

NEW ISSUE-Book-Entry Only

RATINGS: Fitch "AAA"
Moody's "Aa1"
Standard & Poor's "AAA"
See "OTHER INFORMATION – RATINGS"

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

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

\$5,185,000

**CITY OF ARLINGTON, TEXAS
(Tarrant County, Texas)**

Water and Wastewater System Revenue Refunding Bonds, Series 2020A

Dated: May 1, 2020

Due: June 1, as shown on inside of cover page

Interest to accrue from the Delivery Date.

PAYMENT TERMS...Interest on the \$5,185,000 City of Arlington, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2020A (the "Bonds") will accrue from the date of their delivery to the Purchaser (the "Delivery Date") and will be payable on June 1 and December 1 of each year commencing December 1, 2020 until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is Bank of New York Mellon Trust Company N.A., Dallas, Texas (see "THE BONDS - PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE...The Bonds are issued as special obligations of the City of Arlington, Texas (the "City"), issued on parity with the currently Outstanding Bonds (as hereinafter defined). The Bonds are being issued pursuant to the general laws of the State of Texas, particularly Chapter 1207, Texas Government Code, as amended, Article XIII of the City's home rule charter and an ordinance passed by the City Council (the "Ordinance"). The Bonds are special obligations of the City, and together with the Outstanding Bonds and any Additional Bonds, are payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues (as hereinafter defined) of the City's Water and Wastewater System (the "System"). The Bonds shall not be a charge upon any other income or revenues of the City and shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City. The Ordinance does not create any lien or mortgage on the System and any judgment against the City may not be enforced by the levy and execution against the property owned by the City.

PURPOSE...The proceeds from the sale of the Bonds are being used to provide funds to (i) refund certain currently outstanding revenue obligations of the City, as set forth on Schedule I attached hereto, (the "Refunded Obligations") in order to achieve debt service savings; and (ii) pay costs of issuance associated with the sale of the Bonds.

SEPARATE ISSUES... The Bonds are being offered by the City concurrently with the City of Arlington, Texas Municipal Drainage Utility System Revenue Bonds, Series 2020A and the Municipal Drainage Utility System Revenue Refunding Bonds, Taxable Series 2020B (the "Drainage Bonds"). The Bonds and the Drainage Bonds are separate and distinct securities offerings being issued and sold independently pursuant to separate official statements and should be reviewed and analyzed independently, including the type of obligation being offered, their terms for payment, the security for its payment, the rights of the holders, and other features.

OPTIONAL REDEMPTION...The City reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2030, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on June 1, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – OPTIONAL REDEMPTION").

LEGALITY...The Bonds are offered for delivery when, as and if issued and received by the Initial Purchasers and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Dallas, Texas, Bond Counsel (see Appendix C, "Form of Bond Counsel's Opinion"). Certain matters will be passed upon for the City by West & Associates L.L.P., Dallas, Texas Disclosure Counsel.

DELIVERY...It is expected that the Bonds will be available for delivery through DTC on June 16, 2020.

**Water and Wastewater System Revenue Refunding Bonds, Series 2020A
Maturity Schedule**

(June 1) Maturity	Amount	Rate	Yield	CUSIP ⁽¹⁾
2021	\$ 1,215,000	4.000%	0.600%	04184K YF6
2022	440,000	5.000%	0.650%	04184K YG4
2023	445,000	5.000%	0.750%	04184K YH2
2024	445,000	5.000%	0.850%	04184K YJ8
2025	450,000	2.000%	0.960%	04184K YK5
2026	435,000	5.000%	1.030%	04184K YL3
2027	440,000	5.000%	1.100%	04184K YM1
2028	440,000	5.000%	1.170%	04184K YN9
2029	445,000	2.000%	1.250%	04184K YP4
2030	430,000	2.000%	1.400% ⁽²⁾	04184K YQ2

(Interest to accrue from date of initial delivery)

- ⁽¹⁾ CUSIP numbers will be assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence 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 nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.
- ⁽²⁾ Yield calculated based upon the assumption that the Bonds designated and sold at a premium will be redeemed on June 1, 2029, the first optional redemption date for the Bonds, at a redemption price of par plus accrued interest to the redemption date.

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

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

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the representation, promise or guaranty of the Financial Advisor or the City. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

Neither the City nor its Financial Advisor makes any representation as to the accuracy, completeness, or adequacy of the information regarding the Depository Trust Company, or its book-entry-only system as such information has been supplied by the Depository Trust Company for use in this Official Statement.

The Bonds are exempt from registration with the Securities and Exchange Commission and consequently have not been registered therewith. The registration, qualification, or exemption of the Bonds in accordance with applicable securities law provisions of the jurisdiction in which the Bonds have been registered, qualified, or exempted should not be regarded as a recommendation thereof.

The cover page contains certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including all tables, schedules and appendices attached hereto, to obtain information essential to making an informed investment decision.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE "OTHER INFORMATION – FORWARD LOOKING STATEMENTS DISCLAIMER."

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OFFICIAL STATEMENT SUMMARY

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

THE CITY	The City of Arlington, Texas (the “City”), is located at the center of the Dallas-Fort Worth Metroplex, between Dallas and Fort Worth and eight miles south of the Dallas/Fort Worth International Airport. The City, which encompasses 99.5 square miles operates under a Council-Manager form of government (see “INTRODUCTION – DESCRIPTION OF THE CITY” and APPENDIX A – “General Information Regarding the City”).
THE BONDS	The \$5,185,000 City of Arlington, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2020A, dated May 1, 2020, are issued as serial bonds maturing on June 1 in each of the years 2021 through 2030. (see “THE BONDS - DESCRIPTION OF THE BONDS”).
PAYMENT OF INTEREST	Interest on the Bonds accrues from the date of delivery to the Purchasers (the “Delivery Date”) and will be paid on December 1, 2020, and on each June 1 and December 1 thereafter until the earlier of maturity or prior redemption. (See “THE BONDS - DESCRIPTION OF THE BONDS” and “THE BONDS – OPTIONAL REDEMPTION”).
AUTHORITY FOR ISSUANCE	The Bonds are authorized and issued pursuant to authority granted by the Constitution and the general laws of the State of Texas, including particularly Chapter 1207, Texas Government Code, as amended, Article XIII of the City’s home rule charter (the “City Charter”) and an ordinance passed by the Council (the “Council”) authorizing the issuance of Bonds (the “Ordinance”).
SECURITY FOR THE BONDS	The Bonds, together with certain outstanding previously issued bonds (the “Outstanding Bonds”) and any additional parity bonds which may be issued in the future (the “Additional Bonds”), constitute special obligations of the City payable as to principal and interest solely from and secured by a pledge of and a lien on the Net Revenues of the City’s Water and Wastewater System (the “System”) (see “SELECTED PROVISIONS OF THE ORDINANCES – DEFINITIONS”). The Bonds are not general obligations of the City, Tarrant County or the State of Texas. Neither the full faith and credit nor the taxing power of the City, Tarrant County or the State of Texas is pledged to the payment of the Bonds.
OPTIONAL REDEMPTION	The City reserves the right, at its option, to redeem the Bonds having stated maturities on and after June 1, 2030, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on June 1, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – OPTIONAL REDEMPTION”).
TAX EXEMPTION	In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax. See “TAX MATTERS” for a discussion of the opinion of Bond Counsel.
USE OF PROCEEDS	The proceeds from the sale of the Bonds are being used to provide funds to (i) to refund certain currently outstanding obligations of the City, as set forth on Schedule I attached hereto, (the “Refunded Obligations”) in order to achieve debt service savings; and (ii) to pay costs of issuance associated with the sale of the Bonds.
RATINGS	The Bonds have been rated “Aa1” by Moody’s Investors Service, Inc. (“Moody’s”), “AAA” by S&P Global Ratings, Standard & Poor’s Financial Services LLC, (“S&P”) and “AAA” by Fitch Ratings (“Fitch”). The City’s presently outstanding System revenue supported debt has underlying ratings of “Aa1” by Moody’s, “AAA” by S&P and “AAA” by Fitch. (see “OTHER INFORMATION – RATINGS”).

BOOK-ENTRY-ONLY

SYSTEM.....

The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "THE BONDS - BOOK-ENTRY-ONLY SYSTEM").

PAYMENT RECORD

The City has never defaulted on its revenue obligations.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended	Estimated Population	Average Daily Pumpage	Maximum Daily Water Pumpage	Total Water Pumped	Net Revenue Available For Debt Service	Annual Debt Service Requirements	Calculated Coverage of Debt Service
30-Sep	Population ⁽¹⁾	Pumpage ⁽²⁾	Pumpage ⁽²⁾	Pumped ⁽³⁾	Debt Service	Requirements	of Debt Service
2015	379,370	52.48	104.26	19,155	\$ 44,279,000	\$ 15,602,000	2.84X
2016	380,740	57.64	102.46	21,039	53,159,000	16,235,000	3.27X
2017	382,230	51.36	76.83	18,746	51,402,000	18,419,000	2.79X
2018	383,950	50.32	108.17	18,367	70,827,000	21,823,000	3.25X
2019	386,180	51.55	88.40	18,816	70,379,000	24,899,000	2.83X

⁽¹⁾ Population estimates are based on a percent of occupancy in available residences and U.S. census data.

⁽²⁾ Listed in millions of gallons per day.

⁽³⁾ Listed in millions of gallons.

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Jeff Williams Mayor	5 years	May, 2021	Engineer
Barbara Odom-Wesley Council Member	1 Year	May, 2021	Healthcare Professional, Retired
Victoria Farrar-Myers Council Member	4 years	May, 2020 ⁽²⁾	Professor
Sheri Capehart Council Member	20 years ⁽¹⁾	May, 2020 ⁽²⁾	Computer Security Analyst, Retired
Helen Moise Council Member	2 years	May, 2020 ⁽²⁾	Financial and Asset Manager, Retired
Robert Shepard Council Member	12 years	May, 2020 ⁽²⁾	Attorney
Marvin Sutton Council Member	1 Year	May, 2021	Air Traffic Controller, Retired
Andrew Piel Council Member	1 Year	May, 2021	Attorney
Ignacio Nunez Council Member	1 Year	May, 2021	Retired Gynecologist

⁽¹⁾ Includes service as Council member from May 1999 to May 2003.

