to fund a portion of the Dallas Cowboy’s funding for the Complex. The Cowboys Admission and Parking Taxes Revenue Bonds are not payable from or secured by any money raised or to be raised from property taxes or any other of the City’s revenue sources and accordingly have not been reported as a liability in the City’s financial statements but are disclosed here as conduit debt. At September 30, 2018, outstanding conduit debt was \$133,485,000.

Franchise - The City and the Dallas Cowboys Football Club, LTD. entered into a franchise agreement that requires the Dallas Cowboys NFL football franchise to remain in Arlington and to play seven of eight of the team’s regular season home games in the Complex for a minimum of 30 years after the Complex opens. If the lease renewal options are exercised, the Cowboys’ obligation to stay in Arlington is extended for the renewal term.

In July 2013, an agreement was reached between the Cowboys and AT&T for naming rights to the stadium. The City receives 5% of the revenue as additional rent from the naming rights deal, up to \$500,000 annually.

The 2016 Venue Election and the Rangers Project

At an election held in the City on November 8, 2016, pursuant to Chapter 334, Texas Local Government Code, as amended, a majority of the voters of the City voting at said election voted in favor of a proposition authorizing the City to provide for the planning, acquisition, establishment, development, construction and financing of the Texas Rangers Complex Development Project (the “Rangers Project” and together with the Cowboys Project, the “Arlington Venue Projects”) within the City and (i) to impose a parking tax, at a rate not to exceed three dollars (\$3.00) on each parked motor vehicle parking in a parking facility of the Rangers Project (the “Rangers Parking Tax”); (ii) to impose an admissions tax on each ticket sold as admission to an event held at the Rangers Project, at a rate not to exceed ten percent (10%) of the price of the ticket sold as admission (the “Rangers Admissions Tax”); (iii) to authorize the use of the existing hotel occupancy tax, at a rate not to exceed two percent (2%) of the price paid for such room; (iv) to authorize the use of the existing sales tax within the City at a rate of one-half of one percent (0.5%); and (v) to authorize the use of the existing motor vehicle rental tax at a maximum rate of five percent (5%) for the purpose of financing the Rangers Project. The Texas Rangers are a professional baseball team operating under and pursuant to the rules and regulations of Major League Baseball. The Texas Rangers are based in the City and currently play their home games at Globe Life Park located in the City. The City’s prior financing related to Globe Life Park is no longer outstanding and has been paid in full. Construction of the Rangers Project commenced in 2018, and the Texas Rangers expect to play in a new ballpark starting in the 2020 baseball season. The Rangers Project will be a flexible, retractable roof, multi-purpose, multifunctional ballpark and sports, special events, concert and community and entertainment venue project designed to seat approximately 40,000 spectators to be used for the home games for the Texas Rangers and which may also be used for one or more additional professional or amateur sporting events, and which may also contain additional retail, restaurant and food establishments, team training facilities and museums, and which also includes water, sewer, drainage and road improvements necessary to service the Rangers Ballpark, as well as parking facilities adjacent to the Rangers Ballpark.

Stadium Lease - As part of the Funding Agreement, the City entered into a lease agreement with the Rangers Stadium Company LLC. (the “Tenant”) for lease of the Rangers Complex. The Lease Agreement calls for an initial term commencing upon occupation through January 1, 2054. Monthly lease payments of \$166,666.67 began upon occupation for an annualized rental rate of \$2 million per year. The Lease Agreement contains several renewal options at guaranteed annual rental payments of \$1 million per year for two successive renewal periods of five years each. The Lease Agreement also provides the Tenant with an option to purchase the Complex from the City at the end of the initial lease term and each renewal option thereafter. Under the lease, the Tenant pays for all costs of operation and maintenance of the Complex.

Franchise - The City and Rangers Baseball LLC. entered into a non-relocation agreement that requires the Texas Rangers franchise to remain in Arlington and to play the team’s regular season home games in the existing Ballpark during the construction of the new Ballpark. Once the new Ballpark is operational, the team is to remain in Arlington and to play the team’s regular season home games through January 1, 2054. If the lease renewal options are exercised, the Rangers’ obligation to stay in Arlington is extended for the renewal term.

Venue Project Debt

In September 2017, the City issued \$110,200,000 Senior Lien Special Tax Revenue Refunding Bonds, Series 2017 (the "Series 2017 Bonds") to refund all of the outstanding Prior Obligations for AT&T Stadium, Series 2008 and Series 2009. All debt related to AT&T Stadium, Series 2005A, B, & C had been refunded, matured, or been previously redeemed.

