OFFICIAL STATEMENT DATED DECEMBER 8, 2021

NEW ISSUE – Book-Entry-Only

Ratings:
S&P: "BBB"
(See "OTHER INFORMATION – Ratings" herein.)

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 HAVE **NOT** BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

$9,505,000
CITY OF ARLINGTON, TEXAS
(Tarrant County, Texas)
TAX INCREMENT REVENUE BONDS, SERIES 2021
(CITY OF ARLINGTON TAX INCREMENT REINVESTMENT ZONE NO. 5)

Dated: December 1, 2021 **Due: August 15, as shown below**
Interest to accrue from the Delivery Date.

Interest on the $9,505,000 City of Arlington, Texas, Tax Increment Revenue Bonds, Series 2021 (City of Arlington Tax Increment Reinvestment Zone No. 5) (the "Bonds") will accrue from the date of the initial delivery of the Bonds (the "Delivery Date"), will be payable on August 15, 2022 and February 15 and August 15 of each year thereafter, 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., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal 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 participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY- ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, National Association, Dallas, Texas (see "THE BONDS – Paying Agent/Registrar"). The Bonds are being authorized and issued pursuant to authority granted by the Constitution and the general laws of the State of Texas (the "State"), including the Tax Increment Financing Act, Chapter 311, Texas Tax Code, as amended (the "TIF Act") and Chapter 1371, Texas Government Code, as amended, an ordinance (the "Bond Ordinance") adopted by the City Council (the "City Council") of the City of Arlington, Texas (the "City"), a Master Indenture of Trust (the "Master Indenture") between the City and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), the First Supplemental Indenture (the "First Supplemental Indenture") between the City and the Trustee and the pricing certificate (the "Pricing Certificate") executed on December 8, 2021 by an authorized officer of the City pursuant to the First Supplemental Indenture (the Master Indenture, the First Supplemental Indenture and the Pricing Certificate are collectively referred to as the "Indenture"). See "THE BONDS - Authority for Issuance."

The City Council of the City of Arlington, Texas (the "City") created Tax Increment Reinvestment Zone No. 5 ("TIRZ Five") and appointed a board of directors of TIRZ Five (the "TIRZ Board") pursuant to the provisions of the TIF Act, to facilitate development of land within the boundaries of TIRZ Five. TIRZ Five consists of approximately 2,187 acres of land within the City and is generally defined by Lamar Boulevard to the north, the Union Pacific Railroad to the south, State Highway 360 to the east and Collins Street to the west and includes the Arlington Entertainment District. See "OVERVIEW OF THE CITY OF ARLINGTON ENTERTAINMENT DISTRICT" herein.

The City has agreed to deposit to the Tax Increment Fund established for TIRZ Five (the "Tax Increment Fund") tax increments (the "Tax Increments") from the Tarrant County (the "County"), the Tarrant County College District (the "College District") and Tarrant County Hospital District (the "Hospital District" and together with the County, and the College District, the "Participants" and each a "Participant"). **THE CITY IS NOT A "PARTICIPANT" AS IT RELATES TO THE BONDS AND THE CITY TAX INCREMENTS ARE NOT PLEDGED TO THE PAYMENT OF THE BONDS AND ARE NOT PART OF THE PLEDGED REVENUES**. See "SECURITY AND SOURCE OF PAYMENT." Pursuant to the Indenture, the City has pledged all of the Tax Increments deposited into the Tax Increment Fund to payment of the Bonds and any Additional Obligations (as defined herein) that may be subsequently issued under the Indenture and has covenanted to transfer to the Trustee all Participant Tax Increment funds deposited into the Tax Increment Fund. Within five business days upon receipt of the Tax Increments from the Participants in each year after the issuance of the above-captioned Bonds, the City will set aside sufficient Pledged Revenues (as defined herein) to pay debt service for the succeeding August 15 and February 15, to pay the Trustee's fees, and to replenish the Debt Service Reserve Fund (as defined herein), to the extent necessary. Thereafter, until the next July 1, the City may use any remaining Pledged Revenues for any lawful purpose under the TIF Act and the Project and Financing Plan (as defined herein). The Bonds are payable solely from the deposits of the Tax Increments to the Tax Increment Fund, certain other funds on deposit with the Trustee or which may be deposited with the Trustee in the future, and earnings and investments thereof (the "Pledged Revenues"). **THE CITY TAX INCREMENTS ARE NOT PLEDGED TO THE PAYMENT OF THE BONDS AND ARE NOT PART OF THE PLEDGED REVENUES.** See "SECURITY AND SOURCE OF PAYMENT."

The proceeds from the sale of the Bonds are being used to provide funds for projects in TIRZ Five including (1) water, sanitary sewer, and storm water facilities and improvements; (2) public parking improvements; (3) street and intersection improvements; (4) open space and park improvements; (5) a deposit to the Debt Service Reserve Fund; (6) paying capitalized interest, and (7) paying the costs of issuance of the Bonds.

THE BONDS ARE LIMITED OBLIGATIONS OF THE CITY, PAYABLE SOLELY FROM THE PLEDGED REVENUES, AND ARE NOT OBLIGATIONS OF THE COUNTY, THE HOSPITAL DISTRICT OR THE COLLEGE DISTRICT AND DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY (See "RISK FACTORS - Limited Obligations" herein) THE COUNTY, THE HOSPITAL DISTRICT OR THE COLLEGE DISTRICT. THE BONDS DO NOT CONSTITUTE, WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL PROVISION, AN INDEBTEDNESS, AN OBLIGATION, OR A LOAN OF CREDIT OF THE COUNTY, THE HOSPITAL DISTRICT OR THE COLLEGE DISTRICT, THE STATE OF TEXAS, OR ANY OTHER MUNICIPALITY, COUNTY, OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE OF TEXAS. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT RISKS DESCRIBED HEREIN. SEE "RISK FACTORS."

This cover page contains information for quick reference only. It is *not* a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriter, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Bracewell LLP, Dallas, Texas, Bond Counsel (see APPENDIX C - "Form of Bond Counsel Opinion"). Certain legal matters will be passed upon by West & Associates, L.L.P., Dallas, Texas, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Escamilla & Poneck, LLP, San Antonio, Texas, Counsel for the Underwriter.

DELIVERY . . . It is expected that the Bonds will be delivered through the facilities of DTC on or about December 22, 2021 (the "Delivery Date").

SIEBERT WILLIAMS SHANK & CO., LLC

MATURITY SCHEDULE

$9,505,000
CITY OF ARLINGTON
TAX INCREMENT REVENUE BONDS, SERIES 2021
(CITY OF ARLINGTON TAX INCREMENT REINVESTMENT ZONE NO. 5)

$3,030,000 Serial Bonds

(August 15) Maturity	Amount	Interest Rate	Yield		CUSIP No.[1]
2025	$ 100,000	5.000%	1.030%		04184HAA0
2026	205,000	5.000%	1.210%		04184HAB8
2027	215,000	5.000%	1.380%		04184HAC6
2028	230,000	5.000%	1.580%		04184HAD4
2029	240,000	5.000%	1.720%		04184HAE2
2030	250,000	5.000%	1.830%		04184HAF9
2031	265,000	5.000%	1.920%	(2)	04184HAG7
2032	275,000	5.000%	2.000%	(2)	04184HAH5
2033	290,000	5.000%	2.070%	(2)	04184HAJ1
2034	305,000	5.000%	2.090%	(2)	04184HAK8
2035	320,000	5.000%	2.120%	(2)	04184HAL6
2036	335,000	5.000%	2.140%	(2)	04184HAM4

(Interest accrues from the Delivery Date)

$6,475,000 Term Bonds

$1,920,000 4.000% Term Bond Due August 15, 2041 Priced to Yield 2.390%[2] CUSIP[1] No.: 04184HAN2
$4,555,000 4.000% Term Bond Due August 15, 2050 Priced to Yield 2.570%[2] CUSIP[1] No.: 04184HAP7

(Interest accrues from the Delivery Date)

___

(1) CUSIP numbers have been 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, the Financial Advisor, nor the Underwriter are 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 August 15, 2030, the first optional redemption date for the Bonds, at a redemption price of par plus accrued interest to the redemption date.

Redemption. The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2031, in whole or in part in the principal amounts of $5,000 or any integral multiple thereof, on August 15, 2030, or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption (see "THE BONDS – Optional Redemption"). The Term Bonds are subject to mandatory sinking fund redemption (see "THE BONDS – Mandatory Redemption").

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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.")

TIRZ FIVE .... The City Council of the City (the "City Council") created Tax Increment Reinvestment Zone No. 5 ("TIRZ Five") and appointed a board of directors of TIRZ Five (the "TIRZ Board") pursuant to the provisions of the Tax Increment Financing Act, Chapter 311, Texas Tax Code, as amended (the "TIF Act"), to facilitate development of land within the boundaries of TIRZ Five. TIRZ Five consists of approximately 2,187 acres of land within the City and is generally defined by Lamar Boulevard to the north, the Union Pacific Railroad to the south, State Highway 360 to the east and Collins Street to the west and includes the Arlington Entertainment District. (See "OVERVIEW OF THE CITY OF ARLINGTON ENTERTAINMENT DISTRICT" herein.)

THE BONDS..................................... The $9,505,000 City of Arlington, Texas, Tax Increment Revenue Bonds, Series 2021, dated December 1, 2021, will be issued as serial bonds maturing on August 15 in each of the years 2025 through 2036 and as term bonds maturing on August 15, 2041 and August 15, 2050. The Term Bonds (defined herein) are subject to mandatory sinking fund redemption. (See "THE BONDS – General," "THE BONDS – Optional Redemption," and "THE BONDS – Mandatory Redemption.")

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the date of their initial delivery to the Underwriter. Interest on the Bonds will be paid on August 15, 2022, and on each February 15 and August 15 thereafter until maturity or prior redemption. (See "THE BONDS – General," " – Optional Redemption" and " – Mandatory Redemption.")

AUTHORITY FOR ISSUANCE .... The Bonds are being authorized and issued pursuant to authority granted by the Constitution and the general laws of the State of Texas (the "State"), including the TIF Act and Chapter 1371, Texas Government Code, as amended, an ordinance (the "Bond Ordinance") adopted by the City Council of the City, a Master Indenture of Trust (the "Master Indenture") between the City and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), the First Supplemental Indenture (the "First Supplemental Indenture") between the City and the Trustee and the pricing certificate (the "Pricing Certificate") executed on December 8, 2021 by an authorized officer of the City pursuant to the First Supplemental Indenture (the Master Indenture, the First Supplemental Indenture and the Pricing Certificate are collectively referred to as the "Indenture.") (See "THE BONDS - Authority for Issuance.")

SECURITY FOR THE BONDS .... Pursuant to the Indenture, the City has pledged the "Pledged Revenues" to the Bonds and any Additional Obligations (as defined herein). Pledged Revenues consists of (i) the Tax Increments and all of the City's right, title and interest thereto under the Participation Agreements (defined herein); (ii) all moneys deposited or required to be deposited in the Pledged Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund and the Project Fund held by the Trustee pursuant to the provisions of the Indenture and all interest earnings and investment income therefrom, other than any amount required to be rebated to the United States under Section 148(t) of the Code and deposited to Rebate Fund; and (iii) any and all property of every kind and nature (including without limitation, cash, obligations or securities) which may from time to time hereafter be conveyed, assigned, hypothecated, endorsed, pledged, mortgaged, granted, or delivered to or deposited with, the Trustee as additional security under the Indenture by the City, or anyone on behalf of the City, or which pursuant to any of the provisions of the Indenture may come into the possession or control of the Trustee as security under the Indenture, or of a receiver lawfully appointed under the Indenture, all of which property the Trustee is authorized to receive, hold and apply according to the terms of the Indenture. The Tax Increments consist solely of the tax increment payments received from Tarrant County, the Tarrant County Hospital District and the Tarrant County College District. **THE CITY TAX INCREMENTS ARE NOT PLEDGED TO THE PAYMENT OF THE BONDS AND ARE NOT PART OF THE PLEDGED REVENUES. See "SECURITY AND SOURCE OF PAYMENT."**

REDEMPTION.................................. The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2031, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption"). The Term Bonds are subject to mandatory sinking fund redemption (see "THE BONDS – Mandatory 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 for projects in TIRZ Five including (1) water, sanitary sewer, and storm water facilities and improvements; (2) public parking improvements; (3) street and intersection improvements; (4) open space and park improvements; (5) a deposit to the Debt Service Reserve Fund; (6) paying capitalized interest, and (7) paying the costs of issuance of the Bonds.

RATINGS... The Bonds have been rated "BBB" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") (see "OTHER INFORMATION – Ratings.")

BOOK-ENTRY-ONLY SYSTEM... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof 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 "BOOK-ENTRY-ONLY SYSTEM.")

PAYMENT RECORD........................ The City has never defaulted on its revenue obligations and has not defaulted on its bonds payable from ad valorem taxation since 1935 when all such bonds were refunded at par with a reduction in interest rate.

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CITY OF ARLINGTON

CITY OFFICIALS, STAFF, AND CONSULTANTS

Elected Officials

City Council	Length of Service	Term Expires	Occupation
Jim Ross Mayor	Newly Elected	May, 2023	Attorney
Barbara Odom-Wesley Council Member	3 Years	May, 2023	Healthcare Professional, Retired
Victoria Farrar-Myers Council Member	6 Years	May, 2022	Professor
Ruby Faye Woolridge Council Member	2 Years	May, 2022	Educator, Retired
Helen Moise Council Member	3 Years	May, 2022	Financial and Asset Manager, Retired
Raul Gonzalez Council Member	2 Years	May, 2022	Administrator
Nikkie Hunter Council Member	Newly Elected	May, 2023	Healthcare Administration
Andrew Piel Council Member	3 Years	May, 2023	Attorney
Rebecca Boxall Council Member	Newly Elected	May, 2023	Architect

TIRZ Board

Board of Directors	Length of Service	Term Expires	Occupation	Appointed By
Devan Allen Board Member	3 years	12/31/2021	Tarrant County Commissioner	Tarrant County
Linda Dipert Board Member	6 years	12/31/2022	Community Volunteer	City of Arlington
Susan Alanis Board Member	2 years	12/31/2021	Chief Operating Officer	Tarrant County College District
Mark Hallman Board Member	Newly appointed	12/31/2022	Vice President Chief Innovation & Transformation Officer	Tarrant County Hospital District
Kevin McGlaun Board Member	2 years	12/31/2021	Managing Director Real Estate	City of Arlington
Ruby Faye Woolridge Board Member	Newly appointed	12/31/2022	Educator, Retired	City of Arlington
Helen Moise Board Member	2 years	12/31/2021	Financial and Asset Manager, Retired	City of Arlington
Raul Gonzalez Board Member	1 year	12/31/2022	Administrator	City of Arlington
Jim Ross Chair	Newly appointed	12/31/2021	Mayor and Attorney	City of Arlington

Appointed Officials

Name	Position	Years of Employment with City
Trey Yelverton	City Manager	28
Lemuel Randolph	Deputy City Manager	7
Jennifer Wichmann	Deputy City Manager	17
Jim Parajon	Deputy City Manager	15
Mike Finley [(1)]	Director of Finance	25
Teris Solis	City Attorney	30
Alex Busken	City Secretary	3

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(1) Mike Finley has announced his retirement effective February 11, 2022.

ADVISORS AND INDEPENDENT AUDITORS

Independent Auditors.. BKD, LLP, 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 Arlington, Texas (817) 459-6100	Mr. Dave Gordon Estrada Hinojosa & Company, Inc. 600 N. Pearl Street, Suite 2100, South Tower Dallas, Texas 75201 (214) 658-1670

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USE OF INFORMATION IN OFFICIAL STATEMENT

This Official Statement, which includes the cover pages, 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.

No dealer, broker, salesman, or other person has been authorized by the City to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell and is not to be used in an offer to sell or the solicitation of an offer to buy in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain information set forth in this Official Statement has been furnished by the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a promise or guaranty by, the City or the Financial Advisor. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. The delivery of this Official Statement at any time does not imply that the information herein is correct as to any time subsequent to its date. 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, nor the Underwriter make any representation regarding the information contained in this Official Statement regarding The Depository Trust Company, or its book-entry-only system, as such information has been furnished by the Depository Trust Company.

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

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

The cover page contain 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.

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TABLE OF CONTENTS

OFFICIAL STATEMENT SUMMARY iii

CITY OFFICIALS, TIRZ BOARD, STAFF AND CONSULTANTS v

INTRODUCTION 1

OVERVIEW OF THE CITY OF ARLINGTON ENTERTAINMENT DISTRICT 1
The Project and Financing Plan, the "Big Bang Project" and Recent Economic Developments 2
Table 1 – Selected Financial Information for TIRZ Five 4

SECURITY AND SOURCE OF PAYMENT 5
General 5
General Statutory Requirements for Tax Increment Zones 5
Establishment of TIRZ Five: Participants 5
Tarrant County's Participation Agreement with Respect to Tax Increments 6
Hospital District's Participation Agreement with Respect to Tax Increments 6
College District's Participation Agreement with Respect to Tax Increments 6
Tax Increments 6
Calculation of Tax Increments 7
Collection of Tax Increments 7
Pledged Revenues 8

THE BONDS 8
Description 8
Authority for Issuance 8
Use of Proceeds 8
Method of Payment of Principal and Interest 9
The Funds 9
Project Fund 10
Debt Service Reserve Fund 10
Surplus Fund 11
Redemption Fund 11
Additional Obligations 11
Sources and Uses 12
Payment Record 12
Paying Agent/Registrar 12
Amendments 13
Optional Redemption 13
Mandatory Redemption 13
Notice of Redemption 14
Redemption Procedures While Bonds Held by DTC 14
Defeasance 14
Holders' Remedies 15
Registration, Transfer and Exchange 15

RISK FACTORS 16

BOOK-ENTRY-ONLY SYSTEM 22
Use of certain Terms in Other Sections of this Official Statement 23
Effect of Termination of Book-Entry-Only System 23

FINANCIAL INFORMATION 24
Table 2 – Debt Service Requirements 24
Investment Policy 24
Plans to Issue Bonds 25

TAX AND TAX INCREMENT DATA 25
Table 3 – Breakdown of Taxable Assessed Value by Category 25
Table 4 -Principal Taxpayers in TIRZ Five 26
Table 5 – Participation Tax Rates 26
Table 6 –Tax Increment Collections 26

TAXING PROCEDURES OF THE PARTICIPANTS 27

CONTINUING DISCLOSURE OF INFORMATION 32
Annual Reports 32
Disclosure Event Notices 33
Availability of Information from MSRB 33
Limitations and Amendments 33
Compliance with Prior Undertakings 33

ADDITIONAL INFORMATION 34

TAX MATTERS 34
Tax Exemption 34
Additional Federal Income Tax Consequences 34
Collateral Tax Consequences 34
Tax Accounting Treatment of Original Issue Premium Bonds 35
Tax Legislative Changes 35

OTHER INFORMATION 35
Ratings 35
Litigation 35
Legal Matters 36
Registration and Qualification 36
Underwriting 37
Financial Advisor 37
Forward – Looking Statements 37
Miscellaneous 37

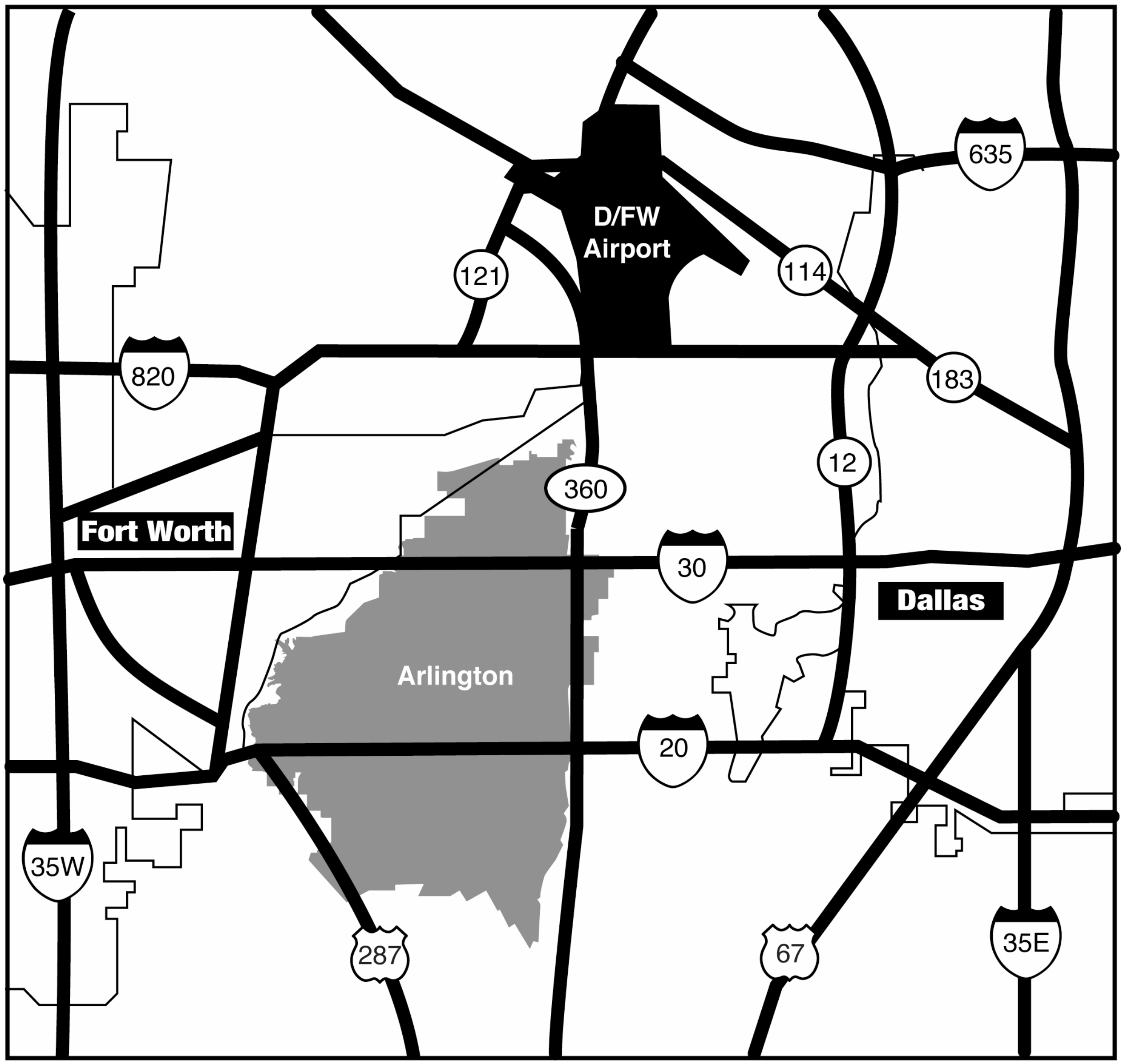
APPENDIX A
General Information Regarding the City .... A

APPENDIX B
Audited Basic Financial Statements of the City of Arlington Year Ended September 30, 2020 .... B

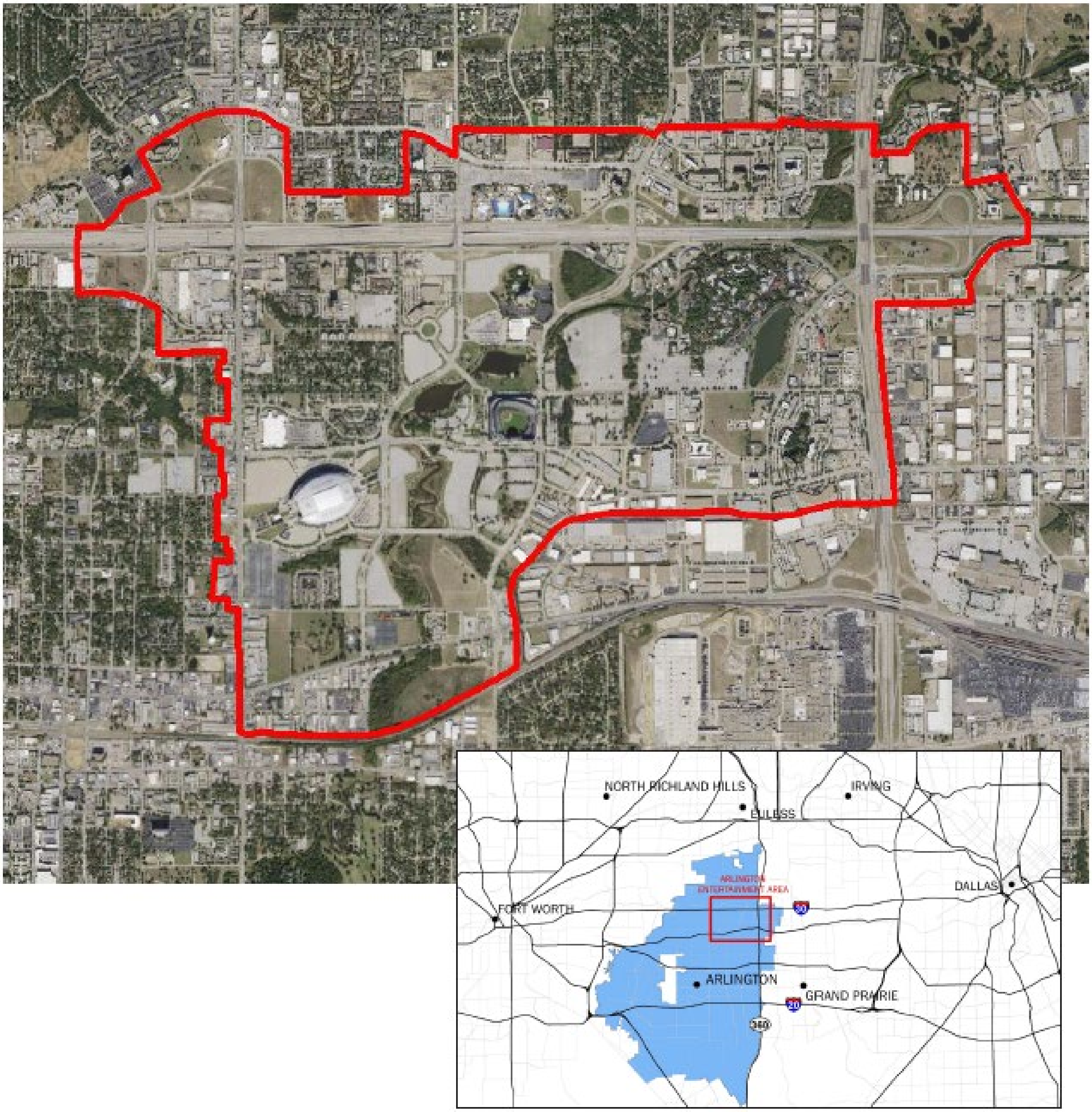
APPENDIX C
Form of Bond Counsel Opinion C