⁽²⁾ As a result of the COVID-19 pandemic, on March 18, 2020, the Governor of Texas issued an Executive Order that suspended certain provisions of the Texas Election Code to allow political subdivisions that would otherwise hold elections on May 2, 2020 to move their general and special elections for 2020 to the next uniform election date of November 3, 2020. The City has taken action to postpone its May 2, 2020 council election until November 3, 2020. Current Councilmembers will retain their seats until the postponed election takes place.

SELECTED ADMINISTRATIVE STAFF

Name	Position	Years of Employment with City
Trey Yelverton	City Manager	27
Gilbert Perales	Deputy City Manager	13
Jennifer Wichmann	Assistant City Manager	16
Jim Parajon	Deputy City Manager	14
Mike Finley	Director of Finance	24
Teris Solis	City Attorney	29
Alex Busken	City Secretary	2

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Independent Auditors.....	Grant Thornton L.L.P., Dallas, Texas
Bond Counsel.....	Bracewell LLP, Dallas, Texas
Financial Advisor.....	Estrada Hinojosa & Company, Inc., Dallas, Texas
Disclosure Counsel	West & Associates L.L.P., Dallas, Texas

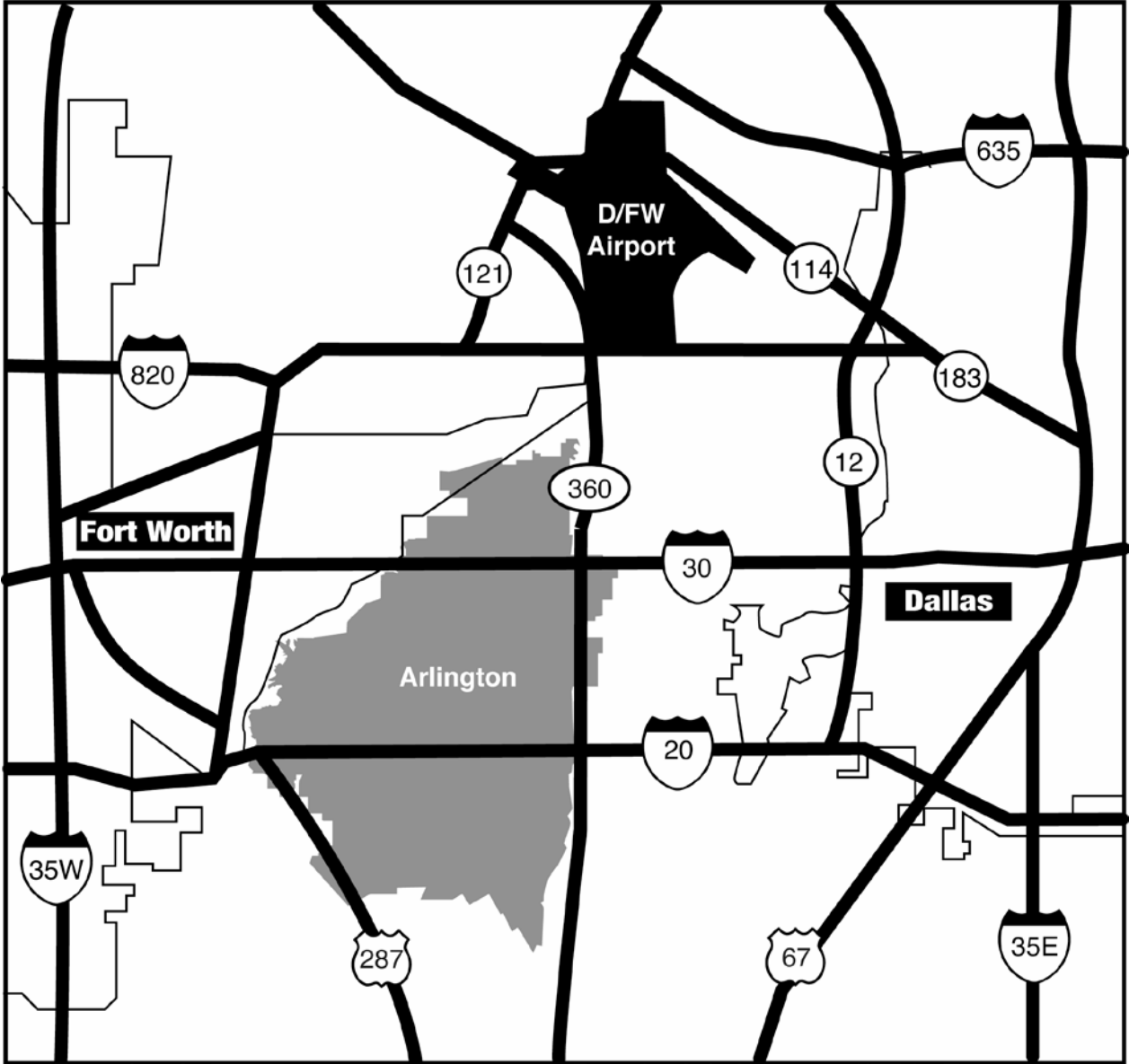
For additional information regarding the City, please contact:

Mr. Mike Finley
City of Arlington
101 W. Abram Street, 3rd Floor or
Arlington, Texas

Mr. Dave Gordon
Estrada Hinojosa & Company, Inc.
1717 Main Street, Suite 4700
Dallas, Texas 75201

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Dallas/Fort Worth/Arlington Metropolitan Area



OFFICIAL STATEMENT

RELATING TO

CITY OF ARLINGTON, TEXAS (Tarrant County, Texas)

\$5,185,000

Water and Wastewater System Revenue Refunding Bonds, Series 2020A

INTRODUCTION

This Official Statement, which includes the cover page, the tables, schedules and the Appendices hereto, provides certain information regarding the issuance of \$5,185,000 City of Arlington, Texas Water and Wastewater System Revenue Refunding Bonds, Series 2020A (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (hereinafter defined) authorizing the issuance of the Bonds, except as otherwise indicated herein. Reference is made to "SELECTED PROVISIONS OF THE ORDINANCE" which contains defined terms and selected provisions of the Ordinance that are summarized under "THE BONDS."

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see "OTHER INFORMATION - FORWARD-LOOKING STATEMENTS DISCLAIMER").

DESCRIPTION OF THE CITY...The City of Arlington, Texas (the "City"), is located at the center of the Dallas-Fort Worth Metroplex, between Dallas and Fort Worth and eight miles south of the Dallas/Fort Worth International Airport. The City, which encompasses 99.5 square miles, had a 2010 census population of 365,438. The City's Community Development and Planning Department estimates the current population of the City to be 386,180 residents. The City operates as a home-rule City under a Council-Manager form of government as established by its home rule charter (the "City Charter") in which the Mayor and nine member City Council (the "Council") serve as the legislative body. Three council members and the Mayor are elected "at-large" and five council members are elected in five single member districts. All members of the Council are elected for terms of two years, with the elections being held in even/odd years for approximately half of the seats and provides the following services to the citizens of the City: public safety (police and fire), public works, public welfare, parks and recreation, public health, water and wastewater utilities, and general administrative services. The City operates its water and wastewater system and its sanitary landfill operation as self supporting enterprise funds.

DESCRIPTION OF THE SYSTEM...The City's Water and Wastewater System (the "System") serves a 99.7 square mile area which is relatively coterminous with the corporate boundaries of the City. Administered and managed by the City's Water Utilities Department, the System serves approximately 151,146 water utility units.

The City owns and has water rights in Lake Arlington and contracts for additional water supply with the Tarrant Regional Water District ("TRWD"). TRWD provides the City water from the Cedar Creek, Richland Chambers and Benbrook Reservoirs (see "THE SYSTEM" herein for a detailed description of the System).

Approximately 1,357 miles of sanitary sewer mains ranging in size from six to seventy-two inches comprise the wastewater collection system that services all developed areas within the City limits. Although the City owns and maintains an extensive wastewater collection system, it does not treat its own sewage. The wastewater produced in the City is treated by the Trinity River Authority's Central Regional Wastewater Treatment Plant. (See "THE SYSTEM" herein for a detailed description of the System.)

THE BONDS

DESCRIPTION OF THE BONDS... The Bonds are dated May 1, 2020 (the "Dated Date") and mature on June 1 in each of the years and in the amounts shown on the inside cover page hereof. Interest will accrue from the Delivery Date and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on June 1 and December 1, commencing December 1, 2020 until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – BOOK-ENTRY-ONLY SYSTEM" herein.

PURPOSE... The proceeds from the sale of the Bonds are being used to provide funds to (i) refund certain currently outstanding revenue obligations of the City, as set forth on Schedule I attached hereto, (the "Refunded Obligations") in order to achieve debt service savings; and (ii) pay costs of issuance associated with the sale of the Bonds.

AUTHORITY FOR ISSUANCE OF THE BONDS...The Bonds are issued pursuant to the general laws of the State of Texas (the "State" or "Texas"), particularly Chapter 1207, Texas Government Code, as amended, Article XIII, Section 1 of the City Charter and an ordinance (the "Ordinance") passed by the Council. The Bonds are special obligations of the City of Arlington, Texas, payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues.

Refunded Obligations

The principal and interest due on the Refunded Obligations are to be paid on the scheduled interest payment dates and the respective redemption dates of such Refunded Obligations, from funds to be deposited pursuant to a certain Deposit Agreement (the "Deposit Agreement") between the City and The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. The Ordinance provides that from the proceeds of the sale of the Bonds received from the Initial Purchaser, the City will deposit with the paying agent/registrars for the Refunded Obligations the amount necessary to accomplish the discharge and final payment of the Refunded Obligations on their respective redemption dates. Such funds will be held by the paying agent/registrars for the Refunded Obligations in a special account used to defease and redeem the Refunded Obligations on their redemption date.

The City's financial advisor or the paying agent/registrars for the Refunded Obligations will execute a certificate verifying that the funds on deposit pursuant to the Deposit Agreement will be sufficient to pay, when due, the amount necessary to accomplish the discharge and final payment of the Refunded Obligations or their respective redemption dates (the "Sufficiency Certificate").