In March 2018, the City issued \$465,425,000 of Special Tax Revenue Bonds, Series 2018A, B, and C, to pay for the City's contribution towards the construction of Globe Life Field.

Investments

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

Legal Investments

Under Texas law, the City is authorized to invest in the following:

- (1) Obligations of United States Treasuries, United States agencies and instrumentalities.
- (2) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of this state, 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.
- (3) Obligations of Texas, its agencies, counties, cities, and other political subdivisions rated as to investment quality by a nationally recognized investment rating firm not less than “AA” or its equivalent (10% of portfolio; 2% per issuer).
- (4) Obligations of other states, its agencies, counties, cities, and other political subdivisions rated as to investment quality by a nationally recognized investment rating firm not less than “AA” or its equivalent (10% of portfolio; 2% per issuer).
- (5) Certificates of Deposit issued by a depository institution that has its main office or a branch office in Texas. The certificate of deposit must be guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or secured by obligations in a manner and amount as provided by this Policy for bank deposits. In addition, Certificates of Deposit obtained through a broker or depository institution that has its main office or a branch office in Texas and that contractually agrees to place the funds in federally insured depository institutions in accordance with the conditions prescribed in Section 2256.010(b) of the Act are authorized investments (50% of portfolio; 20% per issue).
- (6) Fully collateralized direct security repurchase agreements and reverse security repurchase agreements in accordance with the conditions prescribed in Section 2256.011 of the Act. A repurchase agreement shall have a defined termination date and be secured by a combination of cash and obligations of the United States or its agencies and instrumentalities. These shall be pledged to the City, held in the City’s name, and deposited at the time the investment is made with a third party selected and approved by the City. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas. A Master Repurchase Agreement must be signed by the bank/dealer prior to investment in a repurchase agreement. All repurchase agreement transactions will be on a delivery vs. payment basis. Securities received for repurchase agreements must have a market value greater than or equal to 102% at the time funds are disbursed and throughout the term of the repurchase agreement (40% of portfolio (excluding flexible repos for bond proceeds); 15% per counterparty).
- (7) Commercial Paper that has a stated maturity of 270 days or less and is either rated not less than A-1+, P-1 or equivalent by at least two nationally recognized credit rating agencies or is rated by one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States. The Commercial Paper issuer must have an underlying long term credit of at least “AA” or the equivalent (20% of portfolio; 5% per issue).
- (8) Guaranteed investment contracts for bond proceeds only in accordance with the conditions prescribed in Section 2256.015 of the Act 100% of bond proceeds.
- (9) No-load money market mutual funds that are registered and regulated by the Securities and Exchange Commission, have a dollar weighted average stated maturity of 90 days or less, seek to maintain a net asset value of \$1.00 per share, and are rated AAAM or an equivalent rating, by at least one nationally recognized rating service (100% of portfolio; 15% per fund).

(10) Local government investment pools, which meet the requirements of Section 2256.016 of the Act, are rated no lower than AAA or an equivalent rating, by at least one nationally recognized rating service, and are authorized by resolution or ordinance by the City Council. In addition, a local government investment pool created to function as a money market mutual fund must mark its portfolio to the market daily and to the extent reasonably possible, stabilize at \$1.00 net asset value (100% of portfolio; 25% per pool; 2% of pool's portfolio).

Investment Policies

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity, and the policy must address investment diversification, yield, maturity, and the quality and capability of investment management, and all City funds must be invested in investments that protect principal, and consistent with the operating requirements of the City, yield a market rate of return. Under Texas law, City investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest City funds without express written authority from the City Council or Director of Finance of the City.

Current Investments

The City’s primary investment objective is to provide for the protection of principal with an emphasis on safety and liquidity. The City maintains a comprehensive cash management program that includes prudent investment of its available funds. Investment maturities are targeted to provide available cash for the operating requirements of the City.

As of September 30, 2018, the City’s operating funds were invested in the following categories of investments:

<u>Type of Investment</u>	<u>% Invested</u>
Federal Agencies	82.01
Statewide Pools	9.68
Certificates of Deposit	3.96
Municipals	3.83
Cash	0.52
Totals	100.00%

As of September 30, 2018, the weighted average maturity of the City’s operating portfolio was 425 days and the market value of the operating portfolio was 100 percent of its book value.