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

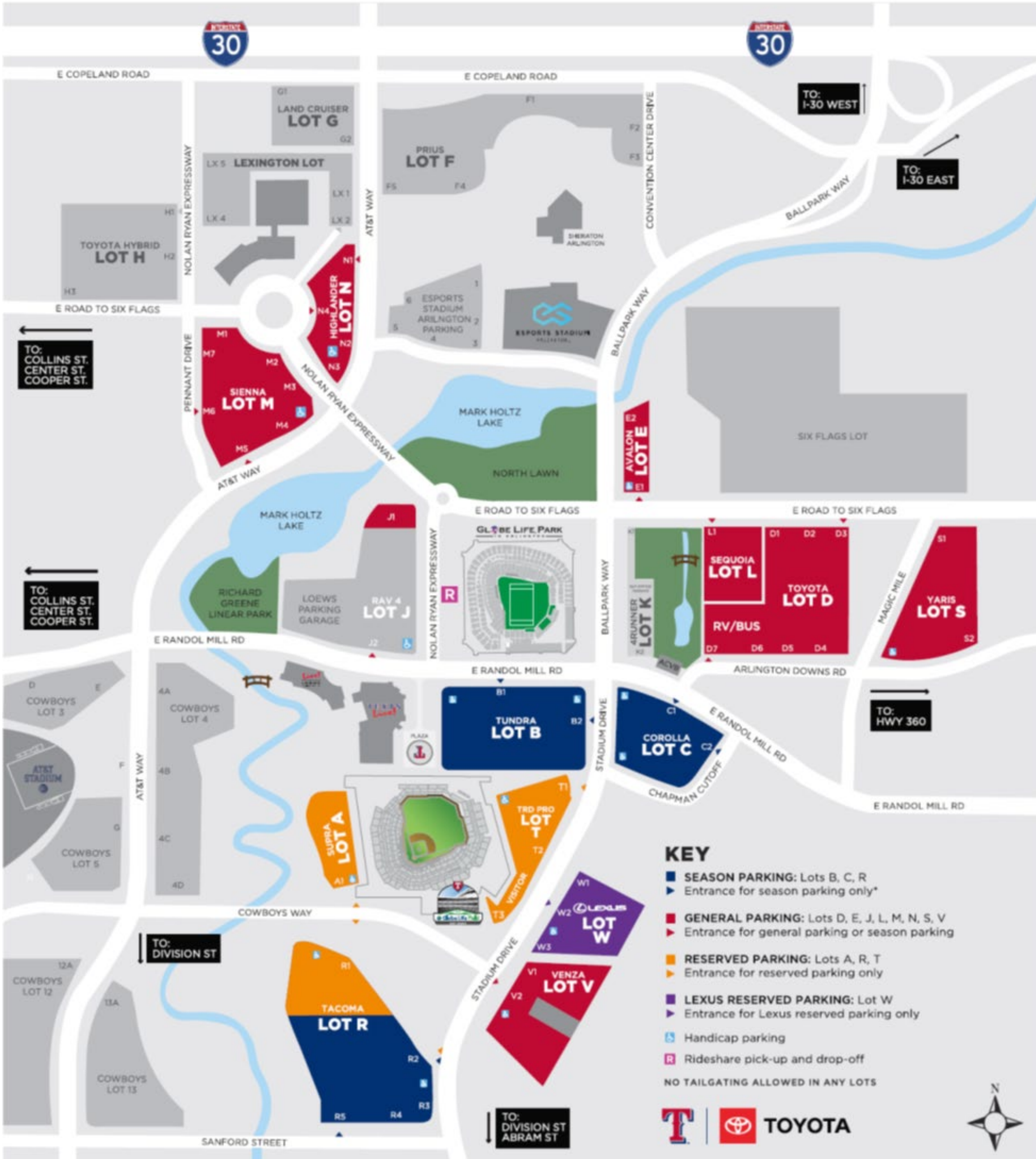
Dallas/Fort Worth/Arlington Metropolitan Area



ARLINGTON TAX INCREMENT REINVESTMENT ZONE #5 BOUNDARIES



GLOBE LIFE FIELD AND RELATED PROPERTY



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CITY OF ARLINGTON, TEXAS
(Tarrant County, Texas)

$9,505,000
TAX INCREMENT REVENUE BONDS, SERIES 2021
(CITY OF ARLINGTON TAX INCREMENT REINVESTMENT ZONE NO. 5)

INTRODUCTION

This Official Statement, which includes the cover page and Appendices hereto, provides certain information regarding the issuance of City of Arlington, Texas (the "City") $9,505,000 Tax Increment Revenue Bonds, Series 2021 (City of Arlington Tax Increment Reinvestment Zone No. 5) (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Indenture (defined below) except as otherwise indicated.

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").

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Estrada Hinojosa & Company, Inc., Dallas, Texas.

OVERVIEW OF THE CITY OF ARLINGTON ENTERTAINMENT DISTRICT

Description of the City

The City is a political subdivision and municipal corporation of the State of Texas (the "State" or "Texas"), duly organized and existing under the laws of the State, including the City's home rule charter (the "City Charter"). The City was incorporated in 1884 and first adopted the City Charter in 1920.

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 2021 estimated population of 394,266. The City operates as a home-rule City under a Council-Manager form of government as established by its City Charter. There is a nine-member City Council (the "Council" or "City 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 council 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, its storm water system and its sanitary landfill operation (currently outsourced) as self-supporting enterprise funds.

Entertainment District

The City is home to a number of major entertainment venues in the Dallas-Forth Worth Metroplex. AT&T Stadium, which opened in 2009, is the home of the Dallas Cowboys Football Club. The Texas Rangers Major League Baseball Team (the "Texas Rangers") have played at Globe Life Field since the 2020 Major League Baseball season. When Globe Life Field opened, Choctaw Stadium (formerly Globe Life Park) was reconfigured from a baseball-only facility to a multi-purpose facility in 2019. In addition to hosting college and high school football games, the stadium is home to the North Texas SC (USL League One) and the world headquarters for Six Flags Entertainment Corporation. The Dallas Jackals of Major League Rugby plan to begin play at Choctaw Stadium in 2022. TexasLive! is a new entertainment venue located in the middle of AT&T Stadium, Globe Life Field and Choctaw Stadium. Venues at TexasLive! include Revolver Brewing, Lockhart Smokehouse Barbeque, PBR Country Bar, Rangers Republic, Arlington Backyard, Guy Fieri and a 300-room upscale hotel Live! By Loews. The City is also home to Six Flags Over Texas and Hurricane Harbor, two major amusement parks serving the region. (See the map of the Globe Life Field and Related Property on page xi.)

TIRZ Five

The City of Arlington, Texas Tax Increment Reinvestment Zone #5 (the "TIRZ Five") is located approximately 2 miles northeast of Downtown Arlington, Texas (see the map on page x). TIRZ Five area encompasses approximately 2,187 acres and is generally defined by Lamar Boulevard to the north, the Union Pacific Railroad to the south, State Highway 360 to the east and Collins Street to the west. In addition to other areas, TIRZ Five encompasses the Arlington Entertainment District.

TIRZ Five was created on December 19, 2006 per Ordinance 06-117. City Council found at that time that TIRZ Five met the criteria and requirements of Chapter 311, Section 311.005 of the Texas Tax Code because the proposed zone was found to: 1) be predominantly open and, because of obsolete platting, deterioration of structures or site improvements, or other factors, substantially impair or arrest the sound growth of the municipality, and 2) constitute an economic and social liability and a menace to the public health, safety, morals, or welfare in its condition and use at the time of TIRZ Five creation. The goal of TIRZ Five is to continue funding the construction of needed public infrastructure and to encourage private development that will yield additional tax revenue to all local taxing jurisdictions. TIRZ Five will promote the creation of commercial development consisting of a mix of uses including retail, office, multifamily, and hotels. TIRZ Five was originally set to terminate December 31, 2036. In 2019, the City Council extended the termination date of TIRZ Five to December 31, 2052 (final payments to be received in 2053). The City Council approved an amended project plan and financing plan for TIRZ Five (the "Project and Financing Plan") on September 7, 2021, and all other Participants (defined herein) have since approved the amended plan through the approval of amended participation agreements. This amended Project and Financing Plan outlines proposed improvements projected to occur in TIRZ Five during this extended time frame that are expected to significantly enhance the value of all the taxable real property in the zone and will be of general benefit to the City.

The participants in TIRZ Five, as it relates to the Bonds, are Tarrant County (the "County"), the Tarrant County Hospital District (the "Hospital District") and the Tarrant County College District (the "College District") (each a "Participant" and together, the "Participants"). **The City is also a TIRZ Five participant at 100% through December 31, 2052 but the City's tax increment is not pledged to the Bonds.** The table below shows the participation rates of each of the entities.

Participant	Tax Year 2019-2031 Participation Rate	Tax Year 2032-2049 Participation Rate	Tax Year 2050-2052 Participation Rate
Tarrant County (1)	70%	70%	70%
Tarrant County Hospital District (2)	70%	0%	0%
Tarrant County College District (3)	50%	50%	0%

(1) The County's contribution will continue at 70% until (1) the year after the total revenue from all of the Participants exceeds $111,202,453, which is currently expected in 2045, or (ii) December 31, 2052 (final payment to be received in 2053), whichever occurs first.
(2) There is no maximum participation revenue amount for the Hospital District. The Hospital District's contribution will continue until December 31, 2031 (final payment to be received in 2032).
(3) The College District's contribution will continue at 50% until (i) December 31, 2049 (final payment to be received in 2050) or (ii) until the year after the total revenue received from the College District reaches $42,682,872 (the "Maximum College District Participation").

The Project and Financing Plan, the "Big Bang Project" and Recent Economic Developments

Project and Financing Plan

TIRZ Five was initially created in 2006 to fund improvements in and around the City's Entertainment District concurrently with the development of AT&T Stadium, home of the Dallas Cowboys. Fifteen years later, the taxing jurisdictions hired an outside consultant to review the TIRZ Five Project and Financing Plan. Through the expanded economic growth occurring in TIRZ Five, such as Globe Life Field (home of the Texas Rangers), Texas Live!, and Live! By Loews, many of the assumptions underlying the original Project and Financing Plan were no longer appropriate necessitating amendments to the plan. The amended Project and Financing Plan considers the added annual valuation and revenue projections through the extended term, updates proposed public improvements, and reallocates project funding to align with the City's vision for the Entertainment District. The Tax Increments generated inside TIRZ Five will be used to fund projects costs identified in the Project and Financing Plan including: water, sanitary sewer, and stormwater facilities; parking improvements; street and intersection improvements; open space, parks & recreation facilities and improvements; public facilities; economic development grants; and administrative costs.

Big Bang Project

In December 2019, the City and a partnership of the Cordish Companies and Texas Rangers entered into an agreement, referred to as the "Big Bang Project" for the development of a transformative mixed-use project in the Entertainment District. The project includes two residential buildings with 280 units each, 70,000 square feet of commercial space, a 30,000 square foot co-working facility, and a 1500 space structured parking facility. The project is expected to cost over $300 million with the first phase, one of the residential buildings, set to break ground in early 2022. The City's tax increment (which is not pledged to the Bonds) will be used to fund a 34-year grant program for this project.

In December 2019, the City also entered into an agreement with Loews Hotels Co. for construction of a second Loews hotel in the Entertainment District, a 1,550 space structured parking facility, and new City-owned convention center. The hotel-convention center project will include an 888 room hotel tower and 200,000 square feet of indoor convention space with a total investment of $550 million. The parking facility was completed in 2020 and the hotel tower and convention center officially broke ground in October 2020 with an expected completion in early 2024.

In connection with the parking facility the City has agreed to reimburse the developer the cumulative total amount of $25,000,000 (the "Reimbursement Obligation") towards the project costs associated with the planning, design, development and construction of the parking facility. The City has currently paid $3,000,000 of the Reimbursement Obligation. The remaining Reimbursement Obligation is payable in annual amounts of $1,500,000 for each of the years 2022 through 2035 and $1,000,000 in 2036 from available surplus Tax Increments. See "THE BONDS - Surplus Fund."

Recent Economic Devlopments

The City continues to have strong economic growth. The City contains approximately 45 million square feet of industrial space at an average market rent of $6.81 per square foot, with a vacancy rate of 4.6%. Retail space stands approximately at 23.7 million square feet at an average market rent of $18.62 per square foot, with a vacancy rate of 5.9% vacancy, and office space totals 11.8 million square feet at an average market rent of $24.33 per square foot with a vacancy rate of 8.9%. The City's top employers are a diverse group of public and private entities including Arlington Independent School District, The University of Texas at Arlington, General Motors (GM), Texas Health Resources, GM Financial, and JP Morgan Chase. In 2019, GM completed a $1.4 billion assembly plant renovation and expansion currently employees over 4,400 people at the plant. Near the GM assembly plant, a new $250 million GM 1.2 million square foot supplier park (Arlington Automotive Logistics Center) was completed in late 2018 and created 1300 new jobs. United Parcel Service (UPS) completed a $200 million regional hub distribution center in late 2019 and created 1400 new jobs in Arlington. Prologis- Arlington Matlock Partners has begun development, with construction to start in late 2021, on a 45 acre master planned industrial park with an expected cost of $40 million. Bell Textron will begin construction in late 2021 on a new Systems Integration Lab Facility at the Bell Flight Research Center in Arlington with an expected investment of $22 million and creation of up to 230 new high paying jobs. Additionally, the National Medal of Honor Museum Foundation selected the City, specifically the Entertainment District, as the site of the state-of-the-art National Medal Honor Museum with an estimated cost of $150 million and expected construction start in early 2022. Other recent company relocations and expansions within Arlington include Wallbox, Bell, Bowery Farms (indoor farming), Pregis, CAE (formerly L3), GM Financial, UPS, Amazon, FedEx, Nanoscope, P&H Casters, TexStars (PPG), Six Flags, Williams Sonoma, Tellworks Communications, Northern Tool and Equipment, Rent the Runway and Summit Racing.

In November 2020, City voters approved a proposal on the local ballot to dedicate the remaining unused portion of its sales tax authorization (.25% of one cent) for the specific purpose of funding economic development activities. The measure passed, creating an economic development fund that generates approximately $17 million per year that is intended to help recruit new businesses to Arlington. Arlington has ranked in the top 5 seven out of the last 10 years for value of deals done facilitated by local and regional economic development organizations in the DFW Metroplex. These projects represented a total investment value of $5,998,170,000 or almost $6 billion over the last decade.

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Table 1 – Selected Financial Information for TIRZ Five

	The County	The Hospital District	The College District
2021 Total Certified Taxable Assessed Valuation (a)	$ 1,136,686,897	$ 1,136,686,897	$ 1,136,700,897
Less Tax Increment Base (b)	(704,406,197)	(704,406,197)	(704,420,197)
2021 Captured Appraised Value	$ 432,280,700	$ 432,280,700	$ 432,280,700
Taxing Participant's Unit's Tax Rate (c)	0.229000	0.224429	0.130170
Participation Rate (d)	70%	70%	50%
Tax Rate Contribution used to produce Tax Increments	0.160300	0.157100	0.065085
Estimated Tax Collection Rate (e)	98.50%	98.50%	98.50%
Projected Pledged Revenues from Tax Increments for Tax Year 2021 (Based on 2021 Captured Appraised Value)	682,552	668,928	277,130
2021 Total Pledged Revenues			1,628,609
Direct Debt Outstanding (including the Bonds)			$ 9,505,000
Average Annual Debt Service (2022 - 2050)			$ 583,020
Maximum Annual Debt Service (2038 and 2040)			$ 614,800
Coverage of Pledged Tax Increment Revenues to Average Annual Debt Service based on: 2021 Captured Appraised Value (f)			2.79 x
Coverage of Pledged Tax Increment Revenues to Maximum Annual Debt Service based on: 2021 Captured Appraised Value (f)			2.65 x
Increment Expiration Date	12/31/2052 (g)	12/31/2031 (h)	12/31/2049 (i)
Year Final Payment to be Received for Expiration Year	2053	2032	2050

(a) The 2021 certified taxable value shown is based on data provided by the Tarrant County Appraisal District (the "Appraisal District"). The value is net of the tax exemptions provided by the Participants as well as any taxable value attributable to personal property. See "FINANCIAL INFORMATION—Table 6 - Tax Increment Collections" for the certified values for 2017 through 2021. Only values that are certified by the Appraisal District are used to calculate tax due and produce Tax Increments.
(b) Certified appraised values are established annually by the Appraisal District for the current tax year, but are subject to change for a number of years thereafter. The Tax Increment Base is the taxable value as of January 1, 2006, the year TIRZ Five was created. See "SECURITY AND SOURCE OF PAYMENT—Calculation of Tax Increments."
(c) The tax rate shown is the tax rate adopted by each of the Participants for tax year 2021. See "FINANCIAL INFORMATION—Table 6 - Tax Increment Collections" for the tax rates for 2017 through 2021.
(d) See "SECURITY AND SOURCE OF PAYMENT."
(e) The collection rate shown for TIRZ Five is an estimate based on historic performance; however, the actual collection rate may differ. See "FINANCIAL INFORMATION—Table 6 - Tax Increment Collections" for collection rates per prior tax year.
(f) Pledged Revenues do not include the City tax increment, which is not pledged as security for the Bonds or otherwise available to pay debt service on the Bonds.
(g) The County's contribution will continue until (i) the year that the total revenue from all of the Participants exceeds $111,202,453, which is currently expected in 2045, or (ii) December 31, 2052 (final payment to be received in 2053), whichever occurs first.
(h) There is no maximum participation revenue amount for the Hospital District. The Hospital District's contribution will continue until December 31, 2031 (final payment to be received in 2032)
(i) The College District's contribution will continue until December 31, 2049 (final payment to be received in 2050) or until the year after the total revenue received from the College District reaches the Maximum College District Participation. It is not expected that the College District's cap will be reached prior to 2049.

SECURITY AND SOURCE OF PAYMENT

General

The Bonds are limited special obligations of the City payable solely from the sources described herein and are not obligations of the County, the Hospital District, the College District, the State, or any entity other than the City. The City is not obligated to pay principal of and interest on the Bonds from monies of the City other than the Pledged Revenues as defined herein under "Pledge of Revenues."

General Statutory Requirements for Tax Increment Zones

A tax increment reinvestment zone under Chapter 311 of the Texas Tax Code (the "TIF Act") may be created by a city or a county, which also approves a project plan and a financing plan for the zone. In the case of a city, the ordinance creating the zone and the project plan and financing plan must provide that the city will deposit its Tax Increments (as defined below) into a tax increment fund established by the City for the zone (the "Tax Increment Fund"). Other taxing units which tax property in the zone may agree with the City that they will also deposit a portion of their Tax Increments into the Tax Increment Fund established for the zone.

The amount of a taxing unit's tax increment for a year (the "Tax Increment") is the amount of property taxes levied and assessed by the taxing unit for that year on the captured appraised value in the zone (as defined below, the "Captured Appraised Value"). The Captured Appraised Value of real property taxable by a taxing unit for a year is the total taxable value of all real property taxable by the taxing unit and located in the tax increment reinvestment zone for that year less the total taxable value of all real property taxable by the unit and located in the tax increment reinvestment zone for the year in which the zone was designated as such under the TIF Act (the "Tax Increment Base"). If the boundaries of a zone are enlarged, the Tax Increment Base is increased by the taxable value of the real property added to the zone for the year in which the property was added. If the boundaries of a zone are reduced, the Tax Increment Base is reduced by the taxable value of the real property removed from the zone for the year in which the property was originally included in the zone's boundaries. The boundary of TIRZ Five will not be reduced as long as the Bonds or any Additional Obligations remain outstanding.

The TIF Act provides that each taxing unit is required to pay into the Tax Increment Fund for the zone the collected Tax Increments that it has agreed to pay under its agreement with the city and in accordance with the project plan and financing plan.

The TIF Act provides that a reinvestment zone terminates on the earlier of: (1) the termination date designated in the ordinance designating the zone or a later date designated by a subsequent ordinance after complying with the procedures in the TIF Act, and (2) the date on which all project costs, tax increment bonds (such as the Bonds) and interest on those bonds, and other obligations have been paid in full. Notwithstanding any termination of the zone under (1) above and unless otherwise specified by an agreement between a taxing unit and the city that created the zone, the TIF Act provides that a taxing unit is required to make a payment of Tax Increments into the Tax Increment Fund not later than the 90th day after the later of: (1) the delinquency date for the unit's property taxes, or (2) the date the city that created the zone submits an invoice to the taxing unit.

In addition, the TIF Act provides that a reinvestment zone may be terminated if the city that created the zone defeases all of the zone's tax increment bonds. See "THE BONDS—Defeasance."

Establishment of TIRZ Five: Participants

Pursuant to City Ordinance No. 06-117, adopted on December 19, 2006 (the "City Creation Ordinance"), the City created TIRZ Five and established the Tax Increment Fund for TIRZ Five as a separate fund in the City treasury. TIRZ Five took effect on the date of passage of the City Creation Ordinance and was scheduled to terminate on December 31, 2036, or at an earlier time designated by subsequent ordinance by the City Council, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, and interest on the bonds have been paid in full. By City Ordinance No. 19-066, adopted on December 17, 2019, the City extended the date of termination of TIRZ Five to December 31, 2052 (final payment to be received in 2053). On September 7, 2021, the City approved Ordinance 21-045 which approved the current Project and Financing Plan (defined herein). City Ordinance No. 06-117, City Ordinance No. 19-066 and City Ordinance No. 21-045 are collectively referred to herein as the "TIF Ordinances."

Pursuant to the City Creation Ordinance, during the term of TIRZ Five, the zone will consist of nine (9) board of directors (the "TIRZ Board") comprised of six (6) City representatives, one (1) County representative, one (1) Hospital District representative and one (1) College District representative. However, the Participation Agreements (defined herein) provide for the TIRZ Board to be comprised of five (5) City representatives, two (2) County representatives, one (1) Hospital District representative and one (1) College District representative. After each Participant (defined herein) other than the City designates to the City either the name of the member appointed by the TIRZ Board or the Participant's desire to waive its right to appoint a member, the City Council shall appoint whatever number of members are necessary to fill the remaining positions on the Board. Such members may be members of the City Council. Since 2007, the practice of the City and County has been that the County appoints one (1) representative and then waives its second designation which the City then, in turn, appoints a City representative to the TIRZ Board. If the TIRZ Board does not consist of the number of representatives stated above, the Participants shall suspend payment into the Tax Increment Fund until such time that the requirements above are satisfied. **As of the date of this Official Statement, 1) the TIRZ Board has at all times consisted of the number of representatives required by the City Creation Ordinance and 2) no Participant has suspended payment of its respective Tax Increments into the Tax Increment Fund under the Participation Agreements.** The City has covenanted in the Indenture to timely appoint the required members to the TIRZ Board.

The Participants which will produce Tax Increments which are pledged to the Bonds are the County, the Hospital District and the College District. **The Tax Increments of the City will not be pledged to the Bonds.**

Tarrant County's Participation Agreement with Respect to Tax Increments

The County, acting through its Commissioners Court, approved an interlocal agreement with the City (the "Original County Participation Agreement") in 2006. The Original County Participation Agreement initially became effective in 2007 with the first payment of Tax Increments by the County for taxes levied by the County in tax year 2008. The Original County Participation Agreement was amended and restated on September 28, 2021 (as amended and restated, the "County Participation Agreement"). Pursuant to the County Participation Agreement, the County agreed to participate in TIRZ Five by contributing 70% of the taxes collected by the County on the Captured Appraised Value in TIRZ Five. The calculation to determine the dollar amount of the County's Tax Increment to be deposited shall be made in accordance with the County's Tax Increment Financing Policy and such deposits shall be made in accordance with the City's standard administrative procedures, but only following receipt of a bill from the City that outlines the City's calculation of the amount of the deposit that is required for that year.

The County has agreed to deposit 70% of the County's Tax Increment into the Tax Increment Fund each year, until and including (i) the tax year during which the cumulative contribution of the County, the Hospital District, and the College District to the Tax Increment Fund reaches One Hundred and Eleven Million Two Hundred and Two Thousand Four Hundred and Fifty Three and 00/100 Dollars ($111,202,453.00) (the "County Participation Cap") or (ii) tax year 2052 (final payment to be received in 2053), whichever occurs first. The County Participation Cap is currently expected to be reached in 2045; provided the City cannot guarantee when or if such County Participation Cap will actually be reached. The County Participation Cap is calculated starting with tax year 2021.