By the deposit of cash with the paying agent/registrars for the Refunded Obligations pursuant to the Deposit Agreement, the City will have affected the defeasance of all of the Refunded Obligations in accordance with the law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the Sufficiency Certificate, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the cash held for such purpose by the paying agent/registrars for the Refunded Obligations and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

SOURCES AND USES OF PROCEEDS... The sources and uses of funds for the Bonds are approximately as follows:

Sources:	
Par amount of the Bonds	\$ 5,185,000.00
Premium	594,042.46
Total Sources of Funds	<u>\$ 5,779,042.46</u>
Uses:	
Deposit to the Escrow Fund	\$ 5,660,679.89
Costs of Issuance	118,362.57
Total Uses of Funds	<u>\$ 5,779,042.46</u>

SECURITY AND RATE COVENANT...The Bonds, together with certain outstanding previously issued bonds (the "Outstanding Bonds") and any additional parity bonds which may be issued in the future (the "Additional Bonds"), constitute special obligations of the City payable as to principal and interest solely from and secured by a pledge of and a lien on the Net Revenues (see "SELECTED PROVISIONS OF THE ORDINANCE - DEFINITIONS"). **The Bonds are not general obligations of the City, Tarrant County or the State of Texas. Neither the full faith and credit nor the taxing power of the City, Tarrant County or the State of Texas is pledged to the payment of the Bonds.**

The Council has covenanted in the Ordinance that it will maintain and collect charges for the use of the facilities and the services afforded by the System sufficient to pay all operation, maintenance, depreciation, replacement and betterment charges, establish and maintain the Interest and Sinking Fund and Reserve Fund required for the Outstanding Bonds, the Bonds, and any Additional Bonds, and to produce Net Revenues each year in an amount not less than 1.25 times the average annual principal and interest requirements of the Outstanding Bonds, the Bonds and any Additional Bonds from time to time outstanding.

As of June 16, 2020, the City will have Outstanding Bonds secured by and payable from Net Revenues on parity with the Bonds as follows:

Issue	Dated Date	Outstanding Principal Amount
Water & Wastewater System Revenue and Refunding Bonds, Series 2010	6/15/2010	\$ - ⁽¹⁾
Water & Wastewater System Revenue Bonds, Series 2010	11/19/2010	6,940,000
Water & Wastewater System Revenue Bonds, Series 2012	6/1/2012	9,965,000
Water & Wastewater System Revenue Bonds, Series 2013A	6/1/2013	5,785,000
Water & Wastewater System Revenue Refunding Bonds, Series 2013B	6/1/2013	2,285,000
Water & Wastewater System Revenue Bonds, Series 2014	3/15/2014	2,380,000
Water & Wastewater System Revenue Bonds, Series 2014A	6/1/2014	9,310,000
Water & Wastewater System Revenue Refunding Bonds, Series 2014B	6/1/2014	3,415,000
Water & Wastewater System Revenue Bonds, Series 2015A	5/15/2015	13,665,000
Water & Wastewater System Revenue Refunding Bonds, Series 2015B	5/15/2015	8,285,000
Water & Wastewater System Revenue Bonds, Series 2016	5/1/2016	1,660,000
Water & Wastewater System Revenue Bonds, Series 2016A	6/1/2016	31,350,000
Water & Wastewater System Revenue Bonds, Series 2017	4/1/2017	4,010,000
Water & Wastewater System Revenue Bonds, Series 2017A	6/1/2017	34,240,000
Water & Wastewater System Revenue Bonds, Series 2017B	12/1/2017	10,235,000
Water & Wastewater System Revenue Bonds, Series 2018	4/1/2018	4,160,000
Water & Wastewater System Revenue Bonds, Series 2018A	6/1/2018	29,460,000
Water & Wastewater System Revenue Bonds, Series 2019A	5/1/2019	24,840,000
Water & Wastewater System Revenue Refunding Bonds, Series 2019B	5/1/2019	13,985,000
Water & Wastewater System Revenue Bonds, Series 2019C	6/15/2019	4,215,000
Water & Wastewater System Revenue Bonds, Series 2019D	8/15/2019	75,525,000
The Bonds	5/1/2020	5,185,000
		<u>\$ 300,895,000</u>

⁽¹⁾ Excludes the Refunded Obligations.

DEBT SERVICE RESERVE FUND...The City has covenanted that it will maintain in the Reserve Fund an amount equal to not less than the average annual principal and interest requirements on the Outstanding Bonds, the Bonds and any Additional Bonds from time to time outstanding (the "Reserve Fund Requirement"), and that upon the issuance of Additional Bonds, it will increase, if necessary, and accumulate such Reserve Fund Requirement in not more than 60 months from the date of such Additional Bonds. As of September 30, 2019, the Debt Service Reserve Fund balance was \$19,513,785.95. Following delivery of the Bonds, the City will accumulate additional funds into the Reserve Fund, if necessary, to meet the Reserve Fund Requirement for the Bonds and the Outstanding Bonds. (See "SELECTED PROVISIONS OF THE ORDINANCES - VARIOUS FUNDS.")

OPTIONAL REDEMPTION...The City has reserved the right at its option to redeem the Bonds scheduled to mature on and after June 1, 2030 prior to their scheduled maturities, in whole or in part, on June 1, 2029, or on any date thereafter, at par plus accrued interest to the date fixed for redemption in principal amounts of \$5,000 or any integral multiple thereof. If less than all of the Bonds are to be redeemed the City reserves the right to determine the maturity or maturities and the amounts thereof to be redeemed and if less than a maturity is to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot or other method that results in random selection, which of the Bonds of such maturities, or portions thereof, shall be redeemed. If any Bond (or portion of the principal amount thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bonds (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION... Not less than 30 days prior to an optional redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed by optional redemption, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

The City reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any obligations subject to conditional redemption if such redemption has been rescinded shall remain outstanding, and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE... The Ordinances provide that the City may discharge its Bonds to the registered owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished by either (i) depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or prior redemption or (ii) by depositing with a paying agent, or other authorized escrow agent, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested in (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United State of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality of the United States of America, including Bonds that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds to refund the obligations, that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book-entry-only form, and shall mature and/or bear interest in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Ordinances.

Under current State law, after such deposit as described above, such bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinances do not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

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

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

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, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, the National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTC is owned by the users of its registered securities. 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.

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Section of this Official Statement. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinances will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor or the Purchasers.

Effect of Termination of Book-Entry-Only System. In the event the Book-Entry-Only System with respect to the Bonds is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Bonds is discontinued by the City, printed certificates will be issued to the respective holders of the Bonds, as the case may be, and the respective Bonds will be subject to transfer, exchange, and registration provisions as set forth in the Ordinances, summarized under "THE BONDS- REGISTRATION" below.

In the event the Bonds are no longer in the book-entry form at DTC, if less than all the Bonds are to be redeemed by the City, the City shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar to call by lot within a maturity the Bonds or portions thereof to be redeemed.

REGISTRATION...Registration and Payment. The Bonds will be initially issuable only in the name of Cede & Co., as nominee of DTC which will act as securities depository for the Bonds. Principal and semiannual interest on the Bonds will be paid by the Paying Agent/Registrar to Cede & Co., as nominee for DTC, which shall disburse such payments to the DTC Participants who will distribute such payments to the Beneficial Owners as described herein. (See "BOOK-ENTRY-ONLY SYSTEM" herein)

For so long as DTC is the securities depository for the Bonds, then "Owner" shall refer solely to DTC. In the event that DTC is no longer the securities depository for the Bonds, the term "Owner" shall refer to a successor securities depository or the Beneficial Owners of the Bonds which are shown as registered Owners on the registration books of the Paying Agent/Registrar. So long as Cede & Co. is the registered owner of the Bonds, principal and interest on the Bonds will be made as described in "THE BONDS - BOOK-ENTRY-ONLY SYSTEM".

Future Registration. In the event that DTC is no longer the securities depository for the Bonds and a successor securities depository is not appointed by the City, printed certificates will be issued to the Owners and thereafter, the Bonds may be transferred, registered and assigned only on the registration books of the Paying Agent/Registrar and such registration shall be at the expense of the City except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by execution of an assignment form on the Bonds or by other instruments of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond will be delivered by the Paying Agent/Registrar to the last assignee (the new Owner) in exchange for such transferred and assigned Bond in accordance with the provisions of the Ordinances. Such new Bonds must be in the denomination of \$5,000 for any one maturity or any integral multiple thereof and for a like aggregate designated amount as the Bond surrendered for exchange or transfer. The last assignee's claim of title to the Bond must be proved to the satisfaction of the Paying Agent/Registrar. See "BOOK-ENTRY ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bonds called for redemption, in whole or in part, within 45 days of the date fixed for redemption provided however, such limitation of transfer shall be applicable to an exchange by the registered owner of the uncalled balance of the Bond.

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

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

In the event use of the Book-Entry-Only System should be discontinued, interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner.

HOLDERS' REMEDIES. . . The Ordinance authorizing the issuance of the Bonds establishes the following Events of Default with respect to the Bonds: (i) failure to make payment of principal of or interest on any of the Bonds when due and payable; or (ii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Ordinances which materially and adversely affects the rights of the related Owners, including but not limited to their prospect or ability to be repaid in accordance with the Ordinances, and the continuation thereof for a period of sixty days after notice of such default is given by any Owner to the City. Under State law, there is no right to the acceleration of maturity of the Bonds upon an event of default under the Ordinance. Although a registered Owner could presumably obtain a judgment against the City if a default occurred in any payment of the principal of or interest on any such Bonds, such judgment could not be satisfied by execution against any property of the City. Such registered Owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as they become due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. No assurance can be given that a mandamus or other legal action to enforce a default under the Ordinance would be successful.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3rd 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Bonds or covenants in the Ordinances. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the City is not using the authority provided by Chapter 1371 and has not waived sovereign immunity in the proceedings authorizing the Bonds.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source or revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that the rights of holders of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

THE SYSTEM

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 1,654 miles of pipe. The City has 110,486 water meters of which 61.74% 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:

<u>Fiscal Year</u>	<u>Average Daily Pumpage</u>	<u>Maximum Daily Pumpage (MGD)</u>
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
2019	51.55	88.4

Source: City 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.

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 2019–2020 fiscal year, the budgeted monthly purchase price to be paid by the City under the revised water contract is \$2,056,683, which results in a rate of approximately \$1.25539 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.

DROUGHT CONTINGENCY PLAN. . . The City continues to work closely with TRWD to plan for and execute drought contingency measures. TRWD updated its Emergency Water Management and Drought Contingency Plans in April 2019, in accordance with the Texas Commission of Environmental Quality (TCEQ) directives. Regular meetings were held to discuss evolving approaches to water conservation and extending supplies during drought or emergency situations. TRWD's customers had extensive input defining drought conditions and prescribing conservation measures related to each drought stage. All major customers agreed to specific, staged measures related to emergency conditions brought on by drought-induced water supply depletion or failure of components in TRWD's supply system.