SECTION FOUR: DEBT STRUCTURE AND CAPITAL IMPROVEMENT PROGRAM

Debt Information

Information on the City's indebtedness is presented both in Section Two and in the following tables. Included is information on key debt ratios, rapidity of principal retirement and selected debt service schedules.

In addition to the currently outstanding ad valorem tax-supported debt previously issued by the City, the City has also issued certain combination ad valorem tax and revenue supported debt and has incurred contractual and other indebtedness and liabilities payable from ad valorem taxation. Additionally, the City has issued revenue bonds and other indebtedness payable from specific pledged revenues. Various other political subdivisions, which overlap all or a portion of the area of the City are also empowered to incur debt to be paid from revenues raised or to be raised through taxation.

Tax-Supported Debt

Debt Statement

Pursuant to the Constitution and laws of the State of Texas and the Charter of the City, the City is authorized to issue general obligation bonds secured by an ad valorem tax on all property within its boundaries subject to local taxation. A tax rate limitation is imposed by the Home Rule Section of the Texas Constitution, Article XI, Section 5, which allows a maximum tax rate of \$2.50 per \$100.00 assessed valuation. As of September 2018, the City has set the overall tax rate at \$0.6348 per \$100.00 assessed value.

The following table details the ad valorem tax-supported debt of the City as of September 30, 2018:

Total Outstanding Ad Valorem Tax-Supported Debt	\$408,365,000
Less Self-Supporting Debt	<u>1,272,800</u>
Ad Valorem Tax-Supported Debt Less Self-Supporting Debt	\$407,092,200

Source: Finance Department

**Rapidity of Principal Retirement
All Ad Valorem Tax-Supported Debt
As of September 30, 2018**

<u>Maturing Within</u>	<u>Amount Maturing</u>	<u>Percent of Total Debt Outstanding</u>
5 years	\$ 156,000,000.00	38.2%
10 years	\$ 282,360,000.00	69.1%
15 years	\$ 370,215,000.00	90.7%
20 years	\$ 408,365,000.00	100.0%

Source: Finance Department

Estimated Overlapping Debt

The following table indicates the indebtedness, defined as outstanding obligations payable from ad valorem taxes, of governmental entities within which the City is located or with which taxable property is jointly levied against, and the estimated percentages and amounts of such indebtedness attributable to taxable property within the

City. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance purposes. Furthermore, certain entities listed may have issued additional Bonds since the date stated in the table, and such entities may have programs requiring the issuance of substantial additional amounts of indebtedness, the amount of which cannot be determined.

Overlapping Debt

Governmental Unit	Amount ⁽¹⁾	As of	Percent	Amount
City of Arlington ⁽²⁾	\$ 978,990,000	9/30/2018	100.00%	\$ 978,990,000
Arlington Independent School District	824,135,769	9/30/2018	78.54%	647,276,233
Fort Worth Independent School District	966,280,000	9/30/2018	0.37%	3,575,236
Hurst-Euless-Bedford Independent School District	299,715,000	9/30/2018	2.50%	7,492,875
Kennedale Independent School District	33,330,025	9/30/2018	55.42%	18,471,500
Mansfield Independent School District	750,175,000	9/30/2018	23.55%	176,666,213
Tarrant County	294,500,000	9/30/2018	13.54%	39,875,300
Tarrant County Hospital District	19,300,000	9/30/2018	13.54%	2,613,220
Tarrant County College District	-	9/30/2018	0.00%	-
Viridian Municipal Management District	107,025,000	9/30/2018	100.00%	107,025,000
Total Direct and Overlapping Debt				\$1,981,985,576

Sources: Municipal Advisory Council of Texas and City Finance Department.

⁽¹⁾ Net debt outstanding per representative of each jurisdiction

⁽²⁾ Debt includes City General Obligation Bonds, Certificates of Obligations, and Special Tax Revenue bonds (Venue Projects).

Capital Improvement Programs

Ad Valorem Tax-Supported Capital Improvement Program

The City's Capital Improvement Program ("CIP") provides for multi-year improvements to the City's public facilities along with the means of financing these improvements. The City's Capital Improvement Program is prepared annually and primarily enabled by recent bond election results. The City's most recent permanent improvement bond election, totaling \$189,500,000, was held on November 6, 2018. Combined with the authorized but unissued bonds from prior elections, the City has \$327,943,000 in unissued permanent improvement bonding authority.