Hospital District's Participation Agreement with Respect to Tax Increments

The Hospital District, acting through its Commissioners Court, approved an interlocal agreement with the City (the "Original Hospital Participation Agreement") in 2006. The Original Hospital District Participation Agreement initially became effective in 2007 with the first payment of Tax Increments by the Hospital District for taxes levied by the Hospital District in tax year 2008. The Original Hospital Participation Agreement was amended and restated on September 28, 2021 (as amended and restated, the "Hospital District Participation Agreement"). Pursuant to the Hospital District Participation Agreement, the Hospital District agreed to participate in TIRZ Five by contributing 70% of the taxes collected by the Hospital District on the Captured Appraised Value in TIRZ Five through tax year 2031 with the last payment to be received in 2032. The calculation to determine the dollar amount of the Hospital District's Tax Increment to be deposited shall be made in accordance with the Hospital District's Tax Increment Financing Policy and such deposits shall be made in accordance with the City's standard administrative procedures, but only following receipt of a bill from the City that outlines the City's calculation of the amount of the deposit that is required for that year.

College District's Participation Agreement with Respect to Tax Increments

The College District approved an interlocal agreement with the City (the "Original College Participation Agreement") in 2006. The Original College Participation Agreement initially became effective in 2007 with the first payment of Tax Increments by the College District for taxes levied by the College District in tax year 2008. The Original College Participation Agreement was amended and restated on October 28, 2021 (as amended and restated, the "College District Participation Agreement"). Pursuant to the College District Participation Agreement, the College District agreed to participate in TIRZ Five by contributing 50% of the taxes collected by the College District on the Captured Appraised Value in TIRZ Five. The calculation to determine the dollar amount of the College District's Tax Increment to be deposited shall be made in accordance with the College District's Tax Increment Financing Policy and such deposits shall be made in accordance with the City's standard administrative procedures, but only following receipt of a bill from the City that outlines the City's calculation of the amount of the deposit that is required for that year.

The College District has agreed to deposit 50% of the College District's Tax Increment into the Tax Increment Fund each year, until and including 2049 (final payment to be received in 2050) or until the Maximum District Contribution is reached. The Maximum District Contribution is $42,682,872 calculated starting with tax year 2021 with payments stopping in the year after the Maximum District Contribution is reached.

The County Participation Agreement, Hospital District Participation Agreement and College District Participation Agreement are collectively referred to as the "Participation Agreements".

Tax Increments

The TIF Ordinances designate the boundaries, the eligible real properties for the calculation of Tax Increment for TIRZ Five and the specific participation level of the City. If the TIF Ordinances are amended, the Participants shall suspend payment into the Tax Increment Fund until the amendment is approved by the governing body of each Participant.

The Tax Increment deposited into the Tax Increment Fund by the Participants shall be used to pay project costs for purposes as set forth and identified in the Project and Financing Plan. All Tax Increment Fund allocations, including but not limited to any management and administrative costs, must be approved by the TIRZ Board in accordance with the Project and Financing Plan. If the Project and Financing Plan as approved by Ordinance 19-028, is amended, the Participants shall suspend payment into the Tax Increment Fund until the amendment is approved by the governing bodies of the Participants.

As defined, TIRZ Five shall include real properties located within the boundaries as described in the TIF Ordinances. If TIRZ Five is expanded, the Participants are not required to deposit into the Tax Increment Fund any Tax Increment generated from properties in the expanded area unless participation in the expanded boundary area is approved by the governing bodies of the Participants as an amendment to their respective Participation Agreement. Additionally, the Tax Increment deposited into the Tax Increment Fund by the Participants may not be used for any permissible project costs in any portion of the expanded area of TIRZ Five unless approved by the governing bodies of the Participants.

No representation can be made regarding the future likelihood of the Participants' approval of amendments to the TIF Ordinances.

Calculation of Tax Increments

The certified appraised value in a zone is supplied to all the taxing units participating in the zone by the applicable appraisal district based on the appraisal district's identification of all real property accounts within such zone boundaries. The Tarrant County Appraisal District (the "Appraisal District") appraises the property in TIRZ Five for the Participants. Each Participant uses the certified appraised taxable value in TIRZ Five obtained from the Appraisal District, but then modifies it based on the various exemptions from taxation granted by the particular Participant. See "TAXING PROCEDURES OF THE PARTICIPANTS—Property Subject to Taxation by the Participants." Each Participant then determines Captured Appraised Value by subtracting the Tax Increment Base of TIRZ Five from the current year's taxable value in TIRZ Five.

The Appraisal District may issue a "correction roll," which may affect previously certified values. Value changes can be positive or negative depending on the cause. Omitted property adds value while protest settlements, exemptions and error corrections can add or subtract value. Value changes typically are larger in dollar amount and number in the years just following the current tax year and tend to diminish in amount and number over time.

Each Participant's determination of Captured Appraised Value will depend on the timing of its calculation (that is, what Appraisal District roll it uses) and its exemptions. The Participants' individual determinations resulted in the Captured Appraisal Values shown under "FINANCIAL INFORMATION—Table 6 - Tax Increment Collections." For an explanation of the different exemptions of the Participants, see "TAXING PROCEDURES OF THE PARTICIPANTS—Property Subject to Taxation by the Participants."

Collection of Tax Increments

Each taxing unit participating in a zone is to pay Tax Increments into the Tax Increment Fund that are equal to the amount arrived at by multiplying the Captured Appraised Value in the zone by the taxing unit's contributed tax rate per $100 of valuation for the tax year and then multiplying that product by the taxing unit's collection percentage, subject to any aggregate limitation. The collection percentage is determined by comparing the taxes collected from all taxable real property in the zone to the total taxes due to the taxing unit for the tax year from all real property in the zone. Each taxing unit's collection percentage is shown in "FINANCIAL INFORMATION—Table 6 - Tax Increment Collections." The TIF Act provides that payment of Tax Increments by participating taxing units is to be made by the 90th day after the later of either the delinquency date for the taxing unit's property taxes, or the date the city or county that created the zone submits to the taxing unit an invoice specifying the Tax Increment produced by the taxing unit and the amount the taxing unit is required to pay into the Tax Increment Fund for the zone.

Pursuant to the TIF Ordinances and the Participation Agreements, the City and TIRZ Five agree to continuously collect the Tax Increments during the term of the Participation Agreements, and to the extent legally permitted to do so, they agree that they will not permit a reduction in the Tax Increments paid by the Participants, except to the extent provided in the Participation Agreements. In addition, the City has agreed not to grant any tax abatements to property located within TIRZ Five as of the date of each issue of bonds if such tax abatement would cause the property value (as determined by the Appraisal District) of the subject property to be less than the property value of the subject property on the date such bonds were issued.

The parties to the Participation Agreements agree that all payments due and payable pursuant to the Participation Agreements for the period prior to the respective termination dates of each Participation Agreement will be paid to the City in the year following termination of such Participation Agreements. See "OVERVIEW OF THE CITY OF ARLINGTON ENTERTAINMENT DISTRICT — TIRZ Five" and "SECURITY AND SOURCE OF PAYMENT – "Tarrant County's Participation Agreement with Respect to Tax Increments", "- Hospital District's Participation Agreement with Respect to Tax Increments", and "- College District's Participation Agreement with Respect to Tax Increments".

Pledged Revenues

Pursuant to the Indenture, the City has pledged the "Pledged Revenues" to payment of the Bonds and any Additional Obligations (as defined herein). Pledged Revenues consists of (i) the Tax Increments and all of the City's right, title and interest thereto under the Participation Agreements; (ii) all moneys deposited or required to be deposited in the Pledged Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund and the Project Fund held by the Trustee pursuant to the provisions of the Indenture and all interest earnings and investment income therefrom, other than any amount required to be rebated to the United States under Section 148(t) of the Code and deposited to the Rebate Fund; and (iii) any and all property of every kind and nature (including without limitation, cash, obligations or securities) which may from time to time hereafter be conveyed, assigned, hypothecated, endorsed, pledged, mortgaged, granted, or delivered to or deposited with, the Trustee as additional security under the Indenture by the City, or anyone on behalf of the City, or which pursuant to any of the provisions of the Indenture may come into the possession or control of the Trustee as security under the Indenture, or of a receiver lawfully appointed under the Indenture, all of which property the Trustee is authorized to receive, hold and apply according to the terms hereof. The Tax Increments consist solely of the tax increment payments received from the County, the Hospital District and the College District. THE CITY TAX INCREMENTS ARE NOT PLEDGED TO THE PAYMENT OF THE BONDS AND ARE NOT PART OF THE PLEDGED REVENUES.

Concurrently with the delivery of the Bonds, the City will deposit into the Debt Service Fund, monies from capitalized interest sufficient to pay the debt service due on the Bonds through February 15, 2024.

Pursuant to the Indenture, the City has pledged the Pledged Revenues to payment of debt service on the Bonds and any Additional Obligations that may be subsequently issued. Within five (5) business days after receipt of the Tax Increments from the Participants for fiscal year 2022 and beyond, the City will set aside sufficient Pledged Revenues to pay debt service (net of any amounts already paid with capitalized interest) for the succeeding February 15 and August 15 (i.e., the following year's debt service), to pay the Paying Agent/Registrar's fees, and to replenish the Debt Service Reserve Fund, to the extent necessary. Thereafter, until the following year's Tax Increments are received from the Participants, the City may use any remaining Pledged Revenues for any lawful purpose under the TIF Act.

The Indenture further provides in the event that the amount of the remaining debt service payments due and outstanding on the Bonds is less than or equal to the Debt Service Reserve Requirement (as defined herein), the City may utilize remaining funds deposited in either the Debt Service Fund or the Debt Service Reserve Fund to make debt service payments for the Bonds, so long as any amounts collectively remaining in the Debt Service Fund and the Debt Service Reserve Fund are sufficient to make all remaining debt service payments on the Bonds. Once the Bonds have been paid in full, the City may freely utilize remaining amounts on deposit in the Project Fund (as defined herein), the Debt Service Fund, and the Debt Service Reserve Fund, in any, for any lawful purpose under the TIF Act.

The Bonds and the Additional Obligations, if any, are secured by a first lien on and pledge of the Pledged Revenues on an equal and ratable basis.

THE BONDS

Description

The Bonds will be issued in the aggregate principal amount, will mature on the dates and in the amounts, and will bear interest at the rates per annum set forth on the inside cover of this Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and will accrue from the Delivery Date. Interest on the Bonds is payable on August 15, 2022 and February 15 and August 15 of each year thereafter, until the earlier of maturity or redemption. The Bonds are issued in fully registered form, in principal denominations of $5,000 or any integral multiple thereof.

Authority for Issuance

The Bonds are being authorized and issued pursuant to authority granted by the Constitution and the general laws of the State of Texas (the "State"), including the TIF Act and Chapter 1371, Texas Government Code, as amended, an ordinance (the "Bond Ordinance") adopted by the City Council of the City, a Master Indenture of Trust (the "Master Indenture") between the City and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), the First Supplemental Indenture (the "First Supplemental Indenture") between the City and the Trustee and the pricing certificate (the "Pricing Certificate") executed on December 8, 2021 by an authorized officer of the City pursuant to the First Supplemental Indenture (the Master Indenture, the First Supplemental Indenture and the Pricing Certificate are collectively referred to as the "Indenture").

Use of Proceeds

As outlined in the Project and Financing Plan, the proceeds from the sale of the Bonds are being used to provide funds for projects in TIRZ Five including (1) water, sanitary sewer, and storm water facilities and improvements; (2) public parking improvements; (3) street and intersection improvements; (4) open space and park improvements; (5) a deposit to the Debt Service Reserve Fund; (6) paying capitalized interest, and (7) paying the costs of issuance of the Bonds.

Method of Payment of Principal and Interest

In the Indenture, the City has appointed The Bank of New York Mellon Trust Company, National Association as the initial Paying Agent/Registrar and Trustee for the Bonds (together with any successors, the "Paying Agent/Registrar" or the "Trustee"). The principal of the Bonds will be payable to the registered owners of the Bonds (the "Registered Owners"), initially Cede & Co., without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America. So long as the book-entry-only system described above is used with respect to the Bonds, the Registered Owners will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds in accordance with the book-entry-only system. In the event the book-entry-only system is discontinued, interest on each Bond will be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the last calendar day of the month immediately preceding each Interest Payment Date (each a "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of principal of or interest on any Bond is not a business day, then the date for such paying will be the next succeeding business day, as defined in the Indenture. If interest on any Bond is not paid on any Interest Payment Date and continues unpaid for thirty days or more thereafter, the Paying Agent/Registrar is required to establish a new record date for the payment of such interest (a "Special Record Date") when funds to make such payment are received from or on behalf of the City. Such Special Record Date is required to be fifteen days prior to the date fixed for payment of such past due interest.

The Funds

As specified in the Indenture, five (5) Business Days of receipt thereof, all Tax Increments received from the Participants shall be deposited, transferred and credited as pledged to the "Pledged Revenue Fund" and shall then be held in trust by the Trustee and applied in the following manner and order of priority:

(i) First, to the Debt Service Fund, amounts necessary to make the amounts on deposit in the Debt Service Fund equal to the Debt Service due and payable with respect to the Bonds, any Additional Obligations, and the related Credit Agreement Obligations, as applicable, for the next Bond Year;

(ii) Second, to the Debt Service Reserve Fund, the amount required to cause the amount on deposit in the Debt Service Reserve Fund to be equal to the Debt Service Reserve Requirement, plus any amount required to restore or replenish any deficiencies in the Debt Service Reserve Fund to the Debt Service Reserve Requirement is on deposit therein when, as and in the amounts therein required;

(iii) Third, to the Administrative Expenses Fund, an amount necessary to pay Administrative Expenses of which the City has actual notice;

(iv) Fourth, to any funds and accounts established pursuant to a Supplemental Indenture, for the benefit of Subordinate Lien Obligations;

(v) Fifth, to the Surplus Fund in an amount not to exceed Project Cost Cap, for the use by the City for the payment of Project Costs; and

(vi) Sixth, to the Redemption Fund for the redemption of Outstanding Obligations pursuant to the provisions of a Supplemental Indenture.

"Project Cost Cap" means an amount equal to $71,500,000 which a maximum amount of $49,500,000 can be funded from the proceeds of Obligations.

In the event that there are insufficient amounts on deposit in the Debt Service Fund to pay Debt Service on all Outstanding Obligations and the respective Credit Agreement Obligations on the dates such payments are due, available Pledged Revenues shall be applied to the payment of the Bonds and any Additional Obligations and related Credit Agreement Obligations on a pro rata basis.

Prior to each date of payment for the Bonds and any Additional Obligations, the Trustee shall determine and shall notify the City in writing of (i) the amount of Debt Service then due with respect to each series of Outstanding Obligations and (ii) the basis on which such determination is made. Notwithstanding the other provisions of the Indenture, the City shall not be required to set aside or pay any amounts to a Credit Provider or to the Trustee with respect to Administrative Expenses except as requested by such Persons and approved by an Authorized Officer. Notwithstanding other provisions of the Indenture or in a Supplemental Indenture, payment of Termination Payments required to be paid by the City to a counterparty with respect to a Swap Agreement shall be subordinate to the payment of Debt Service on Outstanding Obligations when due.

Project Fund

The Project Fund and any accounts or subaccounts thereof shall initially be funded as provided in a Supplemental Indenture. The money and securities in the Project Fund shall be held in trust by the Trustee and applied as provided in the Indenture and until such application, the money and securities in such fund shall be subject to a lien and charge in favor of the Owners of the Bonds.

The Trustee is authorized and directed to make disbursements from the Project Fund and to issue its checks therefor or otherwise pay upon receipt of a Payment Certificate in accordance with the Indenture. The Trustee shall keep and maintain adequate records pertaining to the Project Fund and all disbursements therefrom.

The Trustee shall use money in the Project Fund solely to pay or reimburse Project Costs allowable in the Project and Financing Plan including the repayment of any advances, loans, notes or other obligations used to finance Project Costs. Before any payment shall be made from the Project Fund, there shall be filed with the Trustee a completed Payment Certificate signed by an Authorized Representative of the City. Upon receipt of such requisition, the Trustee shall make payment from the Project Fund in accordance with such requisition.

Debt Service Reserve Fund

The Debt Service Reserve Fund will be funded to the Debt Service Reserve Requirement. The "Debt Service Reserve Requirement" means, with respect to Outstanding Obligations, Maximum Annual Debt Service on the Outstanding Obligations as of the date of issuance; provided, however, that the Debt Service Reserve Requirement shall be recalculated each year on a date determined by the City and as a result of a redemption conducted pursuant to the provisions of a Supplemental Indenture or the payment of principal due in a given year, the Debt Service Reserve Requirement may be reduced to the amount calculated above; provided, however, that such reduction of the Debt Service Reserve Requirement pursuant to such redemption, shall not reduce the amount on deposit in the Debt Service Reserve Fund below an amount equal to Maximum Annual Debt Service on the Outstanding Obligations.

Moneys on deposit in the Debt Service Reserve Fund, shall be used solely and exclusively for the purposes of making transfers to the Debt Service Fund in the event that the moneys on deposit in said fund are not sufficient to pay Debt Service on the Bonds and any Additional Obligations when due, or to make payments to Credit Providers for the payment of Credit Agreement Obligations, on the dates and in the full amounts required by the Indenture, by any Supplemental Indenture, or by any Credit Agreement.

In lieu of funding the Debt Service Reserve Fund, from the proceeds of Obligations or with Pledged Revenues to the amount of the Debt Service Reserve Requirement pursuant to a Letter of Instructions the Trustee shall accept a Debt Service Reserve Fund Policy providing amounts up to the Debt Service Reserve Requirement. Such Debt Service Reserve Fund Policy must provide for the payment of the principal of and interest on the Obligations when due, and in order to avoid a default thereof, up to an amount equal to the Debt Service Reserve Requirement to the extent cash and investment in the respective subaccounts of the Debt Service Reserve Fund do not equal such Debt Service Reserve Requirement. The total dollar amount of the Debt Service Reserve Fund Policy with respect to the payment of such Obligations shall be deemed for all purposes of the Indenture to satisfy a corresponding amount of the Debt Service Reserve Requirement. A determination by the City that the terms and provisions of a particular Debt Service Reserve Fund Policy is in compliance with the requirements of this subsection shall be conclusive absent manifest error. To the extent Debt Service Reserve Fund Policies are entered into, the Trustee shall pay, pursuant to a Letter of Instructions, the costs thereof from amounts that would otherwise be deposited to the Debt Service Reserve Fund. A Debt Service Reserve Fund Policy entered into for the purpose of providing all or a part of the amount equal to the Debt Service Reserve Requirement shall constitute a Credit Agreement under the Indenture.

If, at any time, a transfer is required from the Debt Service Reserve Fund for the purposes stated above, the Trustee shall make such transfer on the dates on which transfers are required to be made to the Paying Agent/Registrar under the Indenture or a Supplemental Indenture; provided, that cash and investments on deposit in the Debt Service Reserve Fund shall be applied for such purposes prior to making demand under a Credit Agreement for such purpose.

Amounts on deposit in the Debt Service Reserve Fund shall be calculated by the Trustee as of September 1 in each fiscal year and upon the redemption of Outstanding Obligations pursuant to the provisions of a Supplemental Indenture. After such calculations, any funds on deposit in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement shall be transferred to the Pledged Revenue Fund for further deposits pursuant to; provided, however, that no transfers from the Debt Service Reserve Fund shall be made pursuant to this section that would reduce the amount on deposit in the Debt Service Reserve Fund to an amount that is less than the Maximum Annual Debt Service on the Outstanding Obligations.

Should the Debt Service Fund or any other fund or account contain less than the amount required to be on deposit in the accounts therein, then any such deficiency shall be restored from the first available Pledged Revenues pursuant to the priority set forth in the Indenture and further transfers to any other accounts shall be suspended until such deficiency has been restored. If such amounts are insufficient to cure any deficiencies, amounts on deposit in the Surplus Fund, for which notice has not been given with respect to the redemption of Obligations, shall be transferred to the Debt Service Fund to restore any such deficiency.

Surplus Fund

Pledged Revenues shall be deposited to the Surplus Fund in accordance with the flow of funds (see "THE BONDS - The Funds"). Once the total amounts deposited to the Surplus Fund plus the total amounts deposited to the Project Fund pursuant to Supplemental Indentures reach the Project Cost Cap, no additional deposits shall be made to the Surplus Fund, and no replenishment shall be made to the Surplus Fund, except in the event of a draw on the Surplus Fund for the purpose of paying Debt Service on Outstanding Obligations pursuant to Section 5.8(a)(i) of the Indenture, in which event, deposits of Pledged Revenues to the Surplus Fund shall resume until there shall be deposited to the Surplus Fund the amount of funds withdrawn pursuant to 5.8(a)(i) of the Indenture.

(a) Amounts deposited to the Surplus Fund pursuant the Indenture shall be used by the City for the following purposes:

(i) First, pursuant to a City Letter of Instructions, for transfer to the Debt Service Fund in the event funds on deposit in the Debt Service Fund are insufficient to pay Debt Service on Obligations when due or to restore the Debt Service Reserve Fund to the Debt Service Reserve Requirement after a withdrawal made pursuant to Section 5.6 of the Indenture; and

(ii) Second, an amount equal to $1,500,000 for each of the years 2022 through 2035 and $1,000,000 in the year 2036 shall be withdrawn by the City and used to pay the Reimbursement Obligation; and

(iii) Third, all remaining Pledged Revenues in the Surplus Fund shall be used for the following purposes:

(A) withdrawal by the City pursuant to a Payment Certificate for the payment of Project Costs;

(B) deposit to the Redemption Fund pursuant to a City Letter of Instructions.

Redemption Fund

(a) Amounts deposited to the Redemption Fund shall be used and applied in accordance with the Indenture.

(b) Until expended, money on deposit in the Redemption Fund shall be invested in Investment Securities as set forth in a Letter of Instructions, subject to any investment restrictions set forth in a Credit Agreement or Supplemental Indenture.

(i) Pursuant to a City Letter of Instructions, moneys deposited to the Redemption Fund shall be applied for the purpose of:

(A) for transfer to the Debt Service Fund in the event funds on deposit in the Debt Service Fund are insufficient to pay Debt Service on Obligations when due or to restore the Debt Service Reserve Fund to the Debt Service Reserve Requirement after a withdrawal made pursuant to Section 5.6 of the Indenture;

(B) redeeming any Obligations that are subject to redemption prior to Stated Maturity from money on deposit therein;

(C) purchasing Obligations for cancellation, at the option of the City, at a price not to exceed the principal amount thereof plus accrued interest;

(D) to optionally redeem Obligations subject to optional redemption; and

(E) to discharge Obligations not otherwise scheduled for redemption by their terms, pursuant to the provisions of Article IX of the Indenture.

(c) Notwithstanding any provision to the contrary in the Indenture, in the event the amount on deposit in the Debt Service Fund is insufficient to pay Debt Service on Obligations when due, amounts on deposit in the Redemption Fund may be transferred by the City pursuant to a Letter of Instructions, to the Debt Service Fund.

Additional Obligations

The City has reserved the right to issue Additional Bonds on a parity with the Bonds (the "Additional Obligations") on the terms set out in the Indenture for the purposes set forth in the Project and Financing Plan as it may be amended from time to time. Prior to issuing Additional Obligations, the following conditions must be met:

(i) The City is not then in default as to any covenant, condition or obligation prescribed by any Indenture authorizing the issuance of Outstanding Obligations or such Additional Obligations; and

(ii) The Director of Finance of the City has executed a certification that (A) the Pledged Revenues for either the completed fiscal year next preceding the date of issuance of the Additional Obligations or (B) the Pledged Revenues billed (but not yet received) by the City to the Participants on the billing date that is immediately prior to the date of issuance of the Additional Obligations, is equal to at least 1.25 times the Maximum Annual Debt Service (calculated on a fiscal year basis and net of capitalized interest to be used in that year, if any) of all Obligations which will be outstanding after the issuance of the proposed Additional Obligations, and

(iii) The Director of Finance of the City has prepared a forecast of Pledged Revenues demonstrating that in no fiscal year during which the Additional Obligations will be Outstanding are the Pledged Revenues forecasted to be less than 1.25 times the Annual Debt Service in each forecast year (calculated on a fiscal year basis and net of capitalized interest to be used in that year, if any) of all Obligations which will be outstanding after the issuance of the proposed Additional Obligations.

Additional Subordinate Lien Obligations may be issued pursuant to the terms and conditions set forth in a Supplemental Indenture authorizing Subordinate Lien Obligations.

The City reserves the right to issue under the Indenture Refunding Obligations for the purpose of refunding Outstanding Obligations (of the same or lower priority) or related outstanding Credit Agreement Obligations in principal amount, after giving effect to any premiums received on the sale thereof, sufficient to provide for the payment thereof. Each series of Refunding Obligations shall be authorized and issued pursuant to a Supplemental Indenture which shall prescribe the terms of such Refunding Obligations and the security therefor. Refunding obligations shall not be subject to the provisions above if they produce a net present value savings or reduce the Maximum Annual Debt Service. The City may issue Refunding Obligations secured under the Indenture for the purpose of obtaining funds to pay a Termination Payment due to the counterparty to a Swap Agreement in connection with the termination thereof. The lien of the Indenture and payment of Refunding Obligations issued pursuant to this subparagraph (b) shall be subordinate to the lien and payment of Obligations or Credit Agreement Obligations issued under the Indenture for any purpose specified in the Indenture.

See "RISK FACTORS—Risk of Additional Bonds, Including Additional Obligations."

Sources and Uses

The sources and uses of funds for the Bonds are approximately as follows:

Sources:		
Par amount of the Bonds	$	9,505,000.00
Premium		1,416,704.05
Total Sources of Funds	$	10,921,704.05
Uses:		
Deposit to Project Fund	$	9,150,000.00
Deposit to Debt Service Reserve Fund		614,800.00
Deposit for Capitalized Interest		881,434.72
Cost of Issuance(1)		275,469.33
Total Uses of Funds	$	10,921,704.05

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(1) Includes underwriting, legal, financial advisory, rating agencies, publication costs and printing expenses, among other costs of issuance.

Payment Record

The City has never defaulted on its revenue obligations and has not defaulted on its bonds payable from ad valorem taxation since 1935 when all such bonds were refunded at par with a reduction in interest rate.