Arlington Water Utilities also updated its Drought Contingency Plan in 2019. The drought plan is based on a statistical analysis of 43-year weather patterns in North Texas and their potential effects on water supplies to establish drought triggers. The responses for each drought stage are triggered by two sets of conditions – water supply levels or excessive demand and emergency situations. The City Manager or his/her official designee may order the implementation of a drought response stage when one or more of the trigger conditions for that stage is met. Drought stages imposed by TRWD action must be initiated by the City of Arlington. For other trigger conditions, the City Manager or his/her official designee may decide not to order the implementation of a drought response stage even though one or more of the trigger criteria for the stage are met. Factors which could influence such a decision include, but are not limited to, the time of the year, weather conditions, the anticipation of replenished water supplies, or the anticipation that additional facilities will become available to meet needs. The reason for this decision will be documented. Drought stages are triggered when the total combined raw water supply within the TRWD western and eastern division reservoir system drops below 75, 60 and 45 percent of conservation storage. Other conditions that would activate a drought response would include situations where:

- Reduction in available water supply up to a repeat of the drought of record.
- Water production or distribution system limitations.
- Supply source becomes contaminated.
- System outage due to the failure or damage of major water system components.
- The General Manager, with concurrence of the TRWD Board of Directors, finds that conditions warrant the declaration of a drought stage.

The City coordinated with TRWD, its customer cities and other North Texas water suppliers to take a regional approach in updating its Drought Contingency Plan in the spring of 2019. The Drought Contingency Plan, per TCEQ requirements, was adopted in April 2019. The Emergency Management Plan was also updated and adopted by the Arlington City Council in April 2019. Because of this proactive approach to addressing drought conditions and managing emergency demand, combined with an excellent track record in planning and system development initiatives, the City does not anticipate, and did not recently experience with implementation of the Drought Contingency Plan, any System supply problems. However, steps will be taken in the event of a prolonged drought to ensure that the financial condition of the System remains strong.

CONSUMER ANALYSIS DATA. . . The following data provides information as to the average daily water consumption, excluding sales to municipalities, by user category for the fiscal years ended September 30, 2015 through September 30, 2019.

Category	Average Daily Consumption (MGD)				
	2019	2018	2017	2016	2015
Residential	22.20	26.83	23.65	24.00	24.50
Commercial	9.07	9.32	8.82	9.18	8.88
Fire lines, Sprinklers	3.44	5.07	4.14	4.44	4.25
Apartment Units	7.51	7.84	7.87	7.94	7.61
Mobile Homes, Condominiums, Townhouses	0.43	0.44	0.58	0.61	0.64
Wholesale	0.64	0.40	0.32	0.00	0.00
Total	43.29	49.90	45.38	46.17	45.88

Source: The City of Arlington, Texas.

The following table shows the number of units served, excluding sales to municipalities, by user category for the fiscal years ended September 30, 2015 through September 30, 2019.

Category	Number of Units Served				
	2019	2018	2017	2016	2015
Residential	97,099	96,339	95,358	94,796	94,435
Commercial	4,937	4,918	4,876	4,874	4,808
Fire lines, Sprinklers	1,140	1,115	1,085	1,075	1,061
Apartment Units	45,848	45,802	45,849	45,825	45,876
Mobile Homes, Condominiums, Townhouses	2,122	2,125	2,127	2,124	2,087
Total	151,146	150,299	149,295	148,694	148,267

Source: The City of Arlington, Texas.

The following is a listing of the top ten water customers of the City, ranked by consumption during the fiscal year ended September 30, 2019. Billing will vary based on the number of meters, increased minimum charges for larger meters, and higher commodity charges for sprinkler usage. During this period, the top ten customers' total annual water billings, which represented 9.69 percent of the System's water sales, were as follows:

	Consumption	
	in 1,000 Gallons	Billing
EUSB/General Motors	392,307	\$1,361,807
University of Texas at Arlington	302,512	1,386,057
Arlington Independent School District	190,392	1,295,310
City of Arlington	132,646	1,147,904
Tep Barnett USA, LLC	116,106	433,586
Hurricane Harbor	78,918	278,593
Six Flags Over Texas	74,934	324,585
Cowboy Stadium	71,648	389,613
Arlington Memorial Hospital	65,158	267,449
Mansfield ISD	53,032	473,755
Total	1,477,653	\$7,358,659

Source: The City of Arlington, Texas.

The following table lists certain data on historical water consumption during the last five fiscal years.

Historical Water Consumption Data						
Fiscal Year Ended (9/30)	Total Accounts in Service	Total Water Pumped MG	Average Water Pumped MGD	Maximum Day Pumpage MGD	GDP Per Account	Ratio Maximum Day to Average Day
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
2019	110,486	18,816	51.55	88.40	467	1.71

Source: City of Arlington's Water Utilities Department

WASTEWATER FACILITIES . . . The wastewater collection system that serves all developed areas within the City limits is comprised of approximately 1,357 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 26.02 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.

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
TRA CRWS Plant	14,473	12,660	12,857	14,278	13,417

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, 2018, the volume of contributing flow by the City is estimated to average 36.012 MGD, which amounts to approximately 26.36 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 fiscal year 2019-2020 is \$39,277,756.

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TABLE 1 - DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements on the Bonds and the Outstanding Bonds of the System.

Fiscal Year Ended 9/30	Existing Debt Service ⁽¹⁾			The Bonds			Total Debt Service Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
2020	\$ 23,000,000	\$ 7,971,447	\$ 30,971,447	\$ -	\$ -	\$ -	\$ 30,971,447	
2021	20,650,000	7,178,847	27,828,847	1,215,000	198,710	1,413,710	29,242,558	
2022	20,610,000	6,627,556	27,237,556	440,000	158,750	598,750	27,836,306	
2023	20,575,000	6,118,244	26,693,244	445,000	136,750	581,750	27,274,994	
2024	19,795,000	5,602,159	25,397,159	445,000	114,500	559,500	25,956,659	33.09%
2025	18,965,000	5,071,444	24,036,444	450,000	92,250	542,250	24,578,694	
2026	18,970,000	4,563,526	23,533,526	435,000	83,250	518,250	24,051,776	
2027	18,970,000	4,001,443	22,971,443	440,000	61,500	501,500	23,472,943	
2028	17,800,000	3,459,687	21,259,687	440,000	39,500	479,500	21,739,187	
2029	16,025,000	2,962,637	18,987,637	445,000	17,500	462,500	19,450,137	61.78%
2030	16,020,000	2,546,993	18,566,993	430,000	8,600	438,600	19,005,593	
2031	15,330,000	2,167,874	17,497,874	-	-	-	17,497,874	
2032	15,330,000	1,810,014	17,140,014	-	-	-	17,140,014	
2033	14,495,000	1,480,370	15,975,370	-	-	-	15,975,370	
2034	14,050,000	1,168,742	15,218,742	-	-	-	15,218,742	85.14%
2035	13,210,000	870,937	14,080,937	-	-	-	14,080,937	
2036	12,295,000	598,943	12,893,943	-	-	-	12,893,943	
2037	9,985,000	353,379	10,338,379	-	-	-	10,338,379	
2038	7,135,000	168,642	7,303,642	-	-	-	7,303,642	
2039	5,500,000	56,548	5,556,548	-	-	-	5,556,548	100.00%
	<u>\$ 318,710,000</u>	<u>\$ 64,779,430</u>	<u>\$ 383,489,430</u>	<u>\$ 5,185,000</u>	<u>\$ 911,310</u>	<u>\$ 6,096,310</u>	<u>\$389,585,741</u>	

⁽¹⁾ Does not include the Refunded Obligations. See Schedule I - Schedule of Refunded Obligations.

ANTICIPATED ISSUANCE OF WATER AND WASTEWATER SYSTEM REVENUE BONDS... The City anticipates the issuance of approximately \$49,000,000 in additional water and wastewater system revenue bonds within the next twelve months although plans have not been finalized.

WATER AND 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 for independent consulting engineers. The Water Utilities Department annually reviews its proposed Capital Improvement Program with the Council.

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

PROPOSED SYSTEM CAPITAL IMPROVEMENT PROGRAM

PROPOSED CAPITAL IMPROVEMENT PROGRAM				
Fiscal Year	Planned Capital Expenditures	Texas Water Development Board ⁽¹⁾	Planned Bond Sale ⁽¹⁾	Other Capital Financial Sources ⁽²⁾
2020	\$ 57,360,000	\$ 21,350,000	\$ 2,700,000	\$ 33,310,000
2021	35,120,000	19,200,000	7,500,000	8,420,000
2022	23,140,000	-	7,500,000	15,640,000

⁽¹⁾ The City has temporarily suspended plans to sell bonds through the Texas Water Development Board as well as its Planned Bond Sales of new money issues until the effects of the COVID-19 situation on the City's budget are understood.

⁽²⁾ Includes annual budgeted amounts for the water and wastewater main replacement program, cash contributions from the System's operating fund to the capital fund and remaining bond proceeds from prior debt issuances.

WATER AND WASTEWATER RATES... The Council is authorized by its City 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.

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**CITY OF ARLINGTON WATER UTILITIES
FIXED MONTHLY FEE
Effective January 1, 2020**

Meter Size	Water	Wastewater
5/8 x 3/4" (<2,000 gal)	\$ 7.10	\$ 7.64
5/8 x 3/4" (>2,000 gal)	10.30	12.94
1"	20.30	23.52
1 1/2"	46.40	52.12
2"	81.00	87.73
3"	191.00	271.15
4"	304.00	404.55
6"	708.00	1,100.55
8"	1,107.00	1,450.00
10"	1,664.00	2,114.10

**CITY OF ARLINGTON WATER UTILITIES
CONSERVATION RATES BLOCK STRUCTURE
Effective January 1, 2020**

RESIDENTIAL

Usage (1,000 gal)	Water	Wastewater
0-2	\$ 2.02	\$ 5.13
3-10	2.79	5.13
11-15	4.02	5.13
16-29	5.63	5.13
≥ 30	6.78	5.13

COMMERCIAL

Usage (1,000 gal)	Water	Wastewater
0-15	\$ 3.20	\$ 5.13
≥ 16	3.38	5.13

IRRIGATION

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

CONSTRUCTION

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

HISTORICAL RATE ADJUSTMENTS . . . Since 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.