Capital Improvement Plan and Proposed Capital Budget

Department	Adopted 2019	Preliminary 2020	Preliminary 2021	Preliminary 2022	Preliminary 2023
Fire Total	\$ 3,592,336	\$ 8,880,000	\$ -	\$ 850,000	\$ 8,650,000
Police	-	-	1,500,000	4,500,000	-
Airport Total	100,000	100,000	1,000,000	6,700,000	-
Parks & Recreation Total	8,640,000	1,000,000	42,545,000	6,905,000	2,400,000
Public Works & Trans. Total	49,150,000	37,648,000	27,820,000	31,150,000	31,130,000
Grand Total	\$ 61,482,336	\$ 47,628,000	\$ 72,865,000	\$ 50,105,000	\$ 42,180,000

Source: Finance Department

Water & Wastewater System Capital Improvement Program

The City's Water Utilities Department maintains a program of annually updating its estimate of foreseeable system capital improvements. This is accomplished through the joint efforts of the Operations, Treatment and Business Services Divisions of the Water Utilities Department and independent consulting engineers. The Water Utilities Department annually reviews its proposed Capital Improvement Program with the City Council.

The following table represents the estimated amount of financing needed to meet the proposed Capital Improvement Program for the fiscal years shown.

Water Proposed Capital Improvement Program				
<u>Fiscal</u> <u>Year</u>	<u>Planned Capital</u> <u>Expenditures</u>	<u>Texas Water</u> <u>Development</u> <u>Board</u>	<u>Planned Bond</u> <u>Sale</u>	<u>Other</u> <u>Financing</u> <u>Sources</u>
2019	\$ 124,372,999	\$ 79,435,000	\$ 28,244,153	\$16,693,846
2020	48,988,000	8,000,000	26,488,000	14,500,000
2021	14,085,000	-	8,489,445	5,595,555

Source: Finance Department

Stormwater Capital Improvement Program

The City's Public Works and Transportation Department maintains a Stormwater program of annually updating its estimate of foreseeable system capital improvements. This is accomplished through the joint efforts of the Stormwater Division and independent consulting engineers. The Public Works and Transportation Department annually reviews its proposed Capital Improvement Program with the City Council.

The following table represents the estimated amount of financing needed to meet the proposed Capital Improvement Program for the fiscal years shown.

Stormwater Proposed Capital Improvement Program			
<u>Fiscal</u> <u>Year</u>	<u>Planned Capital</u> <u>Expenditures</u>	<u>Planned Bond</u> <u>Sale</u>	<u>Other</u> <u>Financing</u> <u>Sources</u>
2019	\$ 16,760,000	\$ 7,200,000	\$ 9,560,000
2020	15,130,000	5,170,000	9,960,000
2021	10,659,000	-	10,659,000

Source: Finance Department

SECTION FIVE: FINANCIAL INFORMATION

Financial Information Concerning the City

Tax Abatement Values

Property Owner	FY18	FY17	FY16	FY15	FY14
	Tax Year 2017	Tax Year 2016	Tax Year 2015	Tax Year 2014	Tax Year 2013
Pioneer 360	\$ 16,218,670	\$ 12,081,194	\$ 10,872,109	\$ 10,872,109	\$ 10,752,669
Siemens Dematic	-	-	-	-	5,754,017
General Motors	250,769,397	278,749,789	335,006,972	333,774,188	143,182,332
Pratt & Whitney Engine Service	-	-	-	-	2,295,899
MCR Oil Tools	-	-	-	413,966	-
Progressive Inc	0	6,479,608	-	4,496,047	4,277,787
Big Box Property Owner C LLC	-	14,804,697	14,474,549	-	-
RCR Healthcare	2,392,000	2,417,630	2,155,786	2,155,786	-
Rico's Products Co. LLC	-	1,548,063	-	-	-
Total	\$ 269,380,067	\$ 316,080,981	\$ 362,509,416	\$ 351,712,096	\$ 166,262,704

Source: Finance Department

**Principal Tax Revenue by Source
(amounts in thousands)**

FY Ending Sept. 30	General Fund Ad Valorem Taxes	General Fund Sales Tax	Other Taxes	Hotel ⁽¹⁾ Occupancy Tax	Franchise Fees and Service Charges	Total
2014	\$ 76,774	\$ 52,692	\$ 2,328	\$ 9,396	\$ 32,315	\$ 173,505
2015	78,809	55,555	2,358	7,860	31,836	176,418
2016	82,901	58,318	2,345	8,428	31,755	183,747
2017	91,164	59,946	2,353	8,994	30,539	192,996
2018	98,058	62,598	2,333	9,260	31,852	204,101

Source: Finance Department

⁽¹⁾ 7% for City Portion Only.