Paying Agent/Registrar

Payments of principal and interest on the Bonds will be payable by the Paying Agent/Registrar to DTC or its nominee, Cede & Co., which will then remit such payments to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as described herein under "BOOK-ENTRY-ONLY SYSTEM."

The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar (see "Registration, Transfer, Exchange – Successor Paying Agent/Registrar" herein).

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.

Principal of the Bonds will be payable to the registered owner at maturity or prior redemption upon presentation at the designated payment office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (See "Registration, Transfer, Exchange – Record Date for Interest Payment" herein), or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding 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 payment date So long as Cede & Co. is the registered owner of the Bonds, principal and interest on the Bonds will be made as described in "BOOK-ENTRY-ONLY SYSTEM".

Amendments

The City may amend the Indenture without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, as applicable, amend, add to, or rescind any of the provisions of the Indenture, except that, without the consent of the registered owners of all of the Bonds, as applicable, no such amendment, addition or rescission may (1) change the date specified as the date on which the principal on any installment of interest is due payable, reduce the principal amount or the rate of interest, or in any other way modify the terms of their payment, (2) give any preference to any Bonds, as applicable, over any other Bonds or (3) reduce the aggregate principal amount required to be held by owners for consent to any amendment, addition or rescission.

Optional Redemption

The City has reserved the right and option to redeem the Bonds scheduled to mature on or after August 15, 2031, prior to their scheduled maturities, in whole or in part, on August 15, 2030, or on any date thereafter, at a price of 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 Bonds (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.

Mandatory Redemption

The Bonds maturing on August 15, 2041 and 2050 (the "Term Bonds"), are subject to mandatory redemption in part prior to maturity on August 15, in the years shown below at 100% of the principal amount thereof plus accrued interest to the date of redemption from payments into the Interest and Sinking Fund which are required to be made in amounts sufficient to redeem on August 15 of each year the principal amount of such Term Bonds as follows:

$1,920,000
Term Bonds
Stated to Mature
on August 15, 2041

Year		Principal Amount
2037		$ 355,000
2038		370,000
2039		380,000
2040		400,000
2041	(maturity)	415,000

$4,555,000
Term Bonds
Stated to Mature
on August 15, 2050

Year		Principal Amount
2042		$ 430,000
2043		445,000
2044		465,000
2045		485,000
2046		505,000
2047		525,000
2048		545,000
2049		565,000
2050	(maturity)	590,000

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption requirements may be reduced, at the option of the City, by the principal amount of such Term Bonds which, prior to the date of the mailing of notice of such mandatory redemption, (1) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City, or (3) shall have been redeemed pursuant to the optional redemption provisions described in the preceding paragraph and not therefore credited against a mandatory redemption requirement.

Notice of Redemption

Not less than 30 days prior to the redemption date, the Paying Agent/Registrar shall send a notice of redemption by United States mail, first class postage prepaid, to each registered owner (the "Owner") of a Bond to be redeemed in whole or in part at the address of the Owner as shown on the records of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing of 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 bonds 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 OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY AN OWNER. 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 BONDS OR PORTION THEREOF, SHALL CEASE TO ACCRUE.

Redemption Procedures While Bonds Held by DTC

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

In such event, DTC may implement, through its Book-Entry-Only system, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners.

Any such selection of Bonds to be redeemed will not be governed by the Indenture and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act a nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds selected for redemption (see "Book-Entry-Only System")

Defeasance

The Indenture provides that the City may discharge its obligations 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 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, (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, and (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. 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 Indenture.

Under current State law, after such deposit as described above, the 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 Indenture does 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.

Holders' Remedies

The Indenture 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 Indenture which materially and adversely affect the rights of the related Owners, including but not limited to their prospect or ability to be repaid in accordance with the Indenture, 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 Indenture. 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 Indenture 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 Indenture. 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. The City has not waived sovereign immunity in the proceedings authorizing the Bonds.

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 Owners 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 opinion 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.

Registration, Transfer and Exchange

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.

For so long as DTC is the securities depository for the Bonds, then the term "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.

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 for the Bonds will be delivered to the owners thereof, 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. An Obligation 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 or Bonds will be delivered by the Paying Agent/Registrar to the last assignee (the new Owner) in exchange for such transferred and assigned Bonds in accordance with the provisions of the respective Indenture. Such new Obligation must be in the denomination of $5,000 for any one maturity or any integral multiple thereof. The last assignee's claim of title to the Obligation must be proved to the satisfaction of the Paying Agent/Registrar.

Record Date for Interest Payment. The record date ("Record Date") for the interest payment on the Bonds on an interest payment date means the close of business on the last business day of the preceding month.

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

Successor Paying Agent/Registrar. Provision is made in each Indenture for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. The Paying Agent/Registrar selected by the City shall be a commercial bank, a 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 and registrar for the Bonds. A successor Paying Agent/Registrar, if any, shall be determined by the City. Upon a change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond or portion thereof, called for redemption prior to maturity, within 45 days prior to the date fixed for redemption.

RISK FACTORS

Limited Obligations

THE BONDS ARE LIMITED OBLIGATIONS OF THE CITY, PAYABLE SOLELY FROM THE PLEDGED REVENUES, AND ARE NOT OBLIGATIONS OF THE COUNTY, THE HOSPITAL DISTRICT OR THE COLLEGE DISTRICT AND DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY, THE COUNTY, HOSPITAL DISTRICT, OR COLLEGE DISTRICT.

THE BONDS DO NOT CONSTITUTE, WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL PROVISION, AN INDEBTEDNESS, AN OBLIGATION, OR A LOAN OF CREDIT OF THE COUNTY, HOSPITAL DISTRICT, COLLEGE DISTRICT, THE STATE, OR ANY OTHER MUNICIPALITY, COUNTY, OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE. THE CITY IS NOT OBLIGATED TO MAKE PAYMENTS ON THE BONDS EXCEPT FROM THE PLEDGED REVENUES.

For a variety of reasons, as described below, a decrease or reduction in Pledged Revenues may occur. These Bonds are subject to special investment considerations as set forth below.

Impact of Economic Conditions

Each year the then current market value of all real property and improvements in TIRZ Five will determine Captured Appraised Value which will produce Pledged Revenues. The market value of the real property and improvements within TIRZ Five is affected by the demand for such improvements. Demand is affected by many factors, such as interest rates, credit availability, construction costs, energy availability, mobility and the general economic conditions and demographic characteristics of the U.S. economy and the specific economic conditions and demographic characteristics of the Dallas/Fort Worth metropolitan area.

Dependence on Principal Taxpayers

Approximately 4.68% of the 2021 total certified taxable value was derived from Six Flags Over Texas amusement park and approximately 30.20% of the 2021 total certified taxable value was derived from the top 10 taxpayers. See "FINANCIAL INFORMATION – Table 4 - Principal Taxpayers in TIRZ Five." If a principal taxpayer were to default in the payment of its taxes, the amount of Pledged Revenues available for payment of debt service on the Bonds could be adversely affected. Collection of delinquent taxes can be a time consuming process. See "— Limitations on Tax Collections and Foreclosure Remedies" in this section.

Risks Related to Entertainment Venues and Retail Operations

Entertainment Venues, such as Globe Life Field, Choctaw Stadium, Arlington Six Flags located in the Zone, retail shops and restaurants can be significantly affected by a variety of risk factors. The following are examples of such risks: changes in international, national, regional and local economic conditions; tenant bankruptcies and a resulting rejection of leases; the impact on retail tenants and demand for retail space due to increased use of the internet by retailers and consumers; the impact of alternative retail shopping centers like outlet centers, community/lifestyle centers, and catalogs; the loss of anchor stores and other major tenants; local real estate conditions, such as an oversupply of, or reduction in demand for, retail space or retail goods, decreases in rental rates, declining real estate values and the availability and creditworthiness of tenants; levels of consumer spending, changes in consumer confidence and fluctuations in seasonal spending; the willingness of retailers to lease space; increased operating costs; changes in applicable laws and regulations, including tax, environmental, safety and zoning; perceptions by consumers of the safety, convenience and attractiveness of entertainment venues, shops and restaurants; casualties and other natural disasters; and the potential for terrorist activities.

Risks Related to Hotels

TIRZ Five includes 27 hotel properties with 3,707 total rooms, many of which are affiliated with major hotel chains. Hotels make up approximately 20% percent of TIRZ Five's taxable value. Hotels can be significantly affected by a variety of risk factors. The following are examples of such risks: political economic and financial market developments; domestic, national and international travel restrictions; reduced demand for hotel rooms as a result of an economic downturn, attitude shifts to travel that may occur due to concerns about climate change or fear of contagion; industry overcapacity and weak demand due to the cyclical nature of the hotel industry, competition from other hotel groups, web-based booking channels, and short-term rentals of private property; increased operating costs; changes in applicable laws and regulations, including tax, environmental, safety and zoning; perceptions by consumers of the safety, convenience and attractiveness of hotel properties; casualties and other natural disasters; and the potential for terrorist activities.

Many hotels have been adversely affected by the COVID-19 Pandemic, which has caused a decrease in occupancy rates. Occupancy rates may be taken into account in establishing the taxable value of income producing properties, so the lower occupancy rates experienced by hotel properties since the COVID-19 Pandemic could result in lower taxable values for such establishments. Taxable values are determined annually so how long the COVID-19 Pandemic affects hotel occupancy could impact future taxable values. See "TAXING PROCEDURES OF THE PARTICIPANTS—Valuation of Property for Taxation."

Future Taxable Values in TIRZ Five May Decline

The Appraisal District determines the taxable value in TIRZ Five annually based on the then current market value of all taxable real property and improvements in TIRZ Five.

Captured Appraised Value is derived from the taxable value of real property and improvements within TIRZ Five from year to year, not from any increase in the appraised value of personal property (such as equipment and inventory).

The Appraisal District may use cost data, cost comparisons and/or an analysis of the income being produced by an apartment project, office building or retail establishment to determine its taxable value. Residential or commercial buildings that are not occupied or are only partially occupied may be appraised at a lower value than occupied facilities. Under certain circumstances, residential real property inventory held by a person in the trade or business will be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Reduced taxable values of the improvements in TIRZ Five will affect Captured Appraised Value used to determine the Tax Increments received by the City.

The use of a particular method or combination of methods of appraisal with respect to property in TIRZ Five may, over time, cause a decrease in the Captured Appraised Value in TIRZ Five and, therefore, result in a reduction in the Pledged Revenues.

Property owners have the right to protest the appraised value of their property in TIRZ Five annually and are not required to render their property for ad valorem taxation at any agreed upon level, unless required by a development agreement with the City. Owners in TIRZ Five may sell their properties to entities which do not pay ad valorem taxes on their property or convert their property to a use which is exempt from ad valorem taxes. Property owners have the right to seek tax abatements. Property values may also be adversely affected by natural or other disasters resulting in the destruction of property in TIRZ Five. See "Weather Events" below. The appraised value of the property and improvements will be determined and certified by the Appraisal District in accordance with the procedures described above and in "TAXING PROCEDURES OF THE PARTICIPANTS" and may be at a value lower than projected.

Weather Events

If a future weather event significantly damaged all or part of the improvements within TIRZ Five, the assessed value of property within TIRZ Five could be substantially reduced, which could result in a decrease in Pledged Revenues. Further, there can be no assurance that a casualty loss to taxable property within TIRZ Five will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligations to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within TIRZ Five. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within TIRZ Five could be adversely affected.

The Property Tax Code (defined herein) provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon the market value as of January 1, of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

Tax Rates and Collection Rates May Decline

The amount of Pledged Revenues available to pay principal of and interest on the Bonds is determined by the appraised value of taxable real property and improvements in TIRZ Five, the tax rate of the Participants, and the percentage of taxes actually collected from taxpayers in TIRZ Five and paid into the Tax Increment Fund.

A Participant is not required under Texas law or any contract to set a tax rate sufficient to assure any certain dollar amount of Tax Increments; rather, Texas law, and the Participation Agreements only require the Participants to contribute the Tax Increments actually collected by them and only to the extent provided in the Participation Agreements and the Project and Financing Plan. The City does acknowledge in the Participation Agreements, however, that a reduction in the Participants' tax rate may impair the City's ability to pay its debt or pay other obligations.

Each Participant will set its tax rate in accordance with the Property Tax Code, which allows voters to limit an increase in the tax rate. In the 86th Legislative Session of the Texas Legislature which ended in May 2019, the Texas Legislature amended the Property Tax Code to further reduce a Participant's ability to increase its tax rate without holding an election. See "TAXING PROCEDURES OF THE PARTICIPANTS—State Law Limitations on Setting the Annual Tax Rate." In addition, the Texas Legislature could change the process for setting the rates or establish more stringent limits on the tax rates that may be set by a political subdivision than those currently in effect.

The County's tax rate for the 2021 tax year is $0.229000 per $100 taxable value, the Hospital District's tax rate for the 2021 tax year is $0.224429 per $100 taxable value, and the College District's tax rate for the 2021 tax year is $0.13017 per $100 taxable value. See "FINANCIAL INFORMATION—Table 6 - Tax Increment Collections" for tax rates from 2017 through 2021. If the tax rate of the Participants declines, the amount of Pledged Revenues available to pay debt service on the Bonds may decrease.

If the percentage of taxes collected by the Participants in TIRZ Five declines, the amount of Pledged Revenues available to pay debt service on the Bonds may decrease. Historic tax collection rates may not accurately predict future tax collection rates.

The collection of, and accounting for, Tax Increments involve extensive administration and are subject to error. Moreover, detailed procedures for calculation and collection of Tax Increments are not set forth in the TIF Act and are implemented at the discretion of each taxing unit participating in a tax increment reinvestment zone.

Limitations on Tax Collections and Foreclosure Remedies

The City's ability to make debt service payments on the Bonds may be adversely affected by the Participants' inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by a Participant constitutes a lien on the property against which taxes are levied and such lien may be enforced by foreclosure. Foreclosure must be effected through a judicial proceeding. A Participant's ability to collect ad valorem taxes through such foreclosure may be impaired by cumbersome, time-consuming and expensive collection procedures or economic and market conditions affecting the marketability of taxable property within TIRZ Five and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within TIRZ Five available to pay debt service on the Bonds may be limited by the current aggregate tax rate being levied against the property and by other factors, including the taxpayers' right to redeem property within two years of foreclosure for residential homestead and agricultural use property and within six months of foreclosure for other property. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within TIRZ Five pursuant to the United States Bankruptcy Code (the "Bankruptcy Code") could stay any attempt by a Participant to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years, and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. The City has no control over the collection of property taxes by the Participants.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution. Under FIRREA real property held by the FDIC is still subject to ad valorem taxation, but such act states (1) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (2) the FDIC shall not be liable for any penalties or fines, including those arising from the failure to pay any real or personal property tax when due and (3) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed. These provisions may affect the timeliness of collection of taxes on property which may be owned in the future by the FDIC in TIRZ Five and may prevent the collection of penalties and interest on such taxes.

Limited Remedies After Default and Risk of Bankruptcy

If the City defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Indenture, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Indenture, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the City and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Indenture. Except for mandamus, the Indenture does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no provision for acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

Although the Registered Owners could obtain a judgment against the City, such a judgment could not be enforced by a direct levy and execution against the City's property. Further, the Registered Owners cannot themselves foreclose on property within TIRZ Five or sell property within TIRZ Five in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners further may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of entities such as the City. In this regard, should the City file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

Risk of Additional Bonds, Including Additional Obligations

The City has reserved the right to issue additional series of Additional Obligations which are secured by the Pledged Revenues on an equal basis with the then-outstanding Bonds. The issuance of Additional Obligations may adversely affect the investment security of the outstanding Bonds. For a description of the circumstances under which Additional Obligations may be issued and the City's issuance plans, see "THE BONDS - Additional Obligations" and "FINANCIAL INFORMATION—Plans to Issue Bonds." Additionally, the City may incur debt subordinate to the payment of Additional Obligations or may incur other obligations through development agreements and related agreements.

The City has agreed in the Project and Financing Plan to contribute a total of $49.6 million from the proceeds of bonds or direct payments.

The City currently plans to issue a series of Additional Obligations in the approximate principal amount of $25 million in 2028.

Dependence on Contract Performance

In order for owners of the Bonds to receive principal of and interest as due, several governmental units must perform their obligations under the contracts described herein. The Participants must perform their obligations under the Participation Agreements, and the City must perform its obligations under the TIF Ordinances, which includes transferring the Tax Increments to the City on the schedule set forth in the Participation Agreements. TIRZ Five and the City also have obligations under the TIF Ordinances. Any of these parties could default in their obligations, and enforcement would be dependent upon judicial redress, which is subject to discretion and delay. In addition, enforcement may be limited or prohibited if the defaulting party files for bankruptcy under the Bankruptcy Code or similar state laws. Moreover, each of the Participants in TIRZ Five may be reluctant to pursue judicial redress against another Participant, with which it may be engaged in many transactions.

Failure to Generate Sufficient Pledged Revenues

The Zone was created by the City Council of the City on December 9, 2006, and currently is scheduled to terminate on December 31, 2052. The County has agreed to deposit 70% of the County's Tax Increment into the Tax Increment Fund each tax year, until and including (i) the tax year during which the cumulative contribution of the County, the Hospital District, and the College District to the Tax Increment Fund reaches the County Participation Cap or (ii) tax year 2052, whichever occurs first. See "SECURITY AND SOURCE OF PAYMENT - Tarrant County's Participation Agreement with Respect to Tax Increments."

The Hospital District agreed to deposit 70% of the Hospital District's Tax Increment into the Tax Increment Fund through tax year 2031 with the last payment to be received in 2032. See "SECURITY AND SOURCE OF PAYMENT – Hospital District's Participation Agreement with Respect to Tax Increments."

The College District has agreed to deposit 50% of the College District's Tax Increment into the Tax Increment Fund each year, until and including tax year 2049 or until the Maximum District Contribution is reached. See "SECURITY AND SOURCE OF PAYMENT – Hospital District's Participation Agreement with Respect to Tax Increments."

If Tax Increments collected prior to termination of the Zone have been insufficient to pay principal of and interest on the Bonds when due, no additional Tax Increments are required to be collected, and no remedies are available to the Bondholders to recover amounts remaining unpaid but with respect to which Tax Increments have been insufficient.

Risk of Failure to Comply with Certain Covenants

Failure of the City to comply with certain covenants contained in the on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See "TAX MATTERS."

Changes in Law

Current law may change so as to directly or indirectly reduce Tax Increments available to TIRZ Five. The Texas Legislature meets biennially in odd numbered years and frequently makes changes to the TIF Act and the Property Tax Code. The 87th Regular Legislative Session convened on January 12, 2021 and concluded on May 31, 2021. Thereafter, the Governor may call one or more additional special sessions, at the Governor's discretion each of which may last no more than thirty days and for which the Governor sets the agenda. The Governor called a special session that convened on July 8, 2021 and adjourned on August 6, 2021, a second special session that convened on August 7, 2021 and adjourned on September 5, 2021, and called for a third special session that convened on September 20, 2021 and adjourned on October 19, 2021. Changes to the Property Tax Code can also affect the valuation of property in the TIRZ Five. TIRZ Five has no control over these changes.

Changes in Tax Legislation

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may 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 proposed, pending or future legislation.

Limited Marketability of the Bonds

The City has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price may be greater than the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

Reliance on Debt Service Reserve Fund

A Debt Service Reserve Fund in the amount of the Debt Service Reserve Requirement will be established in connection with the issuance of the Bonds. Available funds in the Debt Service Reserve Fund are required to be used to fund debt service on the Bonds when there are insufficient funds in the Debt Service Fund to do so. However, the amount in the Debt Service Reserve Fund may not be sufficient to pay debt service on the Bonds, depending upon the amount, duration and frequency of the shortage in Pledged Revenues. If the Debt Service Reserve Fund is accessed to pay debt service on the Bonds, the City may not have sufficient Pledged Revenues to replenish the fund.

Environmental Regulations

Wastewater treatment, water supply, storm sewer facilities and construction activities are subject to complex environmental laws and regulations at the federal, state and local levels that may require or prohibit certain activities that affect the environment, such as:

Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
Restricting the manner in which wastes are treated and released into the air, water and soils;
Restricting or regulating the use of wetlands or other properties; or
Requiring remedial action to prevent or mitigate pollution.

Sanctions against a governmental entity for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within TIRZ Five. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact TIRZ Five.

Impact of COVID-19 or Other Infectious Disease Outbreak

Any international, national or localized outbreak (an "*Outbreak*") of a highly contagious or epidemic disease, such as COVID-19, the Zika virus, Ebola virus, or other highly contagious or epidemic disease, may have a material impact on an investment in the Bonds. The Authority's financial and operating condition may be materially adversely impacted by an Outbreak, particularly if such Outbreak occurred in or around TIRZ Five. Financial markets in the United States and globally may experience significant volatility or declines in connection with an Outbreak, which may have a material impact on the market price of the Bonds. Moreover, the spread of an Outbreak, such as COVID-19, may materially impact the state and national economies and, accordingly, materially adversely impact the City.

The World Health Organization declared a pandemic following the Outbreak of COVID-19, a respiratory disease caused by a particular strain of coronavirus (the "COVID-19 Pandemic"), which is currently affecting many parts of the world, including the United States, Texas and the Tarrant County region, and is impacting commerce and global and national financial markets. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the "President") declared the COVID-19 Pandemic a national emergency and the Texas Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in Texas. 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. The Governor of the State has issued a number of executive orders relating to COVID-19 preparedness and mitigation. On July 29, 2021, the Governor issued Executive Order GA-38, which took effect immediately, and superseded most of the executive orders relating to COVID-19 and provides, generally, for the continuation of the reopening of the State to 100%, ends the COVID-19 mask mandate, and superseded any conflicting order issued by local officials in response to COVID-19, among other things and subject to certain limitations. Executive Order GA-38, ends the mask requirement for governmental entities, including municipalities, and subjects a governmental entity or official to a fine of up to $1,000 for noncompliance, subject to certain exceptions. Executive Order GA-38 remains in place until amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster and issuing executive orders that have the force and effect of law. The Governor issued a series of executive orders relating to COVID-19 preparedness and mitigation and phased reopening of businesses in Texas. Many of the federal, state and local actions and policies under the aforementioned disaster declarations were focused on limiting instances where the public could congregate or interact with each other, which negatively affected the operation of businesses in TIRZ Five, the region, the nation and world.

TIRZ Five contains very large entertainment venues including Globe Life Park, Choctaw Stadium Esports Stadium, Six Flags Arlington, adjacent retail establishments, and many restaurants. As a result of the COVID-19 Pandemic, the resulting decreased economic activity, and more permanent changes in consumer attitudes and activities following the COVID-19 Pandemic, these entities may reduce their space needs or be forced to close. This could result in lower taxable values of their properties. See "TAXING PROCEDURES OF THE PARTICIPANTS—Valuation of Property for Taxation."

TIRZ Five also contains many hotels, which make up approximately 20% of TIRZ Five's taxable value. These properties have been particularly harmed by the COVID-19 Pandemic, which has caused a decrease in occupancy rates. Occupancy rates may be taken into account in establishing the taxable value of income producing properties, so the lower occupancy rates being experienced by hotel properties during the COVID-19 Pandemic may result in lower taxable values for such establishments. See "TAXING PROCEDURES OF THE PARTICIPANTS—Valuation of Property for Taxation."

The primary security for the Bonds, the Tax Increments from the Participants, is derived from ad valorem taxes assessed and collected annually. It is unclear at this time what effect the COVID-19 Pandemic and resulting economic disruption will have on taxable values for tax year 2021 or succeeding years or the collection of taxes.

The taxable values and collections data contained herein are the latest available but are as of the dates and for the periods described herein. Accordingly, they are not necessarily indicative of future results. The City cannot predict the ultimate effect of the Pandemic on taxable values of the existing properties in TIRZ Five.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, 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 issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is the holding company for DTC, 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 subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, arid 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 Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds are 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 bond 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 Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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).

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 the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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], the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct and Indirect 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 the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Obligation certificates are required to be printed and delivered.

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

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

Use of Certain Terms in Other Sections 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 Indenture will be 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 or the Underwriter.

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 Indenture, summarized under "Registration."

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FINANCIAL INFORMATION

Table 2 – Debt Service Requirements

The following sets forth the total outstanding debt service requirements of the City payable from Pledged Revenues following the issuance of the Bonds.

Fiscal Year Ended 9/30	The Bonds Principal	The Bonds Interest	The Bonds Total	% of Principal Retired	Fiscal Year Ended 9/30
2022	$ -	$ 265,685 (1)	$ 265,685		2022
2023	-	410,500 (1)	410,500		2023
2024	-	410,500 (1)	410,500		2024
2025	100,000	410,500	510,500		2025
2026	205,000	405,500	610,500	3.21%	2026
2027	215,000	395,250	610,250		2027
2028	230,000	384,500	614,500		2028
2029	240,000	373,000	613,000		2029
2030	250,000	361,000	611,000		2030
2031	265,000	348,500	613,500	15.83%	2031
2032	275,000	335,250	610,250		2032
2033	290,000	321,500	611,500		2033
2034	305,000	307,000	612,000		2034
2035	320,000	291,750	611,750		2035
2036	335,000	275,750	610,750	31.88%	2036
2037	355,000	259,000	614,000		2037
2038	370,000	244,800	614,800		2038
2039	380,000	230,000	610,000		2039
2040	400,000	214,800	614,800		2040
2041	415,000	198,800	613,800	52.08%	2041
2042	430,000	182,200	612,200		2042
2043	445,000	165,000	610,000		2043
2044	465,000	147,200	612,200		2044
2045	485,000	128,600	613,600		2045
2046	505,000	109,200	614,200	76.59%	2046
2047	525,000	89,000	614,000		2047
2048	545,000	68,000	613,000		2048
2049	565,000	46,200	611,200		2049
2050	590,000	23,600	613,600	100.00%	2050
	$ 9,505,000	$ 7,402,585	$ 16,907,585		

(1) Capitalized interest on the Bonds is expected to be used to pay interest on the Bonds through February 15, 2024.
No Additional Obligations are currently outstanding.