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

Fiscal Year	Water	Wastewater	Total
2010	0.6	2.7	1.6
2011	2.8	3.5	3.2
2012	0.1	1.8	0.9
2013	0.0	2.4	1.2
2014	9.7	8.0	8.8
2015	6.6	2.8	4.7
2016	9.7	1.5	5.7
2017	0.0	10.8	5.4
2018	3.7	8.7	6.2
2019	0.0	9.0	4.6

Source: City Water Utilities Department.

OPERATING RESERVE . . . The current policy, authorized by the 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, 2019 was \$19,203,867 which equals 60 days of operating and maintenance expense.

RATE STABILIZATION FUND... The Water Utilities Department maintains a rate stabilization fund to assist in offsetting temporary increases to the budget and increases from mid-year settle-ups from TRA and TRWD. Use of the funds requires authorization from the City Council. Additionally, the fund shall not exceed 3% of the total Water Utilities expenditure budget, less interfund transfers. The rate stabilization fund balance as of September 30, 2019 was \$6,760,252.15.

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HISTORICAL FINANCIAL INFORMATION...The following three tables present five-year historical information and selected financial ratios for the System. Unless otherwise noted, all information is from the City's respective comprehensive annual financial reports. The tables are titled Water and Wastewater Schedule of Net Assets, Historical Net Revenues Available for Debt Service, and Historical Net Revenues of the System and Financial Ratios.

TABLE 2- WATER AND WASTEWATER SYSTEM SCHEDULE OF NET ASSETS

	Fiscal Years Ended 9/30,				
	(000's)				
	2019	2018	2017	2016	2015
<u>Assets</u>					
Cash and cash equivalents	\$ 32,062	\$ 25,453	\$ 24,580	\$ 23,709	\$ 19,053
Receivable (net allowances for uncollectibles)	21,908	19,450	19,364	20,338	22,044
Inventory of Supplies, at cost	1,054	1,846	1,330	1,824	1,230
Prepaid Expenditures	-	-	-	2,160	-
Restricted assets					
Bond Contingency	28,359	23,044	19,898	16,698	14,096
Capital/Bond construction	237,918	148,506	117,787	86,204	60,875
Meter deposits	6,685	6,051	5,659	5,429	5,351
Property, plant and equipment less accumulated depreciation	725,125	698,422	673,637	651,874	632,577
Total Assets	<u>\$ 1,053,111</u>	<u>\$ 922,772</u>	<u>\$ 862,255</u>	<u>\$ 808,236</u>	<u>\$ 755,226</u>
Deferred Outflows of Resources:					
Deferred Loss on Debt Refunding	10,814	5,991	6,208	7,069	3,975
Total Assets & Deferred Outflows of Resources	<u>\$ 1,063,925</u>	<u>\$ 928,763</u>	<u>\$ 868,463</u>	<u>\$ 815,305</u>	<u>\$ 759,201</u>
<u>Liabilities and Net Position</u>					
Current Liabilities:					
Accounts payable and accrued liabilities	\$ 4,834	\$ 3,414	\$ 3,616	\$ 2,918	\$ 3,321
Revenue bonds payable from unrestricted assets	8,496	1,567	703	10,139	7,725
Payable from restricted assets	27,363	28,975	24,907	12,759	12,779
Accrued compensated absences	93	98	116	123	141
Rebate arbitrage payable	169	-	-	-	-
Compensated Absences	2,096	1,962	1,735	1,470	1,660
Revenue bonds, net of discount, payable from unrestricted assets	314,873	225,969	192,376	162,283	131,148
Net Pension Liability	14,025	7,036	11,066	10,840	7,249
OPEB Liability	7,797	7,972	-	-	-
Total Liabilities	<u>\$ 379,746</u>	<u>\$ 276,993</u>	<u>\$ 234,519</u>	<u>\$ 200,532</u>	<u>\$ 164,023</u>
Deferred Inflows of Resources:					
Deferred Inflow - Actuarial Assumption GASB 68	\$ 2,947	\$ 3,905	\$ 588	\$ 561	\$ 599
Invested in Capital Assets	\$ 532,367	\$ 582,690	\$ 574,450	\$ 560,229	\$ 548,811
Restricted	117,415	37,965	20,334	18,150	14,947
Unrestricted	31,450	27,210	38,572	35,833	30,821
Total Net Position	<u>\$ 681,232</u>	<u>\$ 647,865</u>	<u>\$ 633,356</u>	<u>\$ 614,212</u>	<u>\$ 594,579</u>
Total Liabilities and Net Position	<u>\$ 1,063,925</u>	<u>\$ 928,763</u>	<u>\$ 868,463</u>	<u>\$ 815,305</u>	<u>\$ 759,201</u>

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TABLE 3 - HISTORICAL NET REVENUES AVAILABLE FOR DEBT SERVICE

	Fiscal Years Ended 9/30, (000's)				
	2019	2018	2017	2016	2015
<u>Revenues</u>					
Water Sales	\$75,933	\$81,476	\$71,151	\$69,628	\$64,606
Wastewater Service	70,492	67,071	60,324	55,188	53,874
Interest Income	4,073	859	444	546	413
Other Income	8,764	7,411	6,532	6,270	5,390
Total Revenues	<u>\$159,262</u>	<u>\$156,817</u>	<u>\$138,451</u>	<u>\$131,632</u>	<u>\$124,283</u>
<u>Expenses</u>					
Labor Costs	\$16,834	\$15,519	\$15,602	\$14,290	\$14,398
Supplies	3,338	2,046	2,051	2,499	1,860
Maintenance	4,198	3,936	4,021	4,724	4,798
Water Supply (The District)	19,781	22,622	24,905	19,743	22,335
Wastewater Treatment Contracts	36,780	34,550	32,884	29,383	29,373
Utilities	2,330	2,204	2,875	3,090	2,956
Other Expenses	4,493	4,327	4,293	4,559	4,213
Total Operating Expenses Before Depreciation	<u>\$87,754</u>	<u>\$85,204</u>	<u>\$86,631</u>	<u>\$78,288</u>	<u>\$79,933</u>
Net Revenues of the System	\$71,508	\$71,613	\$51,820	\$53,344	\$44,350
Interest During Construction Included Above	<u>(1,129)</u>	<u>(786)</u>	<u>(418)</u>	<u>(185)</u>	<u>(71)</u>
Net Revenues Available for Debt Service	<u>\$70,379</u>	<u>\$70,827</u>	<u>\$51,402</u>	<u>\$53,159</u>	<u>\$44,279</u>
Debt Service Paid ⁽¹⁾	\$24,899	\$21,823	\$18,419	\$16,235	\$15,602
Debt Service Coverage (times)	2.83 x	3.25 x	2.79 x	3.27 x	2.84 x

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

TABLE 4 - HISTORICAL NET REVENUES OF THE SYSTEM AND FINANCIAL RATIOS

	Fiscal Years Ended 9/30, (000's)				
	2019	2018	2017	2016	2015
Gross Operating Revenues	\$ 155,189	\$ 155,958	\$ 138,007	\$ 131,086	\$ 123,870
Interest Revenues (Excluding Interest During Construction)	2,944	73	26	361	342
Operating Expenses Before Depreciation	<u>(87,754)</u>	<u>(85,204)</u>	<u>(86,631)</u>	<u>(78,288)</u>	<u>(79,933)</u>
Net Revenues Available for Debt Service	<u>\$ 70,379</u>	<u>\$ 70,827</u>	<u>\$ 51,402</u>	<u>\$ 53,159</u>	<u>\$ 44,279</u>
Average Annual Debt Service	19,514	14,744	12,651	10,559	8,644
Average Annual Debt Service Coverage (times)	3.61 x	4.80 x	4.06 x	5.03 x	5.12 x
Accounts Receivable to Gross Operating Revenues (%)	14%	12%	14%	16%	18%
Unrestricted Cash to Unrestricted Current Liabilities (times)	2.39 x	5.01 x	5.54 x	3.27 x	2.84 x
Unrestricted Current Assets to Unrestricted Current Liabilities (times)	4.10 x	9.20 x	10.21 x	15.79 x	12.23 x
Long-term debt to Capital Assets Net Accumulated Depreciation (%)	43%	32%	29%	25%	21%

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INVESTMENTS

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

LEGAL INVESTMENTS

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are (A) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor or (B) are invested through (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the City adopts or (ii) a depository institution with a main office or branch office in this State that the City selects; and (a) the broker or depository institution selected arranges for the deposit of the funds in the banking deposits in one or more federal insured depository institutions, regardless of where located, for the City's account; and (b) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (c) the City appoints as the City's custodian of the banking deposits issued for the City's account: (1) the depository institution selected pursuant to (ii) above or (2) an entity described by Section 2257.041(d); or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (8) certificates of deposit (i) issued by a depository institution that has its main office or a branch office in the State, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (7) or in any other manner and amount provided by law for City deposits, or a) where the funds are invested by an investing entity through: (i) a broker that has its main office or a branch office in this State and is selected from a list adopted by the City; or (ii) a depository institution that has its main office or a branch office in this State and that is selected by the investing entity; (b) where the broker or the depository institution selected by the investing entity under (a) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iii) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (iv) the investing entity appoints the depository institution selected by the investing entity under (a), an entity described by Section 2257.041(d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the City, (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City with a third party selected and approved by the City and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (7) above, clauses (12) through (14) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less, (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (12) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share and (14) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "Aaa" or "AAAm" or an equivalent by at least one nationally recognized rating service. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that 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, and 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 Council or Chief Financial Officer of the City.

At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the Council.

ADDITIONAL PROVISIONS... Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt an order or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the said order or resolution, (3) require any investment officers’ with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Council; (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City’s investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in mutual funds in the aggregate to no more than 15% of the City’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt services, and to invest no portion of bond proceeds, reserves and funds held for debt service in mutual funds; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with 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 March 31, 2020, the following percentages of the City’s operating funds were invested in the following categories of investments:

TABLE 5 - CURRENT INVESTMENTS ⁽¹⁾

<u>Type of Investment</u>	<u>% Invested</u>
Treasuries	0.48%
Federal Agencies	62.63%
Statewide Local Government Investment Pools ⁽²⁾	24.48%
Certificates of Deposit	1.55%
Municipals	4.44%
Commercial Paper	1.54%
Cash	4.87%
Totals	<u>100.00%</u>

⁽¹⁾ Reflects current investments for all City funds.