Historical Estimated Taxable Value

FY Ending 09/30 ⁽¹⁾	Taxable Value Real Property	% Change from Prior Year	Taxable Value Personal Property	% Change from Prior Year	Taxable Value Mineral Property	% Change from Prior Year	Total Estimated Taxable Value	% Change from Prior Year
2014	\$ 15,451,540,005	2.86	\$ 2,360,211,420	3.08	\$276,655,563	(24.52)	\$ 18,088,406,988	2.32
2015	16,086,303,315	4.11	2,462,802,164	4.35	356,660,350	28.92	18,905,765,829	4.52
2016	16,580,449,521	3.07	2,647,949,241	7.52	372,964,490	4.57	19,601,363,252	3.68
2017	18,575,012,852	12.03	2,669,235,852	0.80	134,832,010	(63.85)	21,379,080,714	9.07
2018	20,651,783,291	11.18	2,731,731,857	2.34	119,676,860	(11.24)	23,503,192,007	9.94

Source: Tarrant Appraisal District and City Finance Department

⁽¹⁾ Certified taxable value as of December 2015 for FY2016, all other years use September taxable values.

Collection Ratios

FY Ending 09/30	Estimated Net Taxable Value ⁽¹⁾	Tax Rate			% Collected ⁽²⁾		
		General Fund (M&O) Tax	Debt Service (I&S) Tax Rate	Tax Rate	Calculated Levy	Current Year	Prior Years
2014	\$ 18,088,406,989	\$ 0.4423	\$ 0.2057	\$ 0.6480	\$ 117,212,877	97.66	98.57
2015	18,905,765,829	0.4353	0.2127	0.6480	122,509,363	97.64	98.51
2016	19,601,363,252	0.4460	0.2020	0.6480	127,016,834	97.43	98.47
2017	21,379,080,714	0.4538	0.1910	0.6448	137,852,312	96.61	97.63
2018	23,503,192,007	0.4409	0.1989	0.6398	150,373,422	96.76	97.80

Source: Tarrant Appraisal District and City Finance Department

⁽¹⁾ Estimated Net Taxable Valuation (NTV) is the certified roll as of September of each year including minimum estimated value of property under protest. FY2016 estimated NTV is the certified roll as of December FY2017.

⁽²⁾ Prior year's collections include current year collections, prior year delinquent collections and all penalty and interest collections.

Analysis of Delinquent Taxes

FY Ending 9/30	Appraised Tax Levy	Uncollected	Percentage of Levy
2009	\$ 118,435,518	\$ 1,230,946	1.04%
2010	118,267,158	1,349,195	1.14%
2011	111,320,648	1,140,910	1.02%
2012	112,255,917	970,330	0.86%
2013	114,551,118	917,054	0.80%
2014	117,212,877	946,728	0.81%
2015	122,509,363	967,976	0.79%
2016	126,643,250	840,621	0.66%
2017	137,852,312	1,002,281	0.73%
2018	150,373,422	1,177,653	0.78%

Source: Finance Department

Municipal Sales Tax

The City has adopted the provisions of Sections 321.101 and 321.103 of the Texas Tax Code, which grants the City the power to impose and levy a one percent sales tax for general purposes of the City. On September 14, 2002, an election to adopt an additional one-quarter cent city sales and use tax for municipal street maintenance as permitted under Chapter 327 of the Texas Tax Code was held and the additional one-quarter cent sales and use tax was approved. The additional one-quarter cent sales and use tax became effective on January 1, 2003. It was reapproved in May 2006, May 2010, May 2014, and May 2018.

On November 2, 2004, an election to adopt an additional one-half cent sales and use tax for the Dallas Cowboys Complex Development Project as permitted by Chapter 334 of the Texas Local Government Code was held and the additional one-half cent sales and use tax was approved. The additional one-half cent sales and use tax became effective on April 1, 2005. The Comptroller of Public Accounts of the State of Texas, after the deduction of a two percent service fee, currently remits monthly the City's portion of sales tax collections to the City. The statute provides the Comptroller must remit at least twice annually. Revenue from sales tax levied for general purposes of the City may not be pledged, under the applicable statutes, to the payment of debt service of the City's debt obligations.