Investment Policy

The City has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The City's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competition yield on its portfolio. Funds of the City are to be invested only in accordance with the Policy. The Policy states that the funds of the City may be invested in obligations of the U.S. or its agencies and instrumentalities, in certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") and secured by collateral authorized by the Act, and in public funds investment pools rated in the highest rating category by a nationally recognized rating service. The City does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the portfolio.

Plans to Issue Additional Obligations

The City does not plan to issue Additional Obligations within the next 12 months.

The City currently plans to issue a series of Additional Obligations in the approximate principal amount of $25 million in 2028.

The City may issue Additional Obligations when it can meet the debt service coverage requirement for issuance of Additional Obligations. It may also issue bonds secured by the Pledged Revenues on a subordinate basis to the Bonds. See "THE BONDS - Additional Obligations."

TAX AND TAX INCREMENT DATA

The following tables set forth information on the taxable assessed value in TIRZ Five, the principal taxpayers in TIRZ Five, the Participants' Tax Rates, and property tax increment collections by the Participants. The information in Tables 3 through 6 is derived from information provided by the Appraisal District. The information in Table 6 is provided by the Participants annually in March of each year when they make their payment of Tax Increments to the City.

Table 3 - Breakdown of Taxable Assessed Value by Category in TIRZ Five

	Tax Year				
	2021	2020	2019	2018	2017
Residential Single Family	$ 53,708,737	$ 47,605,553	$ 41,545,645	$ 33,589,454	$ 31,015,044
Single Family Interim Use	98,107	98,107	98,107	60,064	60,064
Multi-Family Commercial	103,030,487	92,600,000	87,090,000	81,443,744	74,235,111
Vacant Land Residential	442,333	603,437	574,463	278,462	239,202
Vacant Land Commercial	28,233,409	28,006,138	38,392,257	31,708,153	28,978,800
Commercial Land w/Imp Value	4,055,717	3,978,662	3,453,508	7,359,215	4,383,044
Commercial	944,942,439	1,029,787,087	1,099,023,921	837,778,870	781,040,806
Industrial	1,027,960	1,117,620	1,022,880	1,015,392	156,240
Comm.Utility Electric Co	666,708	666,708	666,708	666,708	666,708
Comm Utility Phone Co	481,000	481,000	481,000	257,600	268,749
Vacant Right of Way	-	-	-	-	-
	$ 1,136,686,897	$ 1,204,944,312	$ 1,272,348,489	$ 994,157,662	$ 921,043,768

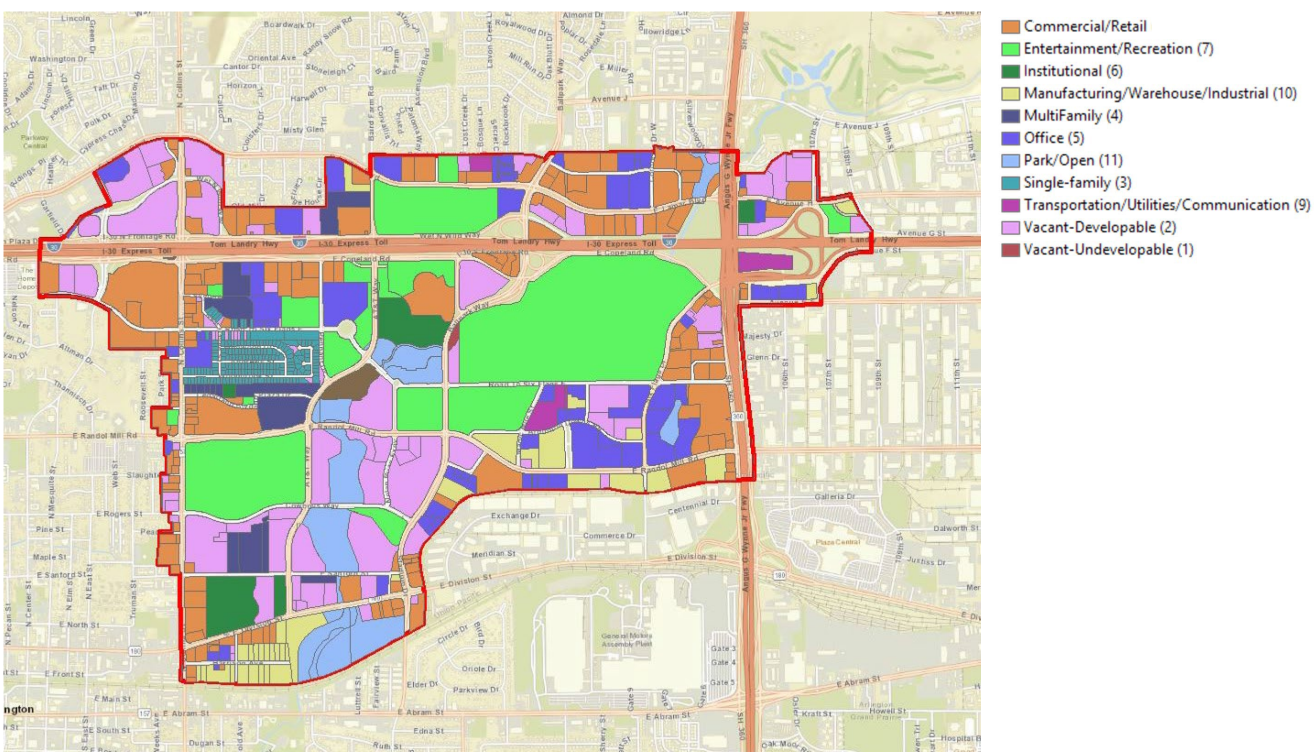

Table 4 - Principal Taxpayers in TIRZ Five

The following table represents the principal taxpayers and the taxable assessed value of such property for tax year 2021, using information provided by the Appraisal District.

Taxpayer	Type of Business	Tax Year 2021 Taxable Assessed Valuation	% of Total Taxable Value
Six Flags Over Texas	Entertaiment	$ 53,197,696	4.68%
Live! by Loews Hotel	Hotel	42,109,992	3.70%
Texas Live!	Entertaiment	41,824,565	3.68%
Lincoln Square	Retail	40,669,850	3.58%
DR Horton	Office/Parking	31,680,000	2.79%
Enclave Apts	Apartment	31,100,000	2.74%
Summit Ridge Apts	Apartment	28,372,000	2.50%
Hilton Hotel	Hotel	27,933,367	2.46%
Ballpark Circle Office / Siemens Dematic	Office	23,239,406	2.04%
Sheraton Arlington	Hotel	23,203,880	2.04%
Total		$ 343,330,756	30.20%
Total tax roll		$ 1,136,686,897	

See "RISK FACTORS – Dependence on Principal Taxpayers" herein.

Table 5 – Participants' Tax Rates

Tax Year	The County Tax Rate	The County Participation %	The County Participation Tax Rate	The Hospital District Tax Rate	The Hospital District Participation %	The Hospital District Participation Tax Rate	The College District Tax Rate	The College District Participation %	The College District Participation Tax Rate
2017	$ 0.244000	70.0%	$ 0.170800	$ 0.224429	70.0%	$ 0.157100	$ 0.140060	50.0%	$ 0.070030
2018	0.234000	70.0%	0.163800	0.224429	70.0%	0.157100	0.136070	50.0%	0.068035
2019	0.234000	70.0%	0.163800	0.224429	70.0%	0.157100	0.130170	50.0%	0.065085
2020	0.234000	70.0%	0.163800	0.224429	70.0%	0.157100	0.130170	50.0%	0.065085
2021	0.229000	70.0%	0.160300	0.224429	70.0%	0.157100	0.130170	50.0%	0.065085

Table 6 - Tax Increment Collections

Tax Increment Collections from the Participants

Tax Year	County and Hospital District Base Value	County and Hospital District Taxable Value	County and Hospital District Captured Appraised Value(1)	College District Base Value	College District Taxable Value	College District Captured Appraised Value(1)	Total Tax Increments Collected	% Total Collections(2)
2017	$ 704,406,197	$ 921,043,768	$ 216,637,571	$ 704,420,197	$ 921,078,768	$ 216,623,571	$ 841,009	97.56%
2018	704,406,197	994,157,662	289,751,465	704,420,197	994,192,662	289,737,465	1,123,054	99.65%
2019	704,406,197	1,272,348,489	567,942,292	704,420,197	1,272,383,489	567,928,292	2,139,069	97.58%
2020	704,406,197	1,204,944,312	500,538,115	704,420,197	1,204,965,312	500,524,115	1,811,080	93.74%
2021	704,406,197	1,136,686,897	432,280,700	704,420,197	1,136,700,897	432,266,700	1,628,609	98.50%

(1) Pledged Revenues do not include the City tax increment, which is not pledged as security for the Bonds or otherwise available to pay debt service on the Bonds.
(2) The collection rate shown for TIRZ Five is an estimate based on historic performance; however, the actual collection rate may differ.

TAXING PROCEDURES OF THE PARTICIPANTS

Authority to Levy Taxes

Under Texas law, each Participant is authorized to levy an annual ad valorem tax on all taxable property within its boundaries.

Property Tax Code and County-Wide Appraisal District

The Property Tax Code Title I of the Texas Tax Code, as amended (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the Participants. Provisions of the Property Tax Code are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility for appraising property for all taxing units with property within the County, including each Participant. Such appraisal values are subject to review and change by the County Appraisal Review Board (the "Appraisal Review Board"). The Property Tax Code requires each appraisal district to comply with the Uniform Standards of Professional Appraisal Practice.

Property Subject to Taxation by the Participants

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the political subdivision are subject to taxation by each Participant. However, the tax revenue generated by each Participant on any personal property is not included in the Tax Increments. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; and most individually owned automobiles.

Historic Tax Exemptions: The governing body of a taxing unit may exempt from taxation part or all of the assessed value of a structure or archeological site and the land necessary for access to and use of the structure or site, if the structure or site is designated as a recorded Texas Historic Landmark or a state archeological landmark by the Texas Historical Commission or is designated as a historically or archeologically significant site in need of tax relief to encourage its preservation.

Exemptions for Community Housing Development Organizations: The Property Tax Code provides that a Community Housing Development Organization (a "CHDO") is entitled to an exemption from taxation of improved or unimproved real property under certain circumstances. A CHDO which applies for an exemption on or after January 1, 2004, is entitled to exemption from taxation of 50 per cent of the appraised value of improved or unimproved real property it owns if it has, for at least the three preceding years, (i) been exempt from federal taxation under Section 501(c)(3) of the Code, (ii) met certain requirements for a charitable organization as delineated in the Texas Tax Code; and (iii) had as one or more of its purposes to provide low-income housing. In addition, for property to be exempt, the CHDO must own the property for the purpose of constructing or rehabilitating a housing project and renting or selling the property to an individual or family who is below a specified income level, to be adjusted annually by cost of living.

Veteran/First Responder Exemptions: Each Participant must grant certain exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% and the surviving spouse of such a veteran is entitled to an exemption for the full amount of the veteran's or surviving spouse's residential homestead. A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption from taxation of a percentage of the appraised value of their residential homestead in an amount equal to the partially disabled veteran's disability rating if the residential homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces or a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to a total tax exemption on such surviving spouse's residential homestead. If the surviving spouse changes homesteads, but does not remarry, then the amount of the exemption as of the last year of the first qualifying residential homestead is applicable to subsequent homesteads.

Residential Homestead Exemptions: A residential homestead exemption of $25,000 from ad valorem taxes for public school purposes is mandated by Section 1-b, Article VIII of the Texas Constitution and state law. The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption by each Participant may be considered each year, but must be adopted by May 1.

Additional Homestead Exemptions: An additional residential homestead exemption of $10,000 from ad valorem taxes for public school purposes is mandated by Section 1-b, Article VIII of the Texas Constitution and state law for persons who are sixty-five (65) years of age or older or certain disabled persons. Each Participant may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the respective governing body of such Participant. Qualifying surviving spouses of persons aged 65 years or older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. A Participant may be required to offer such an exemption if a majority of voters approve it at an election. A Participant would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. Each Participant is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair a Participant's obligation to pay tax-supported debt incurred prior to adoption of the exemption by a Participant.

Tax Freeze: Texas law mandates a freeze on taxes paid for public school purposes on residence homesteads of persons 65 years of age or older which receive the $10,000 exemption. Such residence homesteads are appraised and taxes calculated as on any other property, but taxes shall never exceed the amount imposed in the first year in which the property received the $10,000 exemption. Under Article VIII of the Texas Constitution and state law, the governing body of each Participant may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the Participants, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferrable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. Once established, the tax rate limitation may not be repealed or rescinded.

Exemptions as Applied to the Participants: Both the County and the Hospital District have homestead exemptions of $50,000 for person 65 years of age or older and $10,000 for disabled persons for homesteads with a taxable value greater than $222,819.

The College District has homestead exemptions of $50,000 for person 65 years of age or older and $3,000 for disabled persons for homesteads with a taxable value greater than $222,898.

Abatements: Each of the Participants is authorized to enter into a tax abatement agreement with an owner of real or personal property in TIRZ Five, if the TIRZ Board approves the governing body of the Participant approves the agreement. A tax abatement agreement may exempt from ad valorem taxation by the Participant for a period of up to ten years, all or any part of the increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property.

Valuation of Property for Taxation

Generally, property within the boundaries of each Participant must be appraised at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the applicable appraisal review board, it is used by each Participant in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are generally to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

In determining the market value of property, an appraisal district is required to consider the cost method of appraisal, the income method of appraisal, and the market data comparison method of appraisal, and use the method the chief appraiser of the appraisal district considers most appropriate. If the cost method of appraisal is used to determine the market value of the property, the appraisal district is required to (i) use cost data from generally accepted sources; (ii) make appropriate adjustments for physical, functional, or economic obsolescence; (iii) make available on request cost data developed and used by the appraisal district as applied to all properties within a property category; (iv) clearly state the reason for any variation between generally accepted cost data and locally produced cost data if the data vary by more than 10 percent; and (v) make available to the property owner on request all applicable market data that demonstrate the difference between the replacement cost of the improvements to the property and the depreciated value of the improvements. If the appraisal district uses the income method of appraisal to determine the market value of real property, the appraisal district is required to: (i) use rental income and expense data pertaining to the property if possible and applicable; (ii) make any projections of future rental income and expenses only from clear and appropriate evidence; (iii) use data from generally accepted sources in determining an appropriate capitalization rate; and (iv) determine a capitalization rate for income-producing property that includes a reasonable return on investment, taking into account the risk associated with the investment. If the appraisal district uses the market data comparison method of appraisal to determine the market value of real property, the appraisal district is required to use comparable sales data if possible and adjust the comparable sales to the subject property.

Residential or commercial buildings that are not occupied or are only partially occupied may be appraised at a lower value than occupied facilities. Under certain circumstances, residential real property inventory held by a person in the trade or business will be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Reduced taxable values of the improvements in TIRZ Five may affect the Pledged Revenues received by the City.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property, or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

The Property Tax Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the appraisal district at least once every three (3) years.

Reappraisal of Property after Disaster

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the Governor. This temporary exemption is automatic if the disaster is declared prior to a taxing unit adopting its tax rate for the tax year. A taxing unit may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

Taxpayer Remedies

The Property Tax Code establishes an appraisal review board in each county with responsibility for resolving disputes between taxpayers and the appraisal district. It is also empowered to determine challenges initiated by taxing units, correct clerical errors in the appraisal records and the appraisal rolls, act on motions to correct appraisal rolls, and determine whether an exemption or a partial exemption is improperly granted. The appraisal review board is independent of the appraisal district. In counties with more than 120,000 in population, the local administrative district judge appoints the appraisal review board members.

A property owner is entitled to protest the value of a tract of property before the appraisal review board in the following circumstances: the value the appraisal district placed on the property is too high; the property was unequally appraised; the appraisal district denied a special appraisal, such as open-space land; the appraisal district failed to provide the property owner with required notices; or as otherwise permitted under the Property Tax Code.

Under certain circumstances, taxpayers or the Chief Appraiser may appeal the orders of the Appraisal Review Board by timely petition for review in state district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Property owners who are dissatisfied with the decision of the appraisal review board may appeal the decision. Depending upon the circumstances, the property owner may be able to require the appraisal district to go to binding arbitration or to have the appeal heard by the State Office of Administrative Hearings. Additionally, a Participant may bring suit against the Appraisal District to compel compliance with the Property Tax Code; however, a Participant may not protest a valuation of individual property.

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount," as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by taxing units and requires certain tax rate increases to be approved by the voters. See "–State Law Limitations on Setting the Annual Tax Rate" herein. The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraised roll.

A property owner who files a protest must pay the amount of taxes due on the portion of the taxable value of the property subject to the protest that is not in dispute before the delinquency date or the property owner forfeits the right to proceed to a final determination of the protest.

Property owners who are dissatisfied with the decision of the appraisal review board may appeal the decision. Depending upon the circumstances, the property owner may be able to require the appraisal district to go to binding arbitration or to have the appeal heard by the State Office of Administrative Hearings.

State Law Limitations on Setting the Annual Tax Rate for Participants

City: Article XI, Section 4 of the Texas Constitution is applicable to the City and limits its maximum ad valorem tax rate to $1.50 per $100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.00 of the $1.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

County: Article VIII, Section 9 of the Texas Constitution imposes a limit of $0.80 per $100 assessed valuation for all purposes of a county's General Fund, Permanent Improvement Fund, Road and Bridge Fund and Jury Fund, including debt service on bonds or other debt issued against such funds. Administratively, the Attorney General of Texas will not approve limited tax obligations in an amount which produces debt service requirements exceeding that which can be paid from $0.40 of the foregoing $0.80 maximum tax rate, as calculated at the time of issuance.

Article III, Section 52 of the Texas Constitution authorizes the County to levy a direct, continuing ad valorem tax on all taxable property within the County, without limit as to rate or amount to pay the principal of and interest on the County's road bonds if approved by the voters in the County. The principal amount of unlimited tax road bonds issued by the County and outstanding at any point in time, aggregated with outstanding unlimited tax debt of certain road districts located within the County cannot exceed 25% of the assessed valuation of all real property located in the County.

Article VIII, Section 9 of the Texas Constitution and State statute authorize the County to levy a special Road and Bridge Fund Tax (the "Road and Bridge Maintenance Tax") in an amount not to exceed $0.15 per $100 assessed valuation, no part of which may be used for debt service, if approved by the voters.

Article VIII, Section 1-a of the Texas Constitution and State statute permit the County to levy a tax for Farm-to-Market Road and Flood Control purposes (the "Farm-to-Market Road and Flood Control Tax") in an amount not to exceed $0.30 per $100 assessed valuation after the mandatory $3,000 homestead exemption, if approved by the voters. There is no allocation prescribed by statutes between debt service and maintenance.

Section 1301.003, Texas Government Code, as amended, limits the amount of limited tax obligations of counties issued pursuant to such authority for those certain purposes as follows:

Courthouse	2% of Taxable Assessed Valuation
Jail	1 1/2% of Taxable Assessed Valuation
Courthouse and Jail	3 1/2% of Taxable Assessed Valuation
Bridge	1 1/2% of Taxable Assessed Valuation

Hospital District. All taxable property within the Hospital District is subject to the assessment, levy and collection by the Commissioners Court for the benefit of the District of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt, within the legal limits prescribed by law. Article IX, Section 4, of the Texas Constitution is applicable to county-wide hospital districts (such as the Hospital District), and limits the maximum ad valorem tax rate to $0.75 per $100 of assessed valuation for all purposes.

College District. All taxable property within the College District is subject to the assessment, levy and collection by the College District of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt, within the limits prescribed by law. The maximum combined tax rate for the College District's (1) interest and sinking fund and (2) maintenance and operations is $1.00 per $100 of assessed valuation (Section 130.122, Texas Education Code). Although the $1.00 tax may be used for both interest and sinking fund and maintenance and operations purposes, the annual bond tax may never exceed 50 cents on the $100 valuation of the taxable property in the College District.

Applicable to All Participants: The Property Tax Code further limits a Participant's ad valorem tax rate, which consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under the Property Tax Code, the assessor for the Participant must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the jurisdiction to the governing body of the Participant by August 1 or as soon as practicable thereafter.

The Property Tax Code uses the terms "voter-approval tax rate" and "no-new-revenue tax rate." The "voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate." The "no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted). The "unused increment rate" means the cumulative difference between a Participant's voter-approval tax rate and its actual tax rate for each of the three preceding tax years, which may be applied to a Participant's tax rate in the current tax year without impacting the "voter-approval tax rate."

The Participant must annually calculate its “voter-approval tax rate” and “no-new revenue tax rate” in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the Participant and the county tax assessor-collector for each county in which all or part of the Participant is located. The Participant must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the “voter-approval tax rate” must be adopted not later than the 71st day before the next occurring November uniform election date. If the Participant fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the “no-new-revenue tax rate” for the current tax year or the tax rate adopted by the Participant for the preceding tax year.

As described below, the Property Tax Code provides that if the Participant adopts a tax rate that exceeds its “voter-approval tax rate” or, in certain cases, its “de minimis rate,” an election must be held to determine whether or not to reduce the adopted tax rate to the “voter-approval tax rate.” The “de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax rate levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

The Participant may not adopt a tax rate that exceeds the lower of the “voter-approval tax rate” or the “no-new-revenue tax rate” until each appraisal district in which the Participant participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the Participant has held a public hearing on the proposed tax increase. For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the “voter-approval tax rate,” the Participant must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the “voter-approval tax rate.” Cities with a population of 30,000 or less are given more flexibility in setting their tax rate if their proposed rate generates less than $500,000 more in revenues than the previous year’s tax rate. In that case, citizens may petition for an election if the proposed rate exceeds the greater of the City’s voter-approval tax rate (a 3.5 percent rate plus the unused increment rate) or the voter approval tax rate calculated as if the city were a special taxing unit (an 8 percent rate).

Any Participant located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its “voter-approval tax rate” using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such Participant’s total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

County taxes may be adjusted for county hospital expenditures and county indigent defense compensation expenditures.

State law provides cities and counties in the State the option of assessing a maximum one-half percent sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the “no-new-revenue tax rate” and “voter-approval tax rate” must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

Collection of Taxes

Each Participant is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. The Participant’s tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residential homestead, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is a person 65 years of age or older or disabled is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

Participant’s Rights in the Event of Tax Delinquencies

Taxes levied by each Participant are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each taxing unit having power to tax the property. Each Participant’s tax lien is on a parity with tax liens of other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of another taxing entity is determined by applicable federal law.

At any time after taxes on property become delinquent, a taxing unit may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the limitations with respect to residential homesteads described in the preceding section. In filing a suit to foreclose a tax lien on real property, the taxing unit must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights and by bankruptcy proceedings that may restrict collection of taxpayer debts. A taxpayer has the right to redeem a mineral estate or property that was used at the time the suit was filed for residential homestead or agricultural purposes within two years after the purchaser’s deed issued at the foreclosure sale is filed in the county’s real property records. A taxpayer has the right to redeem property that was used for all other purposes within six months after the purchaser’s deed is filed in the county records. See “INVESTMENT CONSIDERATIONS—Limitations on Tax Collections and Foreclosure Remedies.”

Tax Payment Installments after Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a disaster area which have been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the Participants if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

Effect of FIRREA on Tax Collections

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

These provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in TIRZ Five and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

CONTINUING DISCLOSURE OF INFORMATION

In the Indenture, the City made the following agreement for the benefit of the owners 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 Rule Making Board (the "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 6, 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 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 (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 Trustee or change in the name of the Trustee, 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.

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 City shall also provide to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, notice of a failure by the City to provide required annual financial information and notices of material events. All documents provided to the MSRB pursuant to this section shall be 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 to the MSRB. 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 certain 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 owners 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 owners 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 owners 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.

ADDITIONAL INFORMATION

For additional information regarding this document please contact Mr. Mike Finley, Director of Finance, City of Arlington, Texas, at (817) 459-6100.

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 Indenture that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Indenture 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 Underwriter with respect to matters solely within the knowledge of the City, the City's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the Indenture 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 all 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.

OTHER INFORMATION

Ratings

The Bonds have been rated "BBB" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P").

An explanation of the significance of such rating may only be obtained from the rating agency furnishing the same. The City furnished to such rating agencies the information contained in this Official Statement and certain publicly available materials and information about the City. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies, and assumptions of the rating agencies. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by either or both of such rating agencies if, in the judgment of either or both, circumstances so warrant. Such circumstances may include, without limitation, changes in or unavailability of information relating to the City. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Litigation

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

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 five plaintiffs who brought a civil rights claim against the City after the execution of a search warrant. The plaintiffs also sued an Arlington police officer. The officer's motion for summary judgment is pending before the federal district court for the Northern District of Texas. Discovery in the case is currently stayed pending a resolution of the officer's motion.

The City, along with more than forty-five other Texas cities, is involved with litigation regarding its prior operation of red light cameras. This lawsuit was dismissed by the trial court for lack of jurisdiction on April 16, 2018. The matter is currently on appeal. Although the lawsuit seeks $10,908,683.

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 with litigation with a property owner regarding the alleged flooding of her property by stormwater. The three acre property is valued by the Tarrant Appraisal District at $1,068,517.

As of April 2, 2019, there are fifteen lawsuits pending against the City seeking monetary damages and/or injunctive relief. Two of the remaining lawsuits are brought in the Justice Courts with a maximum damage cap of $10,000 each. Four 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). One of the state law tort lawsuits is related to a construction project and is subject to full indemnity by a third party pursuant to a contractual agreement. In addition to the fifteen lawsuits, the City is engaged in three 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.