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

As of March 31, 2020, the weighted average maturity of the City’s operating portfolio was 295 days and the market value of the operating portfolio was 100.4 percent of its book value. No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

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SELECTED PROVISIONS OF THE ORDINANCES

The following is a summary of certain provisions of the Ordinances that authorizes the issuance of the Bonds. Such summary does not purport to be complete and reference should be made to the Ordinances for the complete provisions and the precise wording thereof. Copies of the Ordinances are available from the Department of Finance of the City of Arlington upon request.

The Bonds are parity "Additional Bonds" as defined in the Ordinances. The Bonds, the Outstanding Bonds and any Additional Bonds hereafter issued, are and shall be equally and ratably secured by and payable from a first lien on and pledge of the Net Revenues of the System.

DEFINITIONS

- (a) The term "Additional Bonds" means the additional parity bonds which the City reserves the right to issue under the Ordinances.
- (b) The term "Bonds" means the City's Water and Wastewater System Revenue Bonds, Series 2020A.

(c) The term "Net Revenues" means all income, revenues, and receipts of every nature derived from and received by virtue of the operation of the System (including interest income and earnings received from the investment of monies in the special Funds created by the Ordinances or ordinances authorizing the issuance of the Outstanding Bonds and any Additional Bonds) after deducting and paying, and making provision for the payment of, current expenses of maintenance and operation thereof, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however that only such expenses for repairs and extensions as in the judgment of the City Council, reasonably and fairly exercised, are necessary to keep the System in operation and to render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair any obligations payable from the Net Revenues of the System, shall be deducted in determining "Net Revenues." Contractual payments for the purchase of water or the treatment of sewage shall be maintenance and operating expense of the System to the extent provided in the contract incurred therefore and as may be authorized by law. Depreciation shall never be considered as an expense of operation and maintenance.

(d) The term "Outstanding Bonds" means the City's outstanding:; Water and Wastewater System Revenue Refunding Bonds, Series 2010 authorized by an ordinance of the City Council passed June 22, 2010 Water and Wastewater System Revenue Bonds, Series 2010, authorized by an ordinance of the City Council passed October 19, 2010; Water and Wastewater System Revenue Bonds, Series 2012 authorized by an ordinance of the City Council passed June 5, 2012; Water and Wastewater System Revenue Bonds, Series 2013A authorized by an ordinance of the City Council passed June 18, 2013; Water and Wastewater System Revenue Refunding Bonds, Series 2013B authorized by an ordinance of the City Council passed June 18, 2013; Water and Wastewater System Revenue Bonds, Series 2014 authorized by an ordinance of the City Council passed February 25, 2014; Water and Wastewater System Revenue Bonds, Series 2014A and Water and Wastewater System Revenue Refunding Bonds, Series 2014B authorized by an ordinance of the City Council passed June, 10, 2014; Water and Wastewater System Revenue Bonds, Series 2015A and Water and Wastewater System Revenue Refunding Bonds, Series 2015B authorized by an ordinance of the City Council passed May, 26, 2015; Water and Wastewater System Revenue Bonds, Series 2016 authorized by an ordinance of the City Council passed May 10, 2016; Water and Wastewater System Revenue Bonds, Series 2016A authorized by an ordinance of the City Council passed May 10, 2016; Water and Wastewater System Revenue Bonds, Series 2017 authorized by an ordinance of the City Council passed April 11, 2017; Water and Wastewater System Revenue Bonds, Series 2017A authorized by an ordinance of the City Council passed June 13, 2017; Water and Wastewater System Revenue Bonds, Series 2017B (TWDB) authorized by an ordinance of the City Council passed on December 5, 2017, Water and Wastewater System Revenue Bond, Series 2017A authorized by an ordinance of the City Council passed June 13, 2017, Water and Wastewater System Revenue Bonds, Series 2018 (TWDB) authorized by an ordinance of the City Council passed April 24, 2018, Water and Wastewater System Revenue Bonds, Series 2018A authorized by an ordinance of the City Council passed June 12, 2018 Water and Wastewater System Revenue Bonds, Series 2019A authorized by an ordinance passed on April 23, 2019, Water and Wastewater System Revenue Refunding Bonds, Series 2019B authorized by an ordinance passed on April 23, 2019 and Water and Wastewater System Revenue Bonds, Series 2019C (TWDB) authorized by an ordinance passed on June 25, 2019.

(e) The term "System" means the City's existing combined water system and wastewater system, formerly known as the City's combined waterworks and sewer system, including all properties (real, personal or mixed and tangible or intangible) owned, operated, maintained, and vested in, the City for the supply, treatment and distribution of treated water for domestic, commercial, industrial and other uses and the collection and treatment of water-carried wastes, together with all future additions, extensions, replacements and improvements thereto.

RATES...The City will fix and maintain rates and charges for the facilities and services afforded by the System which will provide revenues annually at least equal to the amount required to pay for all operation, maintenance, replacement and betterment charges of the System; establish and maintain the Interest and Sinking Fund and Reserve Fund requirements contained in the Ordinances and in ordinances relating to the Outstanding Bonds and any Additional Bonds; and produce Net Revenues (exclusive of depreciation) each year in an amount not less than 1.25 times the average annual principal and interest requirements of the Bonds, the Outstanding Bonds and any Additional Bonds from time to time outstanding.

VARIOUS FUNDS...The City covenants and agrees that all revenues derived from the operation of the System shall be kept separate from other funds of the City. To that end, the following special Funds shall be established and maintained in an official depository bank of the City so long as any of the Bonds, the Outstanding Bonds and any Additional Bonds or interest coupons appertaining thereto are outstanding and unpaid: the "Revenue Fund," the "Interest and Sinking Fund" and the "Reserve Fund."

Revenue Fund. The City shall deposit, from day to day as collected, all revenues of every nature derived from the operation of the System into the Revenue Fund and the money from time to time on deposit therein shall be appropriated to the following uses in the following order of priority, to wit: (a) to the payment of all necessary and reasonable expenses of operation and maintenance of the System as said expenses are defined by law; (b) to the Interest and Sinking Fund and Reserve Fund when and in the amounts required by the Ordinances and ordinances authorizing the Outstanding Bonds, and any Additional Bonds and for the payment of the principal of and interest on the Bonds the Outstanding Bonds and any Additional Bonds when and as due and payable and for the creation of a reserve therefore; and (c) to any other purpose of the City now or hereafter permitted by law.

Interest and Sinking Fund. The Interest and Sinking Fund shall be used solely for the purpose of paying the principal of and interest on the Outstanding Bonds, the Bonds, and any Additional Bonds as such principal matures and such interest becomes due and payable.

Reserve Fund. The City covenants and agrees that it will continuously maintain in the Reserve Fund an amount of Reserve Fund Obligations equal to not less than the average annual principal and interest requirements on the Bonds, the Outstanding Bonds and any Additional Bonds from time to time outstanding (the "Reserve Fund Requirement"), and that, upon the issuance of Additional Bonds, it will increase, if necessary, and accumulate the amount to be deposited in the Reserve Fund in accordance with the requirements set forth in the Ordinances and the ordinances authorizing the Outstanding Bonds. For so long as the funds on deposit in the Reserve Fund are equal to the Reserve Fund Requirement, no additional deposits need to be made therein, but should the Reserve Fund at any time contain less than the Reserve Fund Requirement, then, subject and subordinate to making the required deposits to the credit of the Interest and Sinking Fund, the City shall restore such deficiency by depositing additional Reserve Fund Obligations into the Reserve Fund in monthly installments of not less than 1/24th of the Reserve Fund Requirement on or before the 10th day of each month following such deficiency, termination, or expiration. The money on deposit in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds, the Outstanding Bonds and any Additional Bonds in the event that there are not sufficient monies on deposit in the Interest and Sinking Fund for such purpose. The City may, at its option, withdraw all surplus in the Reserve Fund over the Reserve Fund Requirement and deposit same in the Revenue Fund; provided, however, that to the extent such monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the Revenue Fund and shall only be used for the purposes for which bond proceeds may be used. For the purpose of determining compliance with the aforesaid requirements, Reserve Fund Obligations shall be valued each year as of the last day of the City's fiscal year, at their cost or market value, whichever is lower, except that any direct obligations of the United States (State and Local Government Series) held for the benefit of the Reserve Fund in book-entry form shall be continuously valued at their par value or face principal amount.

"Reserve Fund Obligations" means cash, investment securities of any of the type or types permitted under the Ordinances, any "Credit Facility" or any combination thereof. "Credit Facility" means (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a "Rating Agency" having an outstanding rating on such obligations would rate such obligations which are fully insured by a standard policy issued by the issuer in its two highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a "Rating Agency" having an outstanding rating on the Bonds would rate the Bonds in its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the bonds and the interest thereon. As used herein, "Rating Agency" means any nationally recognized securities rating agency which has assigned a rating to the Bonds.

Investment of Certain Funds. Money in any Fund established pursuant to the Ordinances or any ordinance authorizing the issuance of Outstanding Bonds, and any Additional Bonds, may, at the option of the City, be invested in time deposits or certificates of deposit secured in the manner required by law for public funds, or invested in direct obligations of, including obligations the principal and interest on which are unconditionally guaranteed by, the United States of America, in obligations of any agencies or instrumentalities thereof, or in such other investments as are permitted under the Public Funds Investment Act of 1987, Chapter 2256, Texas Government Code, as amended, or any successor law, as in effect from time to time; provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investment with any primary dealer of such agreements) that the money required to expended from any Fund will be available at the proper time or times. Such investments shall be valued each year in terms of current market value as of the last day of the City's fiscal year. For purposes of maximizing investment returns, to the extent permitted by law, money in such Funds may be invested in common investments of the kind described above, or in a common pool of such investment which shall be kept and held at an official depository bank, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates or participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such fund are held by or on behalf of each such Fund. If necessary, such investments shall be promptly sold to prevent any default.