Sixty percent of residents voted November 8, 2016, to help publicly finance the new ballpark by extending existing venue taxes approved in 2004 to build AT&T Stadium for the Dallas Cowboys. These taxes – a half-cent sales tax, 2 percent hotel occupancy tax and 5 percent car rental tax – will pay off the City's contribution to the future ball park, Globe Life Field.

Per Capita Sales Tax Collection

<u>Fiscal Year</u>	<u>Sales Tax Receipts</u>	<u>Ad Valorem Tax Levy</u>	<u>Sales Tax as a % of Tax Levy</u>	<u>Population Estimate</u>	<u>Per Capita Sales Tax</u>
2014	\$ 53,412,259	\$ 117,212,877	45.6%	369,508	\$ 145
2015	56,351,761	122,509,363	46.0%	379,370	149
2016	58,895,721	127,016,834	46.4%	380,740	155
2017	60,447,625	137,852,312	43.8%	382,230	158
2018	62,875,224	150,373,422	41.8%	383,950	164

Source: Finance Department

Hotel Occupancy Tax Receipts

Under the provisions of Section 351.002 and 351.003 of the Texas Tax Code, the City is authorized to levy and collect a hotel occupancy tax not to exceed seven percent of the price paid for a room in a hotel in the City which costs \$2 or more per day and is ordinarily used for sleeping (the "Hotel Occupancy Tax") to pay for or finance a variety of public improvements, including, specifically, convention center facilities. Section 351.103(b) of the Texas Tax Code states that the Hotel Occupancy Tax revenue allocated by the municipality cannot exceed 15 percent for the encouragement, promotion and application of the arts and cannot exceed 15 percent for historical preservation projects or activities. The City has levied a Hotel Occupancy Tax of seven percent since 1983. On November 2, 2004, an election was approved under Chapter 334 of the Texas Local Government Code to increase the Hotel Occupancy Tax by two percent for the Dallas Cowboys Complex Development Project. The additional two percent can only be used for this purpose and became effective on April 1, 2005. On November 8, 2016, the two percent was approved to be extended for the Rangers Complex Development Project. The additional two percent is not reflected in the table below.

<u>Fiscal Year</u>	<u>Hotel Occupancy Tax Receipts</u>
2014	\$ 7,307,874
2015	7,859,543
2016	8,427,743
2017	8,994,163
2018	9,259,526

Source: Finance Department

Financial Information Concerning the Water and Wastewater System

Water and Wastewater Rates

The Council is authorized by its home rule charter and by laws of the State of Texas to establish and to amend rates charged for water and wastewater service. Rates fixed by the Council for domestic application are not subject to review by any other regulatory agency.

The two components of the rate structure are a fixed monthly charge based upon meter size and a volumetric charge per 1,000 gallons used. A separate fixed monthly fee was established for residential class customers with 5/8 x 3/4-inch meters whose water and wastewater use is less than 2,000 gallons per month. The fixed charge, for meter sizes other than 5/8 x 3/4-inch, increases with meter size to recognize the additional demands that large meter installations can place on the system.

The water volumetric charge is designed to encourage customers to efficiently use water. The volumetric charge increases with higher volumes of water usage for both residential and commercial class customers. Unlike the variable water volumetric rate, the wastewater volumetric rate per 1,000 gallons is a flat rate for all account classifications that will not change based on usage.

City of Arlington Water Utilities Fixed Monthly Fee Effective January 1, 2019

<u>Meter Size</u>	<u>Water</u>	<u>Wastewater</u>
5/8 x 3/4" (\leq 2,000 gal)	\$ 7.07	\$ 7.64
5/8 x 3/4" (\geq 3,000 gal)	10.30	12.94
1"	20.30	23.52
1 1/2"	46.31	52.12
2"	81.00	87.73
3"	190.35	271.15
4"	303.75	404.55
6"	707.40	1,100.55
8"	1,107.00	1,450.00
10"	1,663.20	2,114.10

Source: Water Utilities Department

**City of Arlington Water Utilities
Conservation Rates Block Structure
Effective January 1, 2019**

RESIDENTIAL

<u>Usage (1,000 gal)</u>	<u>Water</u>	<u>Wastewater</u>
0 - 2	\$ 2.02	\$ 4.75
3 - 10	2.79	4.75
11 - 15	4.02	4.75
16 - 29	5.63	4.75
≥ 30	6.78	4.75