Legal Matters

Delivery of the Bonds will be subject to and accompanied by (i) the unqualified approving legal opinion of the Attorney General of Texas to the effect that, based upon his examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the Bonds are valid and legally binding obligations of the City under the Constitution and laws of the State of Texas payable from the Pledged Revenues, and (ii) the unqualified approving legal opinion of Bond Counsel to like effect and to the effect that, 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.

Though it may represent the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of 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 firm has reviewed the information under the captions and subcaptions "SECURITY AND SOURCE OF PAYMENT – General"; " - General Statutory Requirements for Tax Increment Zones"; " - Establishment of TIRZ Five: Participants"; and " - Pledged Revenues", "THE BONDS" (exclusive of the subcaptions "Sources and Uses" and "Holders' Remedies"), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings"), "OTHER INFORMATION – Registration and Qualifications of Bonds for Sale" and "OTHER INFORMATION–Legal Matters" (exclusive of the last two sentences of the second paragraph thereof) in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Indenture. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinions will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the City by West & Associates, L.L.P., Dallas, Texas, as disclosure counsel to the City. Certain legal matters will be passed upon for the Underwriter by their counsel Escamilla & Poneck, LLP, San Antonio, Texas.

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 that expression of professional judgment, of the transaction opined 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.

Registration and Qualification

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.

Underwriting

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the City for a price of $10,845,075.06 (which reflects the par amount of the Bonds plus an original issue premium of 1,416,704.05 and less an underwriter's discount of $76,628.99), with no accrued interest. The Underwriter's obligation is subject to certain conditions precedent. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

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

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

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 obligations to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those 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.

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, indentures and ordinances contained in the Official Statement are made subject to all of the provisions of such statutes, documents, indentures and ordinances. 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 sources in all respects.

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

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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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 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. Councilmembers and the Mayor are each limited to three two-year terms. 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

Year	Arlington	Annual Rate of Change	United States	Annual Rate of Change
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	395,477	3.00%	329,180,367	0.44%
2020	390,540	-1.25%	330,376,491	0.36%
2021	395,477	1.26%	332,770,054	0.72%

Source: U.S. Census and City of Arlington Finance Department.

Employment

Employment date for the City, Texas, and the United States is shown below.

Unemployment Rate
Annual Average Rates
2017 to 2021

	September 2021	September 2020	September 2019	September 2018	September 2017
Arlington	4.5%	7.7%	3.2%	3.6%	3.5%
Texas	4.9%	8.0%	3.4%	3.8%	4.1%
United States	4.6%	7.7%	3.3%	3.6%	4.1%

Source: Texas Labor Market Information.

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**

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(1) Arlington Chamber of Commerce. Includes part-time and peak seasonal employees.

Building Permits

	2020		2019		2018	
	Permits	Declared Value	Permits	Declared Value	Permits	Declared Value
New Single Family	788	$ 171,710,356	794	$ 196,695,469	566	$ 143,824,017
New Multifamily	35	97,733,878	17	84,688,224	21	98,308,576
New Commercial	84	81,211,188	169	264,916,391	116	981,290,295
Other (Residential and Commercial)	8,630	321,476,106	8,749	362,113,580	8,783	392,518,994
Grand Total	9,537	$ 672,131,528	9,729	$ 908,413,664	9,486	$ 1,615,941,882

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Source: City of Arlington Building Inspections Division

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APPENDIX B

AUDITED BASIC FINANCIAL STATEMENTS OF THE CITY OF ARLINGTON FISCAL YEAR 2020

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BKD
CPAs & Advisors

14241 Dallas Parkway, Suite 1100 | Dallas, TX 75254-2961
972.702.8262 | Fax 972.702.0673 | bkd.com

Independent Auditor's Report

The Honorable Mayor, City Council, and City Manager
The City of Arlington, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Arlington, Texas (City) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Arlington Housing Authority, the Arlington Convention and Visitors Bureau, Inc., or the Arlington Tourism Public Improvement District (component units), discretely presented component units, which statements reflect 10%, 8%, and 69% of assets, net position, and revenues, respectively, of the aggregate discretely presented component units. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison and pension and other postemployment information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining financial statements, individual fund budgetary comparison schedules, the schedules of capital assets used in the operation of governmental funds and statistical section, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements, individual fund budgetary comparison schedules and the schedules of capital assets used in the operation of governmental funds are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements, individual fund budgetary comparison schedules and the schedules of capital assets used in the operation of governmental funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on those sections.

BKD, LLP

Dallas, Texas
March 3, 2021

CITY OF ARLINGTON, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2020 (Unaudited)

As management of the City of Arlington (City), we offer readers of the City's Comprehensive Annual Financial Report this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information furnished in the letter of transmittal, which can be found beginning on page vii of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by $2.77 (net position). Of this amount, $128.6M represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased $390M during the current period primarily due to increases to net investment in capital assets and the amount restricted for debt service.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $353M, an **increase** of $8M in comparison with the prior year. Within this total, $221M is restricted for specific legal requirements and $119M has been committed or assigned to specific types of expenditures. The remaining unassigned fund balance in the general fund and can be used for any lawful purpose.
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the governmental fund was $129M, or approximately 27% of total governmental fund expenditures.
- The City's total outstanding long-term debt of $1.53B **increased** $171M during the year. Debt issues in 2020 include $8.7M in Permanent Improvement Refunding Bonds, $9.2M in Certificates of Obligation Bonds, $39.6M in Permanent Improvement Bonds, $174.7 General Obligation Pension Bonds, $5.3M in Water and Wastewater System Revenue and Refunding bonds, $9.8M in Stormwater Revenue bonds, and $13.5M in Storm Water Refunding Revenue bonds. Bond principal payments for 2020 total $59.2M on existing obligations. Exclusive of special venue debt, City of Arlington debt is allocated 64% for general government, with the remaining 36% to water, wastewater, and storm water activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This is the portion of the CAFR on which the auditors express an opinion. The report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). In the aforementioned statements, the City's business is divided into three types of activities:

- Governmental Activities – Functions of the City that are principally supported by taxes and intergovernmental revenues are reported here including general government, public safety, public works, public health, parks and recreation, public welfare, convention and event services and interest and fiscal charges. Property taxes, sales taxes, and franchise fees provide the majority of funding for these activities, with the addition of charges for services, grants and contributions.

- Business-type Activities – Functions that are intended to recover all or a significant portion of their costs through user fees and charges are reported here. The City's water and sewer system and storm water utilities are reported here.

- Component Units – For fiscal year 2020, the City includes seven discretely presented component units in its report – Arlington Housing Authority (AHA), Arlington Convention and Visitors Bureau (ACVB), Arlington Housing Finance Corporation (AHFC), Arlington Tomorrow Foundation (ATF), Arlington Economic Development Corporation (no activity), the Arlington Convention Center Development Corporation (ACCDC) and Arlington Tourism Public Improvement District (ATPID).

The government-wide financial statements can be found on pages 17-21 of this report.

Fund Financial Statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds
Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty-one individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund, Streets Capital Projects Fund, and the Ballpark Venue Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregate, nonmajor fund presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found beginning on page 22 of this report.

Proprietary Funds

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer and storm water utilities operations. The City uses its internal service funds to account for its fleet services and self-insurance functions. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer and Storm Water Utilities funds. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for internal service funds is provided in the form of combining statements elsewhere in the Comprehensive Annual Financial Report.

The basic proprietary fund financial statements can be found beginning on page 26 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City is the trustee, or fiduciary, for several funds, including the Part-Time Deferred Income Trust, Thrift Savings Plan, and Disability Income Plan, as well as certain amounts held on behalf of developers, property owners and others. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position.

The fiduciary fund financial statements can be found beginning on page 30 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 33 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on page 87 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 101-137 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position. The City's combined net position was $2.77B as of September 30, 2020. The largest portion of the City's net position $2.43B (50%) reflects its investments in capital assets (e.g. land, building, equipment, improvements, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens. Accordingly, these assets are not available for future spending. They do, however, represent an obligation on the part of the City to maintain these assets into the future.

City of Arlington's Net Position

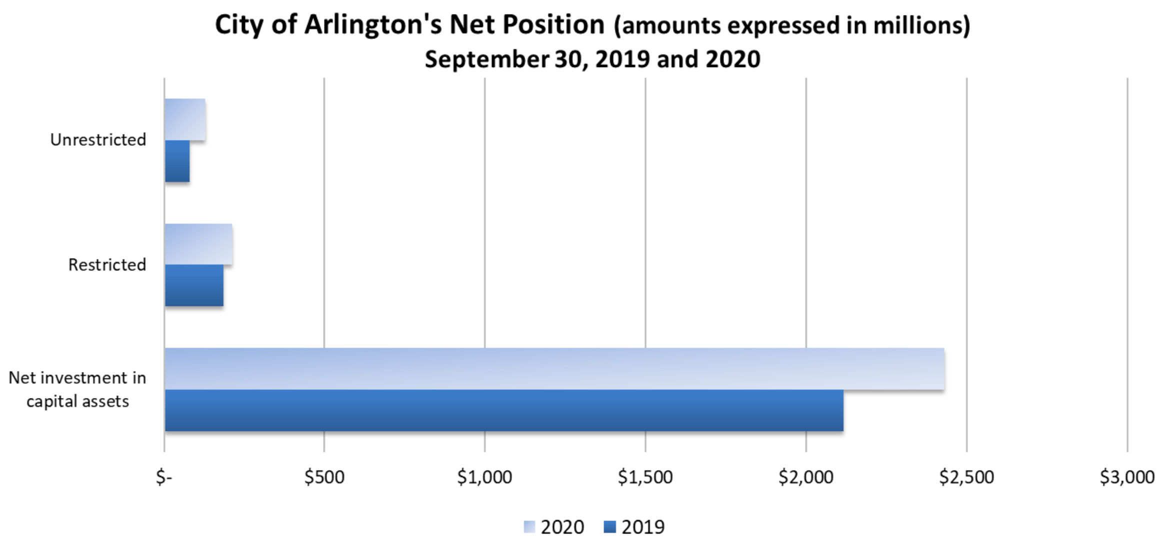
(Amounts Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
Current and other assets	$ 436	$ 501	$ 362	$ 339	$ 798	$ 840
Capital assets	2,534	2,920	850	882	3,384	3,802
Total assets	2,970	3,421	1,212	1,221	4,182	4,642
Total deferred outflows of resources	144	224	11	16	155	240
Long-term liabilities outstanding	1,460	1,580	399	379	1,859	1,959
Other liabilities	28	35	19	20	47	55
Total liabilities	1,488	1,615	418	399	1,906	2,015
Total deferred inflows of resources	47	95	3	3	50	98
Net position:					-	-
Net investment in capital assets	1,463	1,752	653	690	2,116	2,442
Restricted for debt service	56	63	119	107	175	170
Restricted for special revenue	-	30	-	-	-	30
Restricted for use of impact fees	10	11	-	-	10	11
Unrestricted	50	80	30	38	80	118
Total net position	$ 1,579	$ 1,936	$ 802	$ 835	$ 2,381	$ 2,771

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of $212M (7.7%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of $128M (4.6%) may be used to meet the government's ongoing obligations to citizens and creditors.

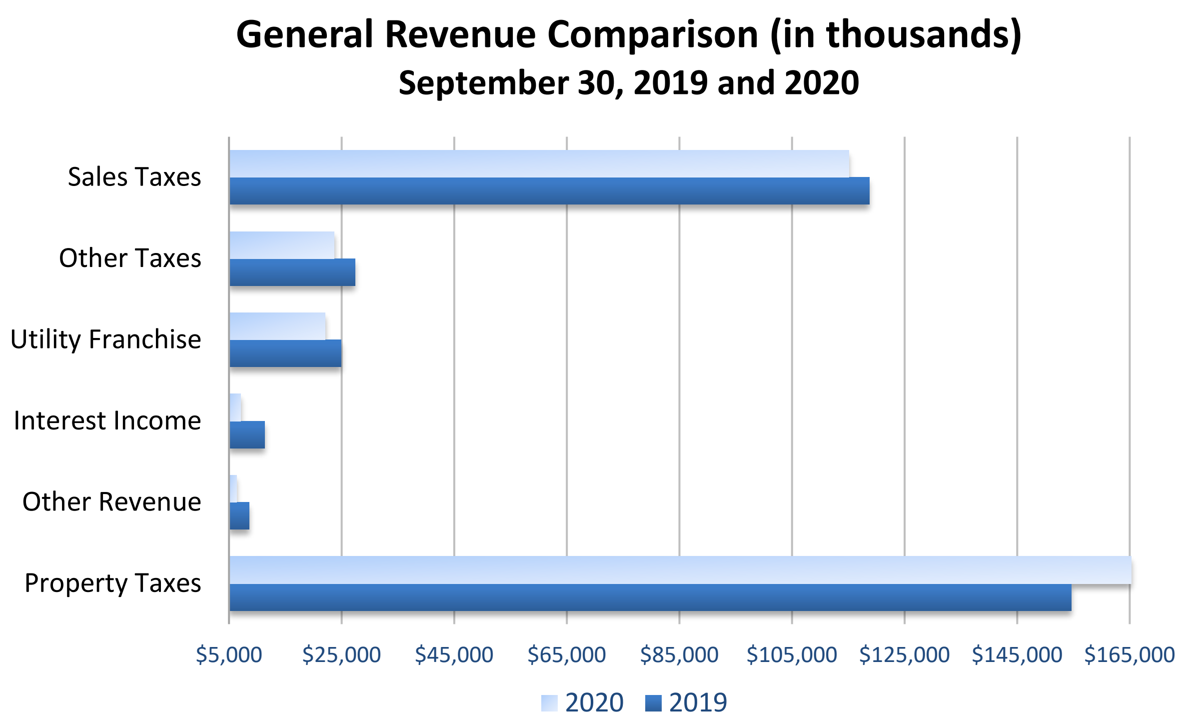
At the end of the current fiscal year, the City reports positive balances in all reported categories of net position, both for the governmental and business-type activities. Overall net position increased $390M from the prior fiscal year.



Governmental Activities

The City's general revenues decreased compared to the prior year, decreasing overall by 1.7%. Sales tax revenue and interest earnings accounted for much of the decrease this year compared to last.

Property tax collections were up from the prior year by about $10.7M and Arlington once again saw growth in assessed valuation. The residential property values increased by 11.6% and commercial property values increased by 13.0% compared to the prior year. The City does not anticipate property values to increase with continued state of economic conditions. The property tax rate for 2020 was set at $0.6240 per $100 assessed valuation: down .0108 from $0.6348 in the prior year.



Sales tax revenue decreased by $3.6M, down 3.1% from the prior year. Due to the Covid-19 pandemic, all revenues except property tax were reduced during the year. Utility franchise fee collections decreased by 11.5% in 2020.

Charges for services increased $4.4M with most of the increase resulting from the increase in business-type activities revenues related to water usage. Capital grants and contributions decreased by $32M due to reduced capital contributions related to the new Rangers ballpark. Operating grants and contributions increased $5.3M compared to the prior year due to increased grant income related to the Covid-19 pandemic. Interest income decreased by $7.1M due to lower returns compared to the prior year.

Overall, expenses increased approximately $28.4M (4.99%) from the prior year. increases are primarily attributed to an increase in Public Welfare due to increased spending in the Innovation and Venture Capital fund for various projects in the City. Public Works decreased capital outlay in the prior year compared to the current year. Public welfare expenses increased significantly due to grant money received to assist with the pandemic. Interest and fiscal charges increased due to higher interest and increase in bond related expenses.

City of Arlington's Changes in Net Position
(Amounts expressed in thousands)

	Governmental Activities 2019	Governmental Activities 2020	Business-type Activities 2019	Business-type Activities 2020	Total 2019	Total 2020
Revenues						
Program Revenues:						
Charges for services	$ 64,652	$ 57,585	$ 173,203	$ 184,697	$ 237,855	$ 242,282
Operating grants and contributions	15,849	21,193	-	-	15,849	21,193
Capital grants and contributions	410,903	380,662	4,978	3,194	415,881	383,856
General Revenues:						
Taxes	300,702	304,051	-	-	300,702	304,051
Utility franchise fees	24,921	22,048	-	-	24,921	22,048
Interest income	11,329	7,077	4,676	1,872	16,005	8,949
Other	8,568	6,328	-	-	8,568	6,328
Total revenues	836,924	798,944	182,857	189,763	1,019,781	988,707
Expenses						
General government	82,037	90,202	-	-	82,037	90,202
Public Safety	187,839	184,574	-	-	187,839	184,574
Public Works	75,818	78,174	-	-	75,818	78,174
Public Health	3,610	3,219	-	-	3,610	3,219
Parks and recreation	37,161	34,190	-	-	37,161	34,190
Public welfare	11,132	25,028	-	-	11,132	25,028
Convention and event services	15,416	18,041	-	-	15,416	18,041
Interest and fiscal charges	37,378	38,627	-	-	37,378	38,627
Water, sewer and storm water	-	-	119,752	126,554	119,752	126,554
Total expenses	450,391	472,055	119,752	126,554	570,143	598,609
Increase in net position before transfers	386,533	326,889	63,105	63,209	449,638	390,098
Transfers and capital contributions	18,769	29,314	(18,769)	(29,314)	-	-
Increase (decrease) in net position	405,302	356,203	44,336	33,895	449,638	390,098
Net Position, October 1	1,173,566	1,578,868	757,465	801,801	1,931,031	2,380,669
Net Position, September 30	$ 1,578,868	$ 1,935,071	$ 801,801	$ 835,696	$ 2,380,669	$ 2,770,767

Business-type Activities

During the current fiscal year, net position for business-type activities increased $33.9M from the prior fiscal year for an ending balance of $835.7M. The increase in overall net position of business-type activities is the result of the increased amount restricted for debt service. The revenue increase of $6.9M in business-type activities (Water and Wastewater/Storm Water Utility) is a result of an increase in water sales and sewer service revenues reported in service charges and interest for the current year. Expenses were reduced a minimal amount from the previous year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's net investment in capital assets for its governmental and business-type activities as of September 30, 2020, amounts to $3.8B (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, water treatment plants, and stadiums. The total increase in capital assets for the current fiscal year was $417M. This is a 12.3% increase over the prior fiscal year. Footnote 5 in the notes to the financial statements provides more detailed information regarding the City's capital asset activity.

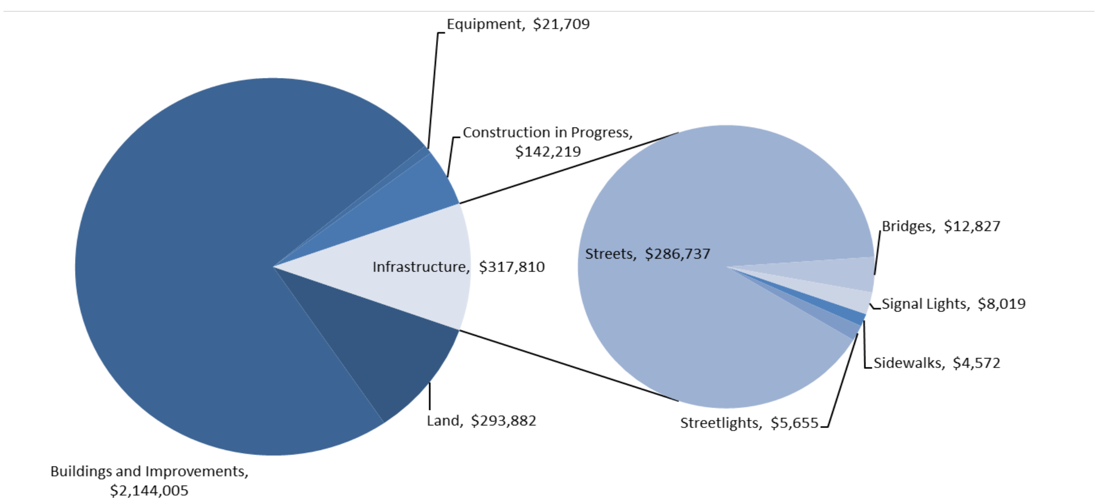
City of Arlington's Capital Assets
(in thousands, net of depreciation)

	Governmental activities		Business-type activities		Total	
	2019	2020	2019	2020	2019	2020
Land	$ 243,968	$ 293,882	$ 23,002	$ 23,757	$ 266,970	$ 317,639
Buildings and improvements	910,454	2,144,004	2,626	7,416	913,080	2,151,420
Machinery and equipment	56,904	21,709	328	216	57,232	21,925
Construction in progress	1,022,432	142,219	98,003	98,697	1,120,435	240,916
Infrastructure	300,901	317,810	-	-	300,901	317,810
Drainage system	-	-	82,102	87,478	82,102	87,478
Water and sewer system	-	-	644,019	664,060	644,019	664,060
Totals	$ 2,534,659	$ 2,919,624	$ 850,080	$ 881,624	$ 3,384,739	$ 3,801,248

Major capital asset events during the current fiscal year included the following:

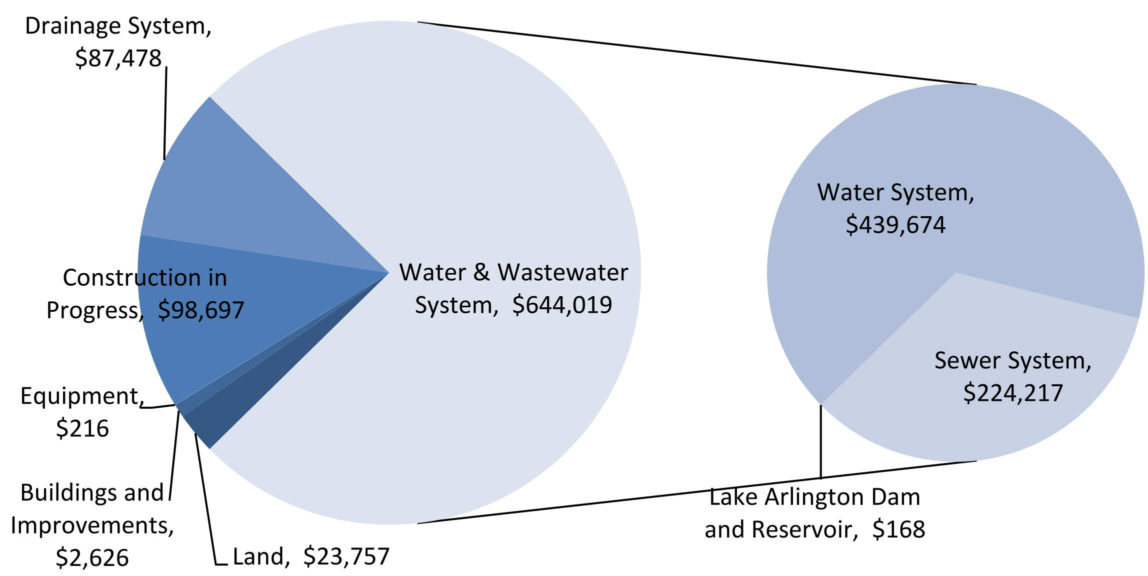
- Private developer capital contributions of $3.2M to the City's water and sewer infrastructure in connection with various residential and commercial developments
- Water and sewer system capital improvements and expansion of $33.8M
- Storm drainage system capital improvements and expansion of $17.2M
- Street construction projects capital outlay totaling $29.0M
- Improvements to parks and recreation facilities of $34.2M

The City's governmental activities infrastructure investment, including accumulated depreciation, breaks down as follows (in thousands):



Asset	Book Value	Accumulated Depreciation	Net Value
Sidewalks	$ 69,399	$ (64,827)	$ 4,572
Streetlights	19,202	(13,547)	5,655
Streets	896,129	(609,392)	286,737
Bridges	43,200	(30,373)	12,827
Signal Lights	19,861	(11,842)	8,019
	$ 1,047,791	$ (729,981)	$ 317,810

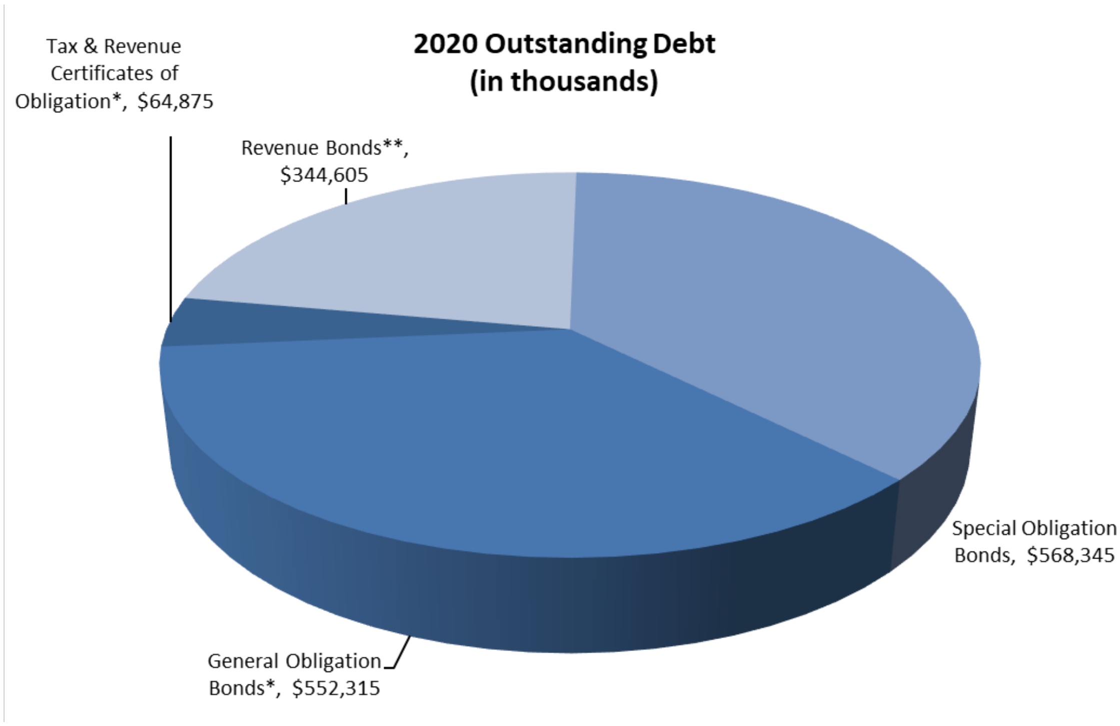
The City's business-type activities infrastructure investment, including accumulated depreciation, breaks down as follows (in thousands):

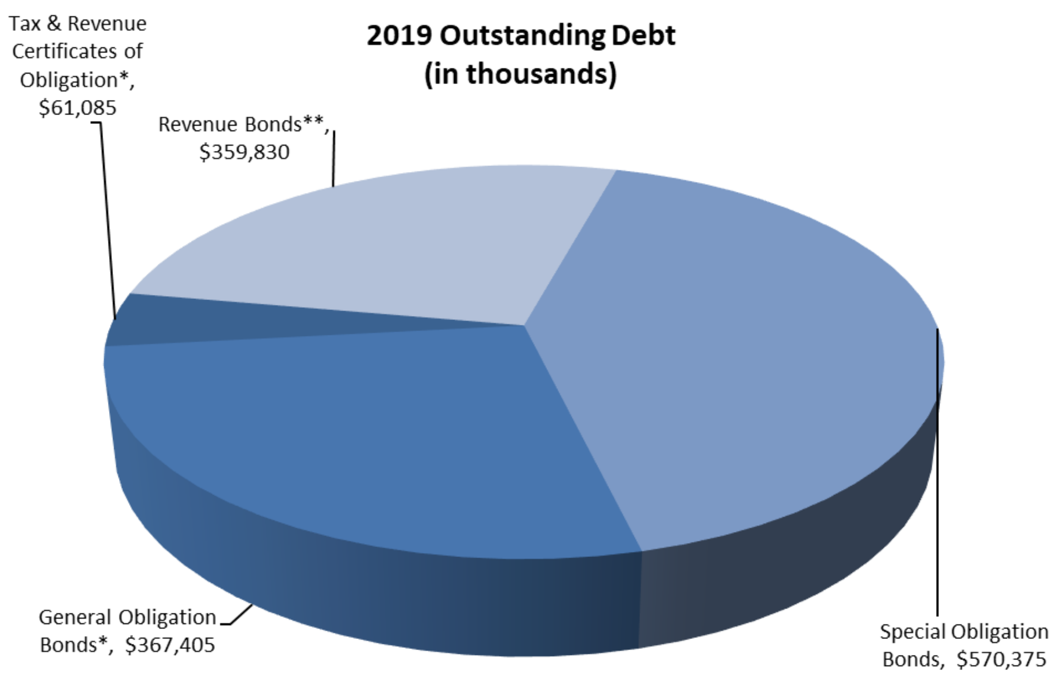


Asset	Book Value	Accumulated Depreciation	Net Value
Lake Arlington Dam and Reservoir	$ 2,619	$ (2,451)	$ 168
Water System	679,292	(239,618)	439,674
Sewer System	353,063	(128,846)	224,217
	$ 1,034,974	$ (370,915)	$ 664,059

Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of $1.53B, an increase of $171.4M from 2019. The increase in total debt is due to new debt issuances.