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ADDITIONAL BONDS...In addition to the right to issue bonds of inferior lien as authorized by law, the City reserves the right to issue Additional Bonds under and in accordance with the Ordinances for the purpose of improving, extending, equipping and repairing the System and for the purpose of refunding, in any lawful manner, any part or all of the Bonds, the Outstanding Bonds and any Additional Bonds then outstanding. The Additional Bonds shall be secured by and payable from a first and superior lien on and pledge of the Net Revenues in the same manner and to the same extent as the Bonds, the Outstanding Bonds and any Additional Bonds; and the Bonds, the Outstanding Bonds, any then outstanding Additional Bonds, and the Additional Bonds then proposed to be issued shall in all respects be on a parity and of equal dignity as to lien and right. Additional Bonds may be issued under the Ordinances in one or more installments; provided, however, that none of the Additional Bonds shall be issued unless and until the following conditions have been met:

- (a) The City is not then in default as to any covenant, condition or obligation prescribed by any ordinance authorizing the issuance of the Bonds or the Outstanding Bonds:
- (b) Each of the special Funds created for the payment and security of the Bonds and the Outstanding Bonds contain the amount of money then required to be on deposit therein;
- (c) The City has secured from a Certified Public Accountant a certificate showing that the Net Earnings (definition under, paragraph (f) below) of the System for either the completed fiscal year next preceding the date of the Additional Bonds or a consecutive twelve-month period out of the last fifteen months next preceding the date of the Additional Bonds is equal to at least 1.25 times the average annual principal and interest requirements (calculated on a fiscal year basis) of all bonds, which will be outstanding after the issuance of the proposed Additional Bonds. However, should the certificate of the accountant certify that the Net Earnings of the System for the period covered thereby were less than required above, and a change in the rates and charges for water and wastewater afforded by the System became effective at least 60 days prior to the last day of the period covered by the accountant's certificate, and an independent engineer or engineering firm having a favorable reputation with respect to such matters will certify, that, had such change in rates and charges been effective for the entire period covered by the accountant's certificate, the Net Earnings of the System covered by the accountant's certificate would have been, in his or their opinion, equal to at least 1.25 times the average annual principal and interest requirements (calculated on a fiscal year basis) of the Outstanding Bonds after giving effect to the issuance of the Additional Bonds, then, in such event, the coverage specified in the first sentence of this paragraph shall not be required for the period specified, and such accountant's certificate will be sufficient if accompanied by an engineer's certificate to the above effect;
- (d) The ordinance authorizing the Additional Bonds requires that deposits shall be made into the Interest and Sinking Fund in amounts adequate to pay the principal and interest requirements of the Additional Bonds as the same become due; and provides that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased to an amount equal to the Reserve Fund Requirement for all Bonds to be outstanding after the issuance of said Additional Bonds. Such additional amount shall be so accumulated in not more than sixty months from the date of the Additional Bonds;
- (e) The Additional Bonds are scheduled to mature only on June 1, and the interest thereon is scheduled to be paid on June 1 and December 1; and
- (f) The term "Net Earnings" shall mean all income, receipts and revenues derived from the operation of the System, including interest earned on invested monies in the special Funds created for the payment and security of obligations payable from the Net Revenues, after deduction of maintenance and operating expenses but not deducting depreciation, debt service payments on the Bonds, the Outstanding Bonds and any Additional Bonds and other expenditures which, under standard accounting practice, should be classified as capital expenditures. Revenues and receipts resulting solely from the ownership of the System (grants, meter deposits and gifts) and interest earned on construction funds created from bond proceeds shall not be treated or included as income, revenues or receipts from the operation of the System for purposes of determining "Net Earnings."

AMENDMENTS ... The City may, without consent of or notice to any owners, from time to time and at any time, amend the Ordinance in any manner not detrimental to the interests of the owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the owners of the Bonds holding a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Ordinance; provided that, without the consent of all owners of outstanding Bonds, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required to be held by owners for consent to any such amendment, addition, or rescission.

COVENANTS BY THE CITY...The City covenants that so long as any principal or interest pertaining to any of the Bonds, the Outstanding Bonds and any Additional Bonds remains outstanding and unpaid, it will not authorize or issue any further bonds of the City secured by a lien on and pledge of the revenues of the System superior or senior to the pledge and lien created herein for the Bonds, the Outstanding Bonds and any Additional Bonds, or secured by a lien on and pledge of the revenues of the System on a parity with the Bonds, the Outstanding Bonds and any Additional Bonds except in conformity with the provisions of the Ordinances.

The City covenants that the System shall be operated on a fiscal year basis and shall be maintained in good condition and operated in an efficient manner and at reasonable cost. So long as any of the Bonds, the Outstanding Bonds and any Additional Bonds are outstanding, the City agrees to maintain insurance on the System of a kind and in an amount customarily carried by municipal corporations in the State of Texas engaged in a similar type of business.

The City covenants that so long as any of the Bonds, the Outstanding Bonds and any Additional Bonds or any interest thereon remain outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the operation of the System and its component parts separate and apart from all other records and accounts of the City in accordance with accepted accounting practices prescribed for municipal corporations, and complete and correct entries shall be made of all transactions relating to the System, as provided by Chapter 1502, Texas Government Code, as amended.

For so long as any of the Bonds, the Outstanding Bonds and any Additional Bonds or any interest thereon remain outstanding, the City will not sell or encumber the physical properties of the System or any substantial part thereof; provided, however, this covenant shall not be construed to prohibit the sale of such machinery, or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the System.

The City covenants that following the close of each fiscal year, it will cause an audit of such books and accounts of the System to be made by an independent firm of Certified Public Accountants which shall include, among other things, a detailed statement of the income and expenditures of the components of the System for such fiscal year; a balance sheet as of the end of such fiscal year; and a detailed statement of the source and disposition of all funds of the System during such fiscal year. Copies of these annual audits shall be immediately furnished, upon written request, to the original purchasers and any subsequent holder of the Bonds, the Outstanding Bonds and any Additional Bonds.

No free service of the System shall be allowed, and should the City or any of its agents or instrumentalities make use of the services and facilities of the System, payment of the reasonable value thereof shall be made by the City out of funds from sources other than the revenues and income of the System.

Remedies in Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in any payments to be made to the Interest and Sinking Fund or the Reserve Fund as required by the Ordinances or any ordinance authorizing the issuance of the Outstanding Bonds or any Additional Bonds, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Ordinances or any ordinance authorizing the issuance of the Outstanding Bonds or any Additional Bonds, the holder or holders of any of the Bonds, the Outstanding Bonds or any Additional Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed in the Ordinances or any ordinance authorizing the issuance of the Outstanding Bonds or any Additional Bonds. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

TAX EXEMPTION

In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not a specific preference item for purposes of the alternative minimum tax.

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

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

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

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

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

Collateral Tax Consequences

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

Tax Accounting Treatment of Original Issue Premium

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

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

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS... The City shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the City, financial information and operating data with respect to the City of the general type included in the final Official Statement, being information described in Tables 1 through 5, including financial statements of the City if audited financial statements of the City are then available, and (2) if not provided as part of such financial information and operating data, audited financial statements of the City, within 12 months after the end of each fiscal year when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in APPENDIX B hereto or such other accounting principles as the City may be required to employ, from time to time, by State law or regulation, and (ii) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then

the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Securities and Exchange Commission Rule 15c2-12, as amended (the “Rule”).

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

DISCLOSURE EVENT NOTICES... The City shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) Principal and interest payment delinquencies; (2) Non-payment related defaults, if material; (3) Unscheduled draws on debt service reserves reflecting financial difficulties; (4) Unscheduled draws on credit enhancements reflecting financial difficulties; (5) Substitution of credit or liquidity providers, or their failure to perform; (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution, or sale of property securing repayment of the Bonds, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the City; (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) Appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide required annual financial information and event notices in accordance with their agreement described under “Annual Reports”.

For the purposes of the event identified in (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City; and the words used in clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018. The Ordinance defines “Financial Obligation” as a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule

All documents provided to the MSRB pursuant to this section shall be in electronic format and accompanied by identifying information as prescribed by the MSRB.

AVAILABILITY OF INFORMATION FROM MSRB... The City has agreed to provide the foregoing information, only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell the Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and Beneficial Owners of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS... The City issued its Water and Wastewater System Revenue Bonds, Series 2019D in a private placement sale with the Texas Water Development Board on September 20, 2019, but did not make an event filing with respect to the incurrence of a Financial Obligation pursuant to the Rule. An event filing was subsequently made with the MSRB on March 30, 2020.

OTHER INFORMATION

RATINGS... The Bonds have been rated "Aa1" by Moody's, "AAA" by S&P and "AAA" by Fitch. The unenhanced outstanding water and wastewater revenue debt of the City is rated "Aa1" by Moody's, "AAA" by S&P and "AAA" by Fitch. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

LITIGATION... The City is currently involved in some lawsuits in which some liability is possible. The City intends to defend itself vigorously against the lawsuits; however, no prediction can be made, as of the date hereof, with respect to the potential aggregate liability of the City for the claims or the final outcome of the lawsuits.

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 a new arbitration was ordered. 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 in litigation with the family of an individual who was fatally shot after he ran over an Arlington police officer during a traffic stop. The plaintiffs assert a civil rights claim alleging excessive use of force.

The City is currently involved in litigation with the family of an individual who was fatally shot during a traffic stop after he drove away during the stop with an officer standing on the running boards of his vehicle. This officer has been indicted on a charge of criminally negligent homicide and is awaiting trial. The passenger of the vehicle is also a Plaintiff in this lawsuit. The plaintiffs assert a civil rights claim alleging excessive use of force.

The City is involved in a premise liability lawsuit regarding an incident that occurred on a jogging trail at one of Arlington's public parks when a tree allegedly fell on the Plaintiff.

The City is currently involved in litigation with the family of an individual that was tased by police after he doused himself and his home in gasoline while threatening to ignite the lighter in his hand and set himself and the home on fire. The individual died at the hospital.

The City is involved with litigation regarding the implementation of civil service for firefighters working for the City. The 96th Judicial District Court of Tarrant County, Texas previously denied the plaintiff's motion for temporary injunctive relief. The City filed motions for summary judgment on all claims. The plaintiffs seek changes to their employment benefits, seek to enforce promotions under the pre-civil service system, and allege violations of state law civil rights.

The City is involved in litigation filed by several short-term rental owners alleging that Arlington's new ordinances violate the Texas Constitution by infringing on their rights as private property owners. Plaintiffs are seeking a temporary restraining order, injunction and declaration that the ordinances are unconstitutional. All of Plaintiffs' requests have been denied so far and this matter is on appeal.

In addition, the City has received a notice of claim involving an accident where a police officer shot at a dog, which accidentally resulted in a fatality of an individual in the background.

As of April 13, 2019, there are twenty-three lawsuits pending against the City seeking monetary damages and/or injunctive relief. Nine of the 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). In addition to the twenty-three lawsuits, the City is engaged in two eminent domain lawsuits, in which the City is seeking to acquire property.