COMMERCIAL

<u>Usage (1,000 gal)</u>	<u>Water</u>	<u>Wastewater</u>
0 - 15	\$ 3.20	\$ 4.75
≥ 16	3.38	4.75

IRRIGATION

<u>Usage (1,000 gal)</u>	<u>Rate</u>
0 - 29	\$ 5.63
≥ 30	6.78

CONSTRUCTION

<u>Usage (1,000 gal)</u>	<u>Rate</u>
0 - 99	\$ 5.90
≥ 100	7.44

Source: Water Utilities Department

Historical Rate Adjustments

Changes in revenue requirements during the past twenty years have resulted in the following changes in rates for the average residential customer. The overall system average residential customer usage is 7,000 gallons of water. Until December 1988, residential customers were also billed for up to 12,000 gallons of wastewater flows. At that time, the wastewater maximum for residential customers was reduced to 9,000 gallons. Since March 1990, wastewater flows have been based on average winter water consumption. Each residential customer's average winter wastewater flows are calculated according to their water use during the billing periods of December through March. The overall system winter average for a residential customer is approximately 4,000 gallons.

**Water Rate Changes by Percent
Last Ten Fiscal Years
Average Residential Customer
Using 10,000 Gallons Water and 6,000 Gallons Wastewater**

<u>Fiscal Year</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
2009	10.2	9.5	9.9
2010	0.6	2.7	1.6
2011	2.8	3.5	3.2
2012	0.1	1.8	0.9
2013	0	2.4	1.2
2014	9.7	8	8.8
2015	6.6	2.8	4.7
2016	9.7	1.5	5.7
2017	0	10.8	5.4
2018	4	8.7	6.2

Source: Water Utilities Department

Operating Reserve

The current policy, authorized by the City Council, requires the operating reserve to equal a minimum of 60 days of the proposed operating and maintenance expense budget, excluding debt service (Resolution No. 11-363). Additionally, the reserve can be increased to a 60-day level using excess unbudgeted revenues, if available. The reserve fund balance as of September 30, 2018 was \$18,191,454 which equals 60 days of operating and maintenance expense.

Financial Information Concerning the Municipal Drainage Utility System (Stormwater)

Residential Monthly Drainage Utility Fee Rates

Date of Rate Change	Flat Rate
October 1, 2009	\$ 3.50
October 1, 2010	\$ 4.25
October 1, 2011	\$ 4.25
October 1, 2012	\$ 4.25
October 1, 2013	\$ 4.25
November 1, 2014	\$ 4.75
October 1, 2015	\$ 5.25
October 1, 2016	\$ 5.75
October 1, 2017	\$ 6.25
October 1, 2018	\$ 6.75
October 1, 2019	\$ 7.25
October 1, 2020	\$ 7.50

Source: Public Works & Transportation Department

*2014 Rate change was started for November billing cycle instead of October.

Other Drainage Utility Fee Information

Failure to pay drainage utility fees promptly when due may subject users to discontinuance of any utility services provided by the City. Apartments are considered non-residential for the purpose of the calculation of the stormwater fee. Any non-residential property on which mitigation measures have been taken may be eligible for a credit to the stormwater fee. The Director of Public Works and Transportation shall adjust the fee for such properties according to the actual mitigative effect of the measures taken. Best Management Practices that were required as part of development plan approval will not be eligible for such credits.

Drainage Fee Revenue History

	2018	2017	2016	2015	2014
Residential	\$ 8,794,458	\$ 7,990,445	\$ 7,297,314	\$ 6,507,894	\$ 5,862,392
Commercial	\$ 7,589,570	\$ 6,901,797	\$ 6,246,168	\$ 5,545,468	\$ 4,982,059
Total	\$ 16,384,028	\$ 14,892,242	\$ 13,543,482	\$ 12,053,362	\$ 10,844,451

Number of Accounts

	2018	2017	2016	2015	2014
Residential	\$ 96,361	\$ 95,981	\$ 95,574	\$ 95,227	\$ 94,648
Commercial	\$ 5,632	\$ 5,348	\$ 5,365	\$ 5,343	\$ 5,363
Total	\$ 101,993	\$ 101,329	\$ 100,939	\$ 100,570	\$ 100,011

Source: Public Works & Transportation Department