**Secured by City Tax Base*
***Secured by Water and Sewer or Drainage Revenue*

City of Arlington's Outstanding Debt

(in thousands, net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2019	**2020**	**2019**	**2020**	**2019**	**2020**
General obligation bonds (backed by the City)	$367,405	$ 552,315	$ -	$ -	$ 367,405	$ 552,315
Combination tax and revenue certificates of obligation (backed by the City)	61,085	64,875	-	-	61,085	64,875
Special tax revenue bonds	570,375	568,345	-	-	570,375	568,345
Revenue bonds (backed by fee revenues)	-	-	359,830	344,605	359,830	344,605
Total	$998,865	$ 1,185,535	$ 359,830	$344,605	$1,358,695	$1,530,140

During the current fiscal year, the City issued $8.7M in Permanent Improvement Refunding Bonds, $9.2M in Certificate of Obligation Bonds, $39.6M in Permanent Improvement Bonds, $174.7M General Obligation Pension Bonds, $5.29M in Water and Wastewater System Revenue and Refunding Bonds, $9.8M in Municipal Stormwater Revenue Bonds, and $13.5M in Stormwater Refunding Revenue Bonds. Footnote 8 in the notes to the financial statements provides more detailed information regarding the City's long-term debt activity.

In 2020, the City's debt ratings were as follows by type and agency:

	Fitch	S&P	Moodys
City GO/CO	AAA	AAA	Aa1
WWS Revenue	AAA	AAA	Aa1
Storm Water Revenue	AAA	AAA	Aa1
Venue (Sales Tax/HOT/STMV) Underlying	AA+	A+	A1
Venue (Sales Tax/HOT/STMV) Insurance ^		AA (2018A & C)	A3 (2018C)
Stadium (Ticket and Parking Tax) *	NR	NR	NR
Ballpark Ticket and Parking Tax)	NR	NR	NR

^ Series 2018A insured by Assured Guaranty Municipal Corp (AGM)

^ Series 2018C insured by Build America Mutual Assurance Company (BAM)

* AMBAC insured / AMBAC no longer rated

General bonded debt per capita increased from $1,160 in 2019 to $1,647 in 2020.

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to $2.50 per $100 assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net bonded debt to assessed value of all taxable property is 2.2%.

The City maintains a self-insurance program for bodily injury, property damage, personal injury, advertising injury, regulatory injury and worker's compensation. Claims for worker's compensation over $750,000 per occurrence are covered by a private insurance company. Claim liabilities are actuarially determined and take into consideration claim experience, adjustment expenses, economic, and other factors which can vary considerably from year to year. Total estimated claims liability at September 30, 2020 was $10.0M.

THE CITY'S FUNDS

The governmental funds of the City reported a combined fund balance of $353.3M. The General Fund balance was $70.6M, which was $4.7M more than the previous year, primarily due to the increase in lease receivable. The Debt Service fund balance increased $7.3M, ending the year with $63.3M. The increase was a result of the additional debt issuances during the fiscal year. Other changes in fund balances noted include:

- Street Capital Projects fund balance increased in fiscal year 2020, up from $88M to $100M. The $12M increase in fund balance in primarily due to debt issuance of $39.1M, offset by $29M spent on capital outlay and contribution and interest revenues of $2.9M.

- The City's water and sewer fund net position of $706.8M increased by $25.6M in the current year. The increase in net position is primarily due to operating revenues exceeding expenses by $55M, capital contributions of $3M and net transfers out of $27.8M.

- The Storm Water Utility fund saw an increase of $8.6M to net position in 2020. Storm water fee revenues exceeded fund expenses by $12.7M and transfers out of $1.5M were completed, increasing net position to $133.6M at the end of the fiscal year.

GENERAL FUND BUDGET HIGHLIGHTS

During fiscal year 2020, there were no operating budget amendments.

Actual expenditures on a budgetary basis of $250.2M were less than budgeted expenditures of $265.4M. Savings were due to cost cutting measures implemented in all categories of the expenditures due to the Covid-19 pandemic.

Revenues on a budgetary basis were lower than the budgeted amount of $259M by $10.2M. Franchise fees, taxes, fines and forfeitures, and other revenues were lower than budgeted and are attributable to the variance because of the pandemic.

ECONOMIC FACTORS AND FISCAL YEAR 2021

Each year, the City Council identifies community priorities that guide how to allocate the City's resources. The annual Budget and Business Plan are developed to address the City Council's adopted priorities. Economic development continues to be a priority in order to capitalize on development throughout the region. The City must continue to look for ways to innovate, provide the highest value possible to residents, respond to challenges, and plan for the future. The 2021 Budget also focuses on public safety funding, opening and maintaining City facilities. General Fund property tax revenues increased to $115M and sales taxes were lower in 2020. Key budget priorities in 2021 are:

- Enhance regional mobility
- Support youth and families
- Champion great neighborhoods
- Invest in our economy
- Put technology to work

The City's total General Fund revenues and transfers for 2021 are budgeted at $247.6M, and total General Fund expenditures are expected to be $249.6M, a decrease of $7M over 2020.

The General Fund's largest single revenue source is property taxes. This revenue represents 43.3% of the General Fund budget. The property tax rate for 2021 is $0.6225 per $100 valuation, the fifth time it has decreased since 2001. The tax rate is split out into two categories, operations and maintenance, $0.4085 per $100 valuation, to the

General Fund, and interest and sinking, $0.2140 per $100 valuation, for debt service. The General Fund property tax revenue for 2020 is estimated to be $107M, down $12.0M (11%) from last year's estimate.

The City's portion of the local 8 cent sales tax rate is one and three-quarter cents. The General Fund receives one cent, one-quarter cent is dedicated to the Street Maintenance Fund, and one-half cent provides for debt service for venue debt. Sales tax revenue for the General Fund for fiscal year 2021 is estimated at $61.6M, a decrease of $6.8M from 2020 estimates.

The City's Water and Sewer Fund accounts for approximately 24% of the City's revenue. The mission of the Water Utilities Department is to provide a continuous supply of high-quality drinking water and ensure safe disposal of wastewater in a responsive, cost-effective manner while continuing to improve service to citizens and planning for future needs. The largest revenue sources for the Water and Sewer Fund is water sales and wastewater treatment budgeted at $79.6M and $73.1M respectively for FY 2021. The City maintains a rate structure designed to ensure that each category of service is self-supporting.

Details of the City of Arlington Fiscal Year 2021 Operating Budget can be accessed on the City's website: http://www.arlington-tx.gov/budget/.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances and to show the City's fiscal accountability. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Amy Trevino, Controller (amy.trevino@arlingtontx.gov), in the Finance Department, at the City of Arlington, 101 S. Mesquite St., Suite 800, Arlington, TX 76010. The City is also an active member of MSRB's Electronic Municipal Market Access (EMMA), which keeps the Arlington CAFR on file. Additionally, the CAFR can be found on the City's website at http://www.arlington-tx.gov/finance/financial-reports/.

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CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2020
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash-equivalents	$ 372,754	$ 36,525	$ 409,279	$ 24,226
Investments	-	-	-	67,796
Land held for resale	7,653	-	7,653	-
Receivables (net of allowance for uncollectibles):				
Taxes	4,832	-	4,832	-
Sales taxes	21,735	-	21,735	-
Trade accounts	111	12,112	12,223	-
Franchise fees	5,257	-	5,257	-
Unbilled trade accounts	-	9,929	9,929	-
Special assessments	122	-	122	-
Accrued interest	1,777	33	1,810	5
Ballpark lease	41,801	-	41,801	-
Settlement agreement	3,328	-	3,328	-
Other	5,277	539	5,816	673
Internal balances	4,814	(4,814)	-	-
Due from other governments	6,877	-	6,877	-
Inventory of supplies	2,302	1,231	3,533	-
Prepaid expenses	-	-	-	35
Net Pension Asset	275	-	275	-
Net OPEB Asset	65	-	65	-
Restricted assets-				
Bond contingency-				
Investments	-	29,619	29,619	-
Capital construction-				
Investments	-	167,036	167,036	-
Escrow	-	80,334	80,334	-
Meter deposits-				
Investments	-	7,364	7,364	-
Closure/Post-Closure trust fund				
Investments	22,313	-	22,313	-
Capital Assets-				
Land	293,882	23,757	317,639	4,654
Buildings and improvements	2,597,854	9,261	2,607,115	677
Water and sewer system	-	1,034,974	1,034,974	-
Machinery and equipment	137,719	12,474	150,193	1,130
Infrastructure	1,047,791	-	1,047,791	-
Drainage systems	-	136,828	136,828	-
Construction in progress	142,219	98,697	240,916	-
Accumulated depreciation	(1,299,841)	(434,367)	(1,734,208)	(1,395)
Total Assets	3,420,917	1,221,532	4,642,449	97,801
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on debt refunding	11,257	763	12,020	-
Deferred outflow-contributions pension/OPEB	187,283	13,669	200,952	-
Deferred outflow-investment/actuarial assumption changes pension/OPEB	25,880	1,797	27,677	-
Total Assets and Deferred Outflows of Resources	3,645,337	1,237,761	4,883,098	97,801

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2020
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			
	Governmental Activities	**Business-type Activities**	**Total**	**Component Units**
LIABILITIES				
Accounts payable and accrued liabilities	$ 25,780	$ 5,637	$ 31,417	$ 1,925
Retainage payable	3,752	-	3,752	-
Accrued interest	5,496	-	5,496	-
Payable from restricted assets-				
Accounts payable and accrued liabilities	-	2,236	2,236	-
Retainage payable	-	1,400	1,400	-
Accrued interest	-	3,108	3,108	-
Meter deposits	-	7,933	7,933	-
Noncurrent liabilities				
Due within one year:				
Estimated claims payable	4,365	-	4,365	-
General obligation and certificates of obligation debt	43,470	-	43,470	-
Special tax revenue debt	3,510	-	3,510	-
Accrued compensated absences	1,394	102	1,496	-
Revenue bonds	-	24,940	24,940	-
Due in more than one year:				
Estimated claims payable	5,671	-	5,671	-
Rebatable arbitrage payable	-	201	201	-
Total other postemployment benefit liability	117,587	8,174	125,761	-
General obligation and certificates of obligation debt	602,069	-	602,069	-
Special tax revenue debt	613,596	-	613,596	-
Landfill closure accrued liabilities	22,313	-	22,313	-
Accrued compensated absences	35,269	2,779	38,048	-
Revenue bonds	-	333,740	333,740	-
Net pension liability	131,452	9,138	140,590	-
Total Liabilities	1,615,724	399,388	2,015,112	1,925
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow - pension/OPEB	38,654	2,677	41,331	-
Deferred inflow - lease & settlement agreements	55,888	-	55,888	5,893
Total Liabilities and Deferred Inflows of Resources	1,710,266	402,065	2,112,331	7,818
NET POSITION				
Net investment in capital assets	1,751,589	689,342	2,440,931	5,066
Restricted for debt service	63,286	107,246	170,532	-
Restricted for special revenue	30,447	-	30,447	-
Restricted for use of impact fees	10,836	-	10,836	-
Restricted for housing assistance	-	-	-	232
Restricted for endowments	-	-	-	81,906
Unrestricted	78,913	39,108	118,021	2,779
Total Net Position	$ 1,935,071	$ 835,696	$ 2,770,767	$ 89,983

The notes to the financial statements are an integral part of this statement.

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THE AMERICAN DREAM CITY

CITY OF ARLINGTON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(AMOUNTS EXPRESSED IN THOUSANDS)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government:				
Governmental Activities:				
General government	$ 90,202	$ 25,378	$ 71	$ 47
Public safety	184,574	13,655	10,671	-
Public works	78,174	1,983	119	3,376
Public health	3,219	4,513	-	-
Parks and recreation	34,190	10,916	602	377,239
Public welfare	25,028	198	9,730	-
Convention and event services	18,041	942	-	-
Interest and fiscal charges	38,627	-	-	-
Total Governmental Activities	472,055	57,585	21,193	380,662
Business-Type Activities:				
Water and sewer	116,975	165,047	-	3,194
Storm water utility	9,579	19,650	-	-
Total Business-Type Activities	126,554	184,697	-	3,194
Total Primary Government	$ 598,609	$ 242,282	$ 21,193	$ 383,856
Component Units:				
Arlington Housing Authority	$ 33,466	$ -	$ 33,815	$ -
Arlington Convention and Visitors Bureau	5,514	5,065	948	-
Arlington Tomorrow Foundation	4,804	-	-	-
Arlington Housing Finance Corporation	37	414	-	-
Arlington Tourism Public Improvement District	1,936	1,756	-	-
Arlington Convention Center Development Corp	9,221	-	9,222	-
Arlington Economic Development Corp	-	-	-	-
Total Component Units	$ 54,978	$ 7,235	$ 43,985	$ -

General Revenues:
Taxes:
Property taxes
Sales taxes
Criminal justice tax
State liquor tax
Bingo tax
TIF/TIRZ
Occupancy tax
Franchise fees based on gross receipts
Interest
Net increase in fair value of investments
Other
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Net position - ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (64,706)	$ -	$ (64,706)	$ -
(160,248)	-	(160,248)	-
(72,696)	-	(72,696)	-
1,294	-	1,294	-
354,567	-	354,567	-
(15,100)	-	(15,100)	-
(17,099)	-	(17,099)	-
(38,627)	-	(38,627)	-
(12,615)	-	(12,615)	-
-	51,266	51,266	-
-	10,071	10,071	-
-	61,337	61,337	-
$ (12,615)	$ 61,337	$ 48,722	$ -
$ -	$ -	$ -	$ 349
-	-	-	499
-	-	-	(4,804)
-	-	-	377
-	-	-	(180)
-	-	-	1
-	-	-	-
$ -	$ -	$ -	$ (3,758)
165,284	-	165,284	-
115,098	-	115,098	-
340	-	340	-
1,601	-	1,601	-
100	-	100	-
13,577	-	13,577	-
8,051	-	8,051	-
22,048	-	22,048	-
7,077	1,466	8,543	6,037
943	406	1,349	3,615
5,385	-	5,385	(1,767)
29,314	(29,314)	-	-
368,818	(27,442)	341,376	7,885
356,203	33,895	390,098	4,127
1,578,868	801,801	2,380,669	85,856
$ 1,935,071	$ 835,696	$ 2,770,767	$ 89,983

CITY OF ARLINGTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2020
(AMOUNTS EXPRESSED IN THOUSANDS)

	General	Debt Service	Street Capital Projects	Ballpark Venue	Other Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash-like investments	$ 55,414	$ 56,259	$ 103,439	$ -	$ 137,255	$ 352,367
Land held for resale	-	-	-	-	7,653	7,653
Receivables (net of allowance for uncollectibles)						
Taxes	4,154	205	-	-	473	4,832
Sales taxes	12,420	6,210	-	-	3,105	21,735
Franchise fees	5,257	-	-	-	-	5,257
Special assessments	-	-	122	-	-	122
Accrued interest	1,089	612	-	-	-	1,701
Lease and settlement agreements	45,129	-	-	-	-	45,129
Other	3,929	-	-	-	1,236	5,165
Due from other funds	4,266	-	-	-	-	4,266
Due from other governments	-	-	-	-	6,877	6,877
Inventory of supplies, at cost	2,160	-	-	-	142	2,302
Total Assets	$ 133,818	$ 63,286	$ 103,561	$ -	$ 156,741	$ 457,406
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	$ 9,384	$ -	$ 2,555	$ -	$ 13,045	$ 24,984
Retainage payable	-	-	902	-	2,850	3,752
Unearned Revenue	2,322	-	123	-	17,147	19,592
Due to other funds	-	-	-	-	4,266	4,266
Total Liabilities	11,706	-	3,580	-	37,308	52,594
Deferred inflows of resources:						
Taxes	4,315	-	-	-	-	4,315
Landfill lease	2,058	-	-	-	-	2,058
Gas lease	-	-	-	-	23	23
Lease and settlement agreements	45,129	-	-	-	-	45,129
Total Deferred Inflows of Resources	51,502	-	-	-	23	51,525
Fund Balances:						
Nonspendable:						
Inventory	2,160	-	-	-	142	2,302
Prepaids	5	-	-	-	-	5
Restricted for:						
Debt service	-	63,286	-	-	-	63,286
Capital projects	-	-	99,981	-	27,077	127,058
Special revenue	-	-	-	-	30,539	30,539
Committed to:						
Capital projects	-	-	-	-	27,252	27,252
Special revenue	-	-	-	-	32,553	32,553
Assigned to:						
Working capital	20,426	-	-	-	-	20,426
Subsequent years' expenditures	11,440	-	-	-	-	11,440
Compensated absences	1,561	-	-	-	-	1,561
Other post employment benefits	1,718	-	-	-	-	1,718
Future initiatives	17,151	-	-	-	-	17,151
Dispatch	617	-	-	-	-	617
Information technology	232	-	-	-	-	232
Business Continuity	4,062	-	-	-	-	4,062
Park performance	-	-	-	-	744	744
Special revenue	-	-	-	-	1,103	1,103
Unassigned	11,238	-	-	-	-	11,238
Total Fund Balances	70,610	63,286	99,981	-	119,410	353,287
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 133,818	$ 63,286	$ 103,561	$ -	$ 156,741	$ 457,406

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION OF GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2020
(AMOUNTS EXPRESSED IN THOUSANDS)

Total fund balances per balance sheet			$ 353,287
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (excluding $13,845 recorded in the internal service funds).			2,905,779
Landfill Closure/Post-closure			22,313
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
	Fund Deferred Inflows	Net Position Deferred Inflows	
Taxes	$ 4,315	$ -	
Landfill	2,058	2,058	
Grant revenue	16,908	19,592	
Ballpark lease	41,801	34,217	
Ballpark Settlement	3,328	-	
Unearned	2,684	-	15,227
	71,094	55,867	
Internal service funds are used by management to charge the cost of fleet services, knowledge services, risk management, workers' compensation and group health to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.			29,251
Long-term liabilities, including bonds payable, arbitrage and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.			
Bonds payable		$ (1,185,535)	
Premium general obligation debt		(79,080)	
Discount on bonds		1,970	
Deferred outflow of resources (refunding)		11,257	
Accrued interest payable		(5,496)	
Landfill Closure/Post-closure		(22,313)	
Compensated absences		(36,663)	
Pension:			
Net pension asset (liability)	$ (131,177)		
Deferred inflow-actuarial gain	$ (33,918)		
Deferred outflow-assumption changes	14,973		
Deferred outflow-contributions	182,659	32,537	
Other Post Employment Benefits (OPEB)			
Total OPEB Liability	(117,522)		
Deferred inflow-OPEB expected/actual	(4,736)		
Deferred outflow-assumption changes	10,907		
Deferred outflow-contributions	4,624	(106,727)	
Estimated claims		(736)	(1,390,786)
Net position of governmental activities			$ 1,935,071

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(AMOUNTS EXPRESSED IN THOUSANDS)

	General	Debt Service	Streets Capital Projects	Ballpark Venue	Other Nonmajor Funds	Total Governmental Funds
REVENUES						
Taxes	$ 181,320	$ 85,949	$ -	$ -	$ 36,824	$ 304,093
Licenses and permits	9,796	-	-	-	-	9,796
Utility franchise fees	22,048	-	-	-	-	22,048
Fines and forfeitures	9,205	-	-	-	-	9,205
Leases, rents and concessions	9,752	-	-	-	2,500	12,252
Service charges	7,940	-	-	-	14,419	22,359
Interest revenue	2,356	874	1,360	-	1,914	6,504
Net increase (decrease) in fair value of investments	140	8	281	-	226	655
Contributions	1,882	-	1,541	377,239	-	380,662
Intergovernmental revenues	71	-	-	-	21,120	21,191
Gas lease royalty	-	-	-	-	3,874	3,874
Gas lease other	-	-	-	-	99	99
Other	12	64	-	-	3,582	3,658
Total Revenues	244,522	86,895	3,182	377,239	84,558	796,396
EXPENDITURES						
Current-						
General government	40,454	-	-	-	5,645	46,099
Public safety	167,040	-	-	-	11,757	178,797
Public works	23,816	-	-	-	30,427	54,243
Public health	2,412	-	-	-	575	2,987
Public welfare	-	-	-	-	25,001	25,001
Parks and recreation	16,644	-	-	-	12,242	28,886
Convention and event services	-	-	-	-	17,898	17,898
Capital outlay	-	-	29,030	377,239	45,676	451,945
Debt service-						
Principal retirement	-	35,920	-	-	-	35,920
Interest and fiscal charges	-	44,910	-	-	-	44,910
Total Expenditures	250,366	80,830	29,030	377,239	149,221	886,686
Excess (deficiency) of revenues over (under) expenditures	(5,844)	6,065	(25,848)	-	(64,663)	(90,290)
OTHER FINANCING SOURCES (USES)						
Issuance of bonds	-	183,385	30,047	-	9,579	223,011
Amount to fund escrow	-	(173,273)	-	-	-	(173,273)
Issuance of certificates of obligation	-	-	2,854	-	6,351	9,205
Refunding Bond Principal	-	(9,826)	-	-	-	(9,826)
Bond premium	-	959	6,224	-	2,643	9,826
Transfers in	22,042	-	-	-	44,655	66,697
Transfers out	(11,486)	-	(831)	-	(14,599)	(26,916)
Total Other Financing Sources and Uses	10,556	1,245	38,294	-	48,629	98,724
Net Change in Fund Balances	4,712	7,310	12,446	-	(16,034)	8,434
Fund Balances, October 1,	65,898	55,976	87,535	-	135,444	344,853
Fund Balances, September 30	$ 70,610	$ 63,286	$ 99,981	$ -	$ 119,410	$ 353,287

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(AMOUNTS EXPRESSED IN THOUSANDS)

Net change in fund balances - total governmental funds		$ 8,434
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.		457,562
Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.		(71,229)
Revenues in the statement of activities that do not provide current financial recources are not reported as revenues in the funds.		1,025
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Issuance of certificates of obligation	(232,216)	
Repayment of general obligation debt	45,746	
Proceeds from issuance of bonds	(9,228)	
Amount to fund escrow	173,273	
Amortization of bond premium	5,684	
Repayment of capital lease	5,731	
		(11,010)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(2,832)	
Accrued interest expense	(6)	
Estimated pollution remediation	-	
Net pension asset (liability)	(20,676)	
Net OPEB liability	(1,260)	
Estimated salary expense	(736)	
		(25,510)
Internal service funds are used by management to charge the costs of fleet management and management information systems, property liability loss, health claims and offices services to individual funds. The net expenses of certain activities of internal service funds is reported within governmental activities.		(3,069)
Change in net position of governmental activities		$ 356,203