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.

INFECTIOUS DISEASE OUTBREAK – COVID-19

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

On March 13, 2020, Texas Governor Greg Abbott declared a state of disaster for all counties in Texas. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including taking action to suspend any regulatory statute prescribing the procedures for conduct of state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster. The Governor has issued a number of executive orders in response to the pandemic. These include, for example, the issuance on March 31, 2020 of Executive Order GA-14 which, among other things, encouraged minimization of social gatherings and in-person contact except where necessary to provide or obtain essential services as defined in State and federal guidance, and following federal health guidelines when providing or obtaining essential services; discouraged eating or drinking at bars, restaurants, and food courts, or visiting gyms or massage establishments, tattoo studios, piercing studios, or cosmetology salons; limited visits to nursing homes and long-term care facilities. On April 17, 2020 the Governor issued Executive Order GA-15. Executive Order GA-15 relates to the safe, strategic reopening of select services and activities in Texas. This order establishes a temporary “Retail-To-Go” model that allowed certain retail outlets in Texas to reopen beginning Friday, April 24. Under this model, reopened establishments are required to deliver items to customer’s cars, homes, or other locations to minimize contact. Executive Order GA-15 also closed public and private schools and institutions of higher education for the remainder of the 2019-2020 school year. Governor Abbott allowed the most recent stay-at-home order to expire on April 30, and implemented a new phased plan which permits select businesses to open while following specific guidelines. Executive Order GA-18 permitted all retail stores, restaurants, movie theaters, malls, libraries, and museums to reopen, although they must limit their capacity to 25% of the listed occupancy. Executive Order GA-20 removed some travel restrictions beginning April 27. On May 5 Executive Order GA-21 further permitted cosmetology salons, hair salons, nail shops and barbers to reopen at restricted capacity, and was expanded by Executive Order GA-22 on May 7. Executive Order GA-21’s second phase began on May 18 which further re-opened offices, manufacturing services, and gyms at restricted capacity. On May 18, Executive Order GA-23 implemented phase II of reopening, permitting schools to provide in-person summer classes and reopening establishments such as bars, camps, child-care centers, bowling alleys, and zoos, among others with strict capacity and safety guidelines. The order also permitted certain professional sports without spectators. The federal, State and local actions and policies under the disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of cities.

In addition to the actions by the State and federal officials, Tarrant County local officials declared a local state of disaster within Tarrant County. The County issued an order, on March 13, requiring the majority of Tarrant County residents to “stay-at-home”, except for certain essential activities and work to provide essential business and government services or perform essential public infrastructure construction, including housing. The Tarrant County “stay-at-home” order expired on April 30, 2020, and no further action has been taken by the County. Governor Abbott has expressed that if the State permits select businesses to open at an earlier time than permitted by a County order, the State guidelines would supersede any County or City action. As of the date of publication of this statement, neither Tarrant County nor the City have issued additional executive orders relating to COVID-19, and have posted information related to the Governor’s Report to Open Texas on their respective website.

The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of COVID-19 upon the City. While the potential impact of COVID-19 on the City cannot be quantified at this time, the continued spread of the outbreak of COVID-19 could have an adverse effect on the City’s operations and financial condition.

The outbreak of the disease has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. The Bonds are secured by Net Revenues of the System. The continued effects of the pandemic on the economy and employment may have a negative effect on the ability of residents to pay rates for services, including water, sewer and stormwater drainage fees. A reduction in property values, a reduction in the collection of System revenues or a reduction in the collection of sales tax revenues may have a negative effect on the City’s operations and maintenance expenses and may negatively impact the City’s operating budget and overall financial condition.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE...The sale of the Bonds has not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon exemptions provided therein; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities act of any jurisdiction. The City assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemptions from securities registration or qualification provisions.

LEGAL MATTERS... The City will furnish the Purchasers with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds are valid and legally binding obligations of the City and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firms have reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Ordinance. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. Certain legal matters will be passed upon by West & Associates L.L.P. Dallas, Texas, Disclosure Counsel. The legal fees to be paid Bond Counsel and Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opened upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS... Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Bonds (i) are negotiable instruments, (ii) are investment securities to which Chapter 8 of the Texas Business and Commerce Code applies, and (iii) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds (See "OTHER INFORMATION – RATINGS" herein). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

INITIAL PURCHASER OF THE BONDS . . . After requesting competitive bids for the Bonds, the City accepted the bid of Citigroup Global Markets Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of the Official Statement at a price of 111.46% of par. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

FINANCIAL ADVISOR... Estrada Hinojosa & Company, Inc. is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Estrada Hinojosa & Company, Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

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

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

CERTIFICATION OF THE OFFICIAL STATEMENT...At the time of payment for and delivery of the Bonds, the Initial Purchasers of the Bonds will be furnished a certificate, executed by proper officers, acting in their official capacity, to the effect that to their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in this Official Statement and any addenda, supplement or amendment thereto, for its Bonds, on the date of such Official Statement, on the date of sale of said Bonds and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities other than the City and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City, since September 30, 2019, the date of the last audited financial statements of the City appearing in the Official Statement.

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

The Ordinance authorizing the issuance of the Bonds approves the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorizes its further use in the reoffering of the bonds by the Initial Purchasers.

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SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Water and Wastewater System Revenue and Refunding Bonds, Series 2010					
Serials	6/1/2021	5.000%	\$ 1,245,000.00	6/17/2020	100.00
	6/1/2022	4.000%	490,000.00	6/17/2020	100.00
	6/1/2023	4.000%	490,000.00	6/17/2020	100.00
	6/1/2024	4.000%	490,000.00	6/17/2020	100.00
	6/1/2025	4.000%	490,000.00	6/17/2020	100.00
	6/1/2026	4.000%	490,000.00	6/17/2020	100.00
	6/1/2027	4.000%	490,000.00	6/17/2020	100.00
	6/1/2028	4.000%	490,000.00	6/17/2020	100.00
	6/1/2029	4.125%	490,000.00	6/17/2020	100.00
	6/1/2030	4.250%	485,000.00	6/17/2020	100.00
			<u>\$ 5,650,000.00</u>		

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY OF ARLINGTON

The City

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 boundaries is approximately 99.5 square miles.

The City was incorporated January 17, 1920, under the provisions of the Home Rule Amendment to the Texas State Constitution. The City provides the following services to the citizens of the City: 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 home rule charter (the "City Charter"). There is a nine member City Council (the "Council") vested with local legislative power. Three council members and the Mayor are elected "at large" and five council members are elected in five single member districts. All members of the Council are elected for terms of two years, with the elections being held in even/odd years for approximately half the seats. The Council elects both a Mayor Pro Tem and a Deputy Mayor Pro Tem from among its members.

Mayor and City Council

Policy-making and supervisory functions are the responsibility of and are vested in the Council under provisions of the City Charter. Ordinance, resolutions and zoning decisions are presented at Council meetings at 6:30 p.m. on the second and fourth Tuesday of each month. Council meetings are broadcast on the local cable public access station and webcast. 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 City Manager is appointed by the Council and serves at the pleasure of the Council.

Excluding the positions and offices of the City Attorney, City Auditor and certain others whose appointments are reserved for Council action, the City Manager appoints and removes all City employees. The City Manager exercises control over all City departments and divisions and 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.

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ECONOMIC AND DEMOGRAPHIC FACTORS

Population

**Population and Rates of Change
Arlington and the United States
Selected Years**

<u>Year</u>	<u>Arlington</u>	<u>Annual Rate of Change</u>	<u>United States</u>	<u>Annual Rate of Change</u>
1980	160,113	7.66%	226,545,805	1.15%
1990	261,721	6.35%	248,765,170	0.98%
2000	332,969	2.72%	281,421,906	1.31%
2010	365,438	0.98%	308,745,538	0.97%
2011	365,530	0.03%	312,759,230	1.30%
2012	365,860	0.09%	314,395,013	0.52%
2013	365,930	0.02%	316,128,839	0.55%
2014	369,508	0.98%	318,857,056	0.86%
2015	379,370	2.67%	321,418,820	0.80%
2016	380,740	0.36%	323,127,513	0.53%
2017	382,230	0.39%	326,474,013	1.04%
2018	383,950	0.45%	327,747,936	0.39%
2019	386,180	0.58%	329,180,367	0.44%

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

EMPLOYMENT

Unemployment data for the City, Texas, and the United States is shown below.

**Unemployment Rate
Annual Average Rates
2016 to 2020**

	<u>January 2020</u>	<u>January 2019</u>	<u>January 2018</u>	<u>January 2017</u>	<u>January 2016</u>
Arlington	3.3%	4.8%	3.8%	4.2%	3.9%
Texas	3.8%	4.1%	4.2%	5.0%	4.4%
United States	4.0%	4.4%	4.5%	5.1%	5.3%

Source: Texas Workforce Commission

Arlington Major Employers ⁽¹⁾

Employer	Type of Business	Number of employees
Arlington Independent School District	Public Education	8,200
University of Texas at Arlington	Higher Education	5,300
General Motors	Automobile Assembly	4,484
Texas Health Resources	Medical	4,063
Six Flags Over Texas	Amusement Park	3,800
The Parks Mall at Arlington	Retail	3,500
GM Financial	Automobile Financing	3,300
City of Arlington	Municipality	2,487
J.P. Morgan Chase	Banking Services	1,965
Texas Rangers Baseball Club	Major League Baseball	1,881
Total		38,980

⁽¹⁾ City of Arlington Finance Department. Includes part-time and peak seasonal employees.

Building Permits

	2019		2018		2017	
	Permits	Declared Value	Permits	Declared Value	Permits	Declared Value
New Single Family	794	\$ 196,695,469	566	\$ 143,824,017	524	\$ 89,162,382
New Multifamily	17	84,688,224	21	98,308,576	3	35,824,000
New Commercial	169	264,916,391	116	981,290,295	97	142,276,696
Other (Residential and Commercial)	8,749	362,113,580	8,783	392,518,994	9,185	641,251,810
Grand Total	9,729	\$ 908,413,664	9,486	\$ 1,615,941,882	9,809	\$ 908,514,888

Source: City of Arlington Building Inspections Division

APPENDIX B

**AUDITED BASIC FINANCIAL STATEMENTS OF
THE CITY OF ARLINGTON
YEAR ENDED SEPTEMBER 30, 2019**

APPENDIX C

FORM OF OPINION OF BOND COUNSEL