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2020
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			
	Water and Sewer	**Storm Water Utility**	**Total**	**Governmental Activities- Internal Service Funds**
ASSETS				
Current Assets:				
Cash and cash equivalent investments	$ 33,823	$ 2,702	$ 36,525	$ 20,387
Receivables (net of allowances for uncollectibles):				
Trade accounts	10,694	1,418	12,112	111
Accrued Interest	33	-	33	76
Unbilled trade accounts	9,041	888	9,929	-
Other	539	-	539	112
Inventory of supplies, at cost	1,231	-	1,231	-
Subtotal	55,361	5,008	60,369	20,686
Restricted Assets:				
Bond contingency-cash and cash-like investments	12,498	-	12,498	-
Capital construction-cash and cash-like investments	23,433	36,123	59,556	-
Total Current Assets	91,292	41,131	132,423	20,686
Noncurrent Assets:				
Restricted Assets:				
Bond contingency-				
Investments	16,083	1,038	17,121	-
Capital construction-				
Investments	107,480	-	107,480	-
Escrow	80,334	-	80,334	-
Meter deposit investments	7,364	-	7,364	-
Capital Assets:				
Land	7,929	15,828	23,757	-
Buildings and improvements	9,261	-	9,261	467
Water and sewer system	1,034,974	-	1,034,974	-
Machinery and equipment	12,451	23	12,474	53,476
Drainage system	-	136,828	136,828	-
Construction-in-progress	62,482	36,215	98,697	-
Accumulated depreciation	(384,994)	(49,373)	(434,367)	(40,098)
Total Capital Assets Net of Accumulated Depreciation	742,103	139,521	881,624	13,845
Total Noncurrent Assets	953,364	140,559	1,093,923	13,845
Total Assets	1,044,656	181,690	1,226,346	34,531
Deferred Outflows of Resources:				
Deferred charges on debt refunding	763	-	763	-
Deferred outflow - contributions pension/OPEB	13,669	-	13,669	-
Deferred outflow - invest/actuarial pension/OPEB	1,797	-	1,797	-
Total Assets and Deferred Outflows of Resources	$ 1,060,885	$ 181,690	$ 1,242,575	$ 34,531

The notes to the financial statements are an integral part of this statement. (continued)

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2020
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Water and Sewer	**Storm Water Utility**	**Total**	
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	$ 4,494	$ 1,143	$ 5,637	$ 796
Accrued compensated absences	86	16	102	-
Revenue bonds payable from unrestricted assets	9,367	3,075	12,442	-
Current Liabilities Payable From Restricted Assets:				
Accounts payable and accrued liabilities	2,236	-	2,236	-
Retainage payable	785	615	1,400	-
Accrued interest	2,708	400	3,108	-
Estimated claims payable	-	-	-	3,627
Revenue bonds payable from restricted assets	12,498	-	12,498	-
Meter deposits	7,933	-	7,933	-
Total Current Liabilities	40,107	5,249	45,356	4,423
Noncurrent Liabilities:				
Estimated claims payable	-	-	-	5,671
Rebatable arbitrage payable	201	-	201	-
Compensated absences	2,409	370	2,779	-
Revenue bonds payable from unrestricted assets	291,334	42,406	333,740	-
Net pension liability	9,138	-	9,138	-
OPEB liability	8,174	-	8,174	-
Total Noncurrent Liabilities	311,256	42,776	354,032	5,671
Total Liabilities	351,363	48,025	399,388	10,094
Deferred Inflows of Resources:				
Deferred inflow - pension/OPEB benefits/contributior	327	-	327	-
Deferred inflow - investment/actuarial pension/OPEB	2,350	-	2,350	-
Total Liabilities and Deferred Inflows of Resources	354,040	48,025	402,065	10,094
NET POSITION				
Net investment in capital assets	559,795	129,547	689,342	13,845
Restricted for debt service	106,207	1,039	107,246	-
Unrestricted	40,843	3,079	43,922	10,592
Total Net Position	$ 706,845	$ 133,665	$ 840,510	$ 24,437

Reconciliation to government-wide statements of net position:	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(4,814)
Net position of business-type activities	$ 835,696

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			
	Water and Sewer	**Storm Water Utility**	**Total**	**Governmental Activities- Internal Service Funds**
Operating Revenues:				
Water sales	$ 81,555	$ -	$ 81,555	$ -
Sewer service	73,241	-	73,241	-
Storm water fee - commercial	-	9,257	9,257	-
Storm water fee - residential	-	10,330	10,330	-
Service charges	-	-	-	33,341
Sundry	10,251	-	10,251	-
Miscellaneous	-	63	63	-
Total Operating Revenues	165,047	19,650	184,697	33,341
Operating Expenses:				
Purchase of water	20,406	-	20,406	-
Purchase of sewage treatment	38,731	-	38,731	-
Salaries and wages	14,896	2,397	17,293	-
Employees' retirement	2,066	355	2,421	-
Supplies	2,766	53	2,819	1,632
Maintenance and repairs	4,235	275	4,510	632
Utilities	2,461	17	2,478	50
Claims (net of adjustments)	25	-	25	30,527
Legal and professional	240	-	240	91
Depreciation	20,061	2,658	22,719	3,924
Miscellaneous services	4,184	1,193	5,377	2,833
Total Operating Expenses	110,071	6,948	117,019	39,689
Operating Income (Loss)	54,976	12,702	67,678	(6,348)
Nonoperating Revenues (Expenses):				
Interest revenue	1,466	-	1,466	350
Net increase in the fair value of investments	338	68	406	288
Miscellaneous Revenue	-	-	-	883
Gain (loss) on sale of assets	-	-	-	(2)
Interest expense and fiscal charges	(6,551)	(2,631)	(9,182)	-
Total Nonoperating Revenues (Expenses)	(4,747)	(2,563)	(7,310)	1,519
Income (loss) before transfers and contributions	50,229	10,139	60,368	(4,829)
Contributions in aid of construction	3,194	-	3,194	-
Transfers in	11,874	-	11,874	1,407
Transfers out	(39,684)	(1,504)	(41,188)	-
Change in Net Position	25,613	8,635	34,248	(3,422)
Total Net Position, October 1	681,232	125,030	806,262	27,859
Total Net Position, September 30	$ 706,845	$ 133,665	$ 840,510	$ 24,437

Net change in net position - total proprietary funds	$ 34,248
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(353)
Change in net position of business-type activities	$ 33,895

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			
	Water and Sewer	Storm Water Utility	Total	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 166,632	$ 19,513	$ 186,145	$ 33,346
Cash payments to suppliers	(70,581)	(1,422)	(72,003)	(34,877)
Cash payments to employees	(28,766)	(2,647)	(31,413)	-
Net Cash Provided By (Used For) Operating Activities	67,284	15,444	82,728	(1,531)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	11,874	-	11,874	1,407
Transfers out	(39,684)	(1,504)	(41,188)	-
Net Cash Provided By (Used For) Noncapital Financing Activities	(27,810)	(1,504)	(29,314)	1,407
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(33,845)	(17,224)	(51,069)	(2,619)
Increase/Decrease in escrow balance	11,278	-	11,278	-
Proceeds from sales of capital assets	-	-	-	59
Proceeds from issuance of long-term debt	5,185	11,353	16,538	-
Repayment of long-term debt	(28,182)	(2,345)	(30,527)	-
Interest payment long-term debt	(8,467)	(1,455)	(9,922)	-
Net Cash Provided By (Used For) Capital Related Financing Activities	(54,031)	(9,671)	(63,702)	(2,560)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from interest earnings	1,486	1,137	2,623	1,531
Net increase in the fair value of investments	338	68	406	17
Purchase of investments	(296,974)	(57,611)	(354,585)	-
Maturities/sales of investments	286,077	55,533	341,610	-
Net Cash Provided By (Used For) Investing Activities	(9,073)	(873)	(9,946)	1,548
Net Decrease In Cash And Cash-Like Investments	(23,630)	3,396	(20,234)	(1,136)
Cash and cash equivalent investments, October 1	93,384	35,429	128,813	21,523
Cash and cash equivalent investments, September 30	$ 69,754	$ 38,825	$ 108,579	$ 20,387
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ 54,976	$ 12,702	$ 67,678	$ (6,348)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	20,061	2,658	22,719	3,924
Amortization of bond premium	1,677	262	1,939	-
Amortization of deferred loss on bond refunding	(797)	-	(797)	-
Provision for bad debts	229	5	234	-
(Increase) decrease in-				
Receivables	1,471	(138)	1,333	5
Inventory of supplies	(177)	-	(177)	-
Prepaid expenses	-	-	-	-
Increase (decrease) in-		-		
Accounts payable and accrued liabilities	(499)	328	(171)	312
Net pension/OPEB liability	(10,804)	-	(10,804)	-
Estimated claims payable	-	-	-	576
Retainage payable	(407)	(373)	(780)	-
Meter deposits	1,248	-	1,248	-
Accrued compensated absences	306	-	306	-
Total adjustments	12,308	2,742	15,050	4,817
Net Cash Provided By (Used For) Operating Activities	$ 67,284	$ 15,444	$ 82,728	$ (1,531)
Noncash investing, capital, and financing activities:				
Contributions of capital assets from developers	3,194	-	3,194	-

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AS OF SEPTEMBER 30, 2020
(AMOUNTS EXPRESSED IN THOUSANDS)

	Pension Trust and Other Employee Benefit Funds	Agency Funds
ASSETS		
Cash and cash-equivalent investments	$ 133	$ 7,634
Investments		
Investment retired city mgr 401(k) plan	59	-
Money market fund	43,230	-
Corporate bonds	2,844	-
Fixed income mutual bond funds	22,987	-
Common stock mutual bond funds	125,301	-
Balanced mutual funds	54,441	-
Participant borrowing	5,593	-
Self directed brokerage accounts	12,112	-
Total Investments	266,567	-
Total Assets	$ 266,700	$ 7,634
LIABILITIES		
Accounts payable and accrued liabilities	$ -	$ 7,634
Retired city mgr 401(k) plan payable	59	-
Total Liabilities	$ 59	$ 7,634
NET POSITION		
Restricted for pensions	$ 265,263	
Restricted for OPEB	1,377	
Total Net Position	$ 266,640	

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(AMOUNTS EXPRESSED IN THOUSANDS)

	Pension Trust and Other Employee Benefit Funds
ADDITIONS	
Employer contributions	$ 4,065
Employee contributions	9,606
Net appreciation in fair value of investments	34,665
Other additions	214
Total Additions	48,550
DEDUCTIONS	
Benefits	13,318
Plan administration	272
Other deductions	80
Total Deductions	13,670
Increase in Net Position	34,880
Net Position, October 1	231,760
Net Position, September 30	$ 266,640

The notes to the financial statements are an integral part of this statement.

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THE AMERICAN DREAM CITY

CITY OF ARLINGTON, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Arlington, Texas (the "City") was incorporated April 19, 1884 and the city charter was adopted January 17, 1920, under the provisions of the Home Rule Amendment to the State Constitution. The City operates under a Council Manager form of government 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 sewer utilities, and general administrative services.

The accompanying financial statements of the City include all funds and component units. The financial statements of the City have been prepared to conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below.

A. Financial Statement Presentation

The basic financial statements are prepared in conformity with GAAP which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City’s governmental activities, business-type activities and activities of its discretely presented component units on the statement of net position and statement of activities. Significantly, the City’s statement of net position includes both non-current assets and non-current liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expenses on the City’s capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for governmental funds. The accrual basis of accounting and the economic resources measurement focus is utilized by proprietary fund types and the pension trust fund.

GAAP also requires supplementary information presented as Management’s Discussion and Analysis which includes an analytical overview of the City’s financial activities. A budgetary comparison schedule is presented that compares the originally adopted and final General Fund budget with actual results, and supplementary information for pension and other postemployment benefit retirement plans are provided, as required, in the Required Supplementary Information section.

B. Reporting Entity

The City is governed by an elected mayor and eight-member council. As required by GAAP, these financial statements present the City (the primary government) and its component units, entities for which the government is considered to be financially accountable.

GASB Statement No. 14, *The Financial Reporting Entity*, as amended, defines component units as legally separate entities that meet any one of the following tests:

- The City appoints the voting majority of the board of the component unit and:
    - Is able to impose its will on the component unit and/or
    - Is in a relationship of financial benefit or burden with the component unit

- The component unit is both:
    - fiscally dependent upon the City, and
    - there is a financial benefit or burden.
- The financial statements of the City would be misleading if data from the component unit were omitted.

The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. The financial statements of the following component units have been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City.

<u>Arlington Housing Authority</u>
The Arlington Housing Authority (the "AHA") provides low income housing assistance within the City. The AHA's board of commissioners is appointed by the Mayor. The AHA's management is designated by the City. The employees who are responsible for daily operations of the AHA are City employees. The City has financial accountability over the AHA's activities. The audited financial statements of the AHA are prepared in accordance with accounting principles generally accepted in the United States. Separate AHA component unit financial statements can be obtained from the AHA at 501 W. Sanford Street, Suite 20, Arlington, Texas 76010.

<u>Arlington Convention and Visitors Bureau, Inc.</u>
The Arlington Convention and Visitors Bureau, Inc. (the "ACVB") promotes tourism within the City. The ACVB's board of directors is appointed by the City Council. The primary source of revenue for the ACVB is a professional services support contract with the City; therefore, the City has financial accountability over the ACVB's activities. Separate ACVB component unit financial statements can be obtained from the ACVB at 1905 E. Randol Mill Road, Arlington, Texas 76011.

<u>Arlington Tomorrow Foundation</u>
The Arlington Tomorrow Foundation (ATF) oversees an endowment fund with a corpus of $70.6 million created by natural gas revenues to be used for the benefit of the Arlington community. The City Council acts as the board of directors. The ATF's management is designated by the City, and City employees are responsible for the daily activities of the ATF; accordingly, the City has financial accountability over ATF's activities. Separate ATF component unit financial statements are not prepared.

<u>Arlington Housing Finance Corporation</u>
The Arlington Housing Finance Corporation (the "AHFC") provides financial assistance to low income, multi-family residences and single-family homebuyers within the City. The AHFC's board of directors is appointed by the City Council. The AHFC's management is designated by the City, and City employees are responsible for the daily activities of the AHFC; accordingly, the City has financial accountability over AHFC's activities. Separate AHFC component unit financial statements are not prepared.

<u>Arlington Convention Center Development Corporation</u>
Arlington Convention Center Development Corporation (the "ACCDC") was formed to encourage and assist with planning, designing, constructing and maintaining a convention center complex, sports facility or hotel facility. The City Council serves as the board of directors. Separate ACCDC component unit financial statements are not prepared.

Arlington Economic Development Corporation

The Arlington Economic Development Corporation was formed in 2015 for the purpose of undertaking projects that contribute to the quality of life and economic growth. The board of directors is made up of the mayor, three council members, and three citizens. Separate Arlington Economic Development Corporation component unit financial statements are not prepared.

Arlington Tourism Public Improvement District

The Arlington Tourism Public Improvement District (ATPID) was created in fiscal year 2017 to improve convention and group hotel bookings and hotel room night consumption in the City. Funds are provided through a 2% tax applied to hotels with 75 or more rooms within the designated district within the City. A board consisting of participating ATPID hotel/motel members direct the use of all funds generated. The City authorized the creation of the district and must approve a budget annually. The board (ATPID) has contracted with the City to collect the funds, and with ACVB to administer the programs and use the funds. Separate component unit financial statements can be obtained from the ACVB at 1905 E. Randol Mill Road, Arlington, Texas 76011.

C. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. The exception is that inter-fund services provided and used are not eliminated. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. All franchise fees are based on gross receipts and are included in general revenues.

The net cost by function is normally covered by general revenue (property and sales taxes, franchise fees, intergovernmental revenues, interest income, etc.).

Separate fund-based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental funds are the General Fund, Debt Service Fund, Street Capital Projects Fund, and Ballpark Venue Fund. The enterprise funds are made up of the Water and Sewer Utility and Storm Water Utility funds. GAAP sets forth minimum criteria (percentage of assets, liabilities, deferrals, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the Comprehensive Annual Financial Report.

Internal Service Funds, which provide services primarily to other funds of the government, are presented in summary form as part of the proprietary fund financial statements. Financial statements of internal service funds are allocated between the governmental and business-type activities column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate functional activity (Public Safety, Public Works, etc.).

The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, individuals, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category). Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund statements. Agency funds, however, report only assets and liabilities and therefore have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers taxes and other revenue to be available if they are collected within 60 days of the end of the current fiscal period, while grants typically are received within 90 days. Expenditures are recorded when a liability is incurred, as under accrual accounting, except debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, which are recorded only when the liability has matured, and payment is due.

Ad valorem, franchise and sales tax revenues in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. The City has agreements with various entities in which a portion of the sales tax is rebated. The sales tax revenue is reported net of the rebate. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met. Additionally, funds received in advance for which all eligibility requirements have not been met are considered unearned revenue.

Business-type activities and all proprietary funds, and the pension trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer fund and storm water utility fund are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major funds, nonmajor funds and other funds, by fund category and fund type are reported by the City:

1. Governmental Funds:

The focus of Governmental fund measurement (in the Fund Financial Statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the City:

Major Funds:

a. General Fund accounts for several of the City's primary services (Public Safety, Public Works, Public Health, Public Welfare, Parks and Recreation, etc.) and is the primary operating unit of the City.

b. Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

c. Street Capital Projects Fund (capital projects fund) accounts for the purchase of rights of way and land, construction of streets and related facilities, and to account for various other projects related to street construction. Funds are provided primarily through bond sales, interest earnings, and impact fees.

d. Ballpark Venue Fund (capital projects fund) accounts for the costs associated with the building of the new Ballpark Venue for the Texas Rangers Baseball Club.

e. Other Governmental Funds is a summarization of all the nonmajor governmental funds, including capital project and special revenue funds.

2. Proprietary Funds:

Proprietary funds are classified into two fund types; enterprise funds and internal service funds.

The focus of Enterprise Fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows, which is similar to businesses. The City's Enterprise Funds are the Water and Sewer Utility Fund and the Storm Water Utility Fund, both of which are major funds. The Water and Sewer Utility Fund accounts for the administration, operation and maintenance of the water and sewer utility system, as well as billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary, to ensure integrity of the Fund. The City's solid waste function is contracted out. The billings for this function are done by the City as a conduit for the contractor. The fee for this service is accounted for in the Water Utility Fund, while revenues from solid waste franchise fees and landfill royalties are accounted for in the General Fund. The Storm Water Utility Fund accounts for the design, construction and maintenance of the City's storm water drainage systems.

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, generally on a cost reimbursement basis. These services include fleet services; self-insurance; workers' compensation insurance; and group health insurance. Major fund reporting requirements do not apply to internal service funds.

.3. Fiduciary Fund Types:

The City additionally reports the following fiduciary fund types (major fund reporting requirements do not apply to fiduciary funds):

a. Agency Funds are used to account for assets held by the City in an agency capacity for payroll related benefits, escheat property for the state, and other assets held for individuals, local law enforcement agencies and developers.

b. Pension Trust Funds are used to account for the accumulation of resources to be used for the retirement and disability benefit payments to qualified City employees.

E. Cash, Cash-Equivalent Investments and Investments

To facilitate cash management, the operating cash of certain funds and component units is pooled into a cash management pool for the purpose of increasing income through combined investment activities. This cash and investment pool is available for use by all funds and component units except the Trust Funds and the AHA, which maintain separate investments. Each fund's portion of this pool is allocated through its cash and cash-equivalent investment account on the balance sheet. In addition, certain other investments are separately held by several of the City's funds. Interest is allocated on a monthly basis to all funds in the investment pool based on their average balance at the end of each month. Interest earned by separate investments is credited to the respective funds.

For purposes of the statement of cash flows, the City considers all unrestricted investments included in its cash management pool to be cash-equivalent investments as these balances are used essentially as demand deposit accounts by the individual funds. Investments included in the cash management pool which are restricted for use are reported as investments. Additionally, certificates of deposit and temporary investments held separately from the City's cash management pool and which are purchased with original maturities at the time of purchase of three months or less are reported as cash equivalent investments.

The City elects to exclude investments with an original maturity of one year or less from date of purchase from fair value reporting. These investments are reported at amortized cost.

Texas statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, fully collateralized certificates of deposit, repurchase agreements, commercial paper, and direct obligations of cities within the state of Texas. The City is also authorized to invest in direct obligations of the state of Texas or its agencies, obligations of states, agencies, counties, and other political subdivisions, money market mutual funds, prime bankers' acceptances, and reverse repurchase agreement.

In accordance with GASB Statement No. 31, investments with maturities greater than one year at time of purchase are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a transaction between willing parties.

The City implemented GASB Statement No. 72, *Fair Value Measurement and Application* in its September 30, 2016 financial statements. The City's investments were categorized as Level 2 only and there were no Level 1 or Level 3 investments.

F. Inventories and Prepaid Items

Inventories are valued at cost. Cost is determined using the first-in, first-out method. Inventory consists of expendable supplies held for consumption. Inventories are capitalized under the consumption method, whereby expenditures are capitalized as inventory until used.

In governmental funds, prepaid items are accounted for using the purchases method. Under this method prepaid items are treated as expenditures when purchased rather than accounted for as an asset. Funds under the accrual basis of accounting recognize the proportionate amount of expense in each benefitting period.

G. Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a services concession agreement are recorded at acquisition value. Public domain (infrastructure) capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year.

Major outlays for capital assets and improvements are capitalized as projects are completed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	45 - 50
Improvements other than buildings	20 - 40
Equipment	4 - 10
Drainage improvements	35 - 50
Meters	10
Streets	20 - 25
Storm/sanitary sewer	50
System infrastructure	20 - 50

H. Capitalization of Interest

The City early implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* in fiscal 2020. Interest costs incurred before the end of a construction period is recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. Interest incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

I. Arbitrage Liability

The City accrues a liability for an amount of arbitrage rebate resulting from investing low-yielding, tax-exempt bond proceeds in higher-yielding, taxable securities. Such investment activities can result in interest revenue exceeding interest cost. The arbitrage liability is payable to the federal government every five years; however, the City calculates and records its arbitrage liability annually. The arbitrage liability is recorded as a liability in the government-wide and proprietary fund types, as applicable, on the accrual basis and as a reduction of interest income on the invested debt proceeds.

J. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27*, as amended.

Beginning in fiscal year 2015, and in accordance with GASB 68 and 71, the City's net pension liability is recorded on the face of the financial statements. The City elected to allocate the net pension liability among governmental and business type activities based on measurement year contribution percentages. The City elected to absorb fund allocations of less than 1.25% of total contributions to Governmental activities. Component units' contributions total 0.91% of total contributions and are not allocated separately, due to the threshold percentage. The estimated amount of net pension liability included in governmental activities for component units is $1.279M. Detailed pension information is discussed in footnote 6.

K. Compensated Absences

The City's employees earn vacation leave for each month of work performed. The accrual rate increases with years of service up to a maximum of 20 days per year for 15 years of service and over. On specified anniversary dates, additional days are credited, up to certain amounts, according to length of service. Accrued vacation is paid to non-civil service employees upon termination of employment for employees who have completed at least six months of continuous service. Civil service employees lose any unused vacation.

The City's employees accumulate 1.25 days of sick leave per month with a maximum accrual of 150 days (90 for civil service). The full amount of accumulated sick pay up to 120 days maximum is paid if termination is through retirement or death.

Accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund is usually used to liquidate the liability for governmental activities' compensated absences.

L. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, as other financing sources or uses or expenditures at the time of the debt issuance. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Nature and Purpose of Classifications of Fund Equity

Fund balances for governmental funds are reported based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Governmental Funds fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance. Assigned fund balances are constrained by the intent to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. The City Council has, by resolution 11-361 dated September 27, 2011 adopting the fund balance policy, authorized the City Manager or his designee to assign fund balance to a specific purpose.

The City may fund outlays for a particular purpose from both restricted and unrestricted (the total of committed, assigned, and unassigned) fund balance. In order to calculate the amounts reported as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

N. Minimum Fund Balance Policy

It is the desire of the City to maintain adequate General Fund balance to maintain liquidity and in anticipation of economic downturns or natural disasters. The City Council has adopted a financial standard to maintain a General Fund working capital reserve at a minimum level of 8.33% ($1/12^{th}$) of annual General Fund expenditures. Total General Fund balances shall be maintained at a minimum of 15% of annual General Fund expenditures.

O. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position invested in net capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When both restricted and unrestricted resources are available for the same purpose, it is the City's policy to consider restricted net position to be depleted before unrestricted net position is applied.

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future reporting period(s) and so will not be recognized as an outflow of resources (reduction of liability/expense/expenditure) until then. The City has two items that qualify for reporting in this category. One is the deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded and refunding debt. The other is deferred pension and OPEB related items reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. At the governmental fund level, revenues that have been billed but not yet collected are reported as unavailable revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred pension related items and lease and settlement agreements are reported in the government wide statement of net position and in fund level statements.

Q. New Accounting Pronouncements

During fiscal year 2020, the City adopted the following Governmental Accounting Standards Board ("GASB") Statements:

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

The GASB has issued the following statements which will be effective in future years as described below, based on Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*:

Statement No. 84, *Fiduciary Activities,* which is effective for the City beginning in fiscal year 2021. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

Statement No. 87, *Leases,* which is effective for the City beginning in fiscal year 2022. The objective of this statement is to improve accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability and consistency of information about the leasing activities of governments.

Statement No. 90, *Majority Equity Interests,* an amendment of GASB Statements No. 18 and No. 61, which is effective for the City beginning in fiscal year 2022. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

Statement No. 91, *Conduit Debt Obligations,* which is effective for the City beginning in fiscal year 2023. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

Statement No. 92, *Omnibus 2020*, which is effective for the City beginning in fiscal year 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements.

Statement No. 93, *Replacement of Interbank Offered Rates*, which is effective for the City beginning in fiscal year 2022. This Statement addresses accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR).

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is effective for the City beginning in fiscal year 2023. The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-

public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements APAs).

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which is effective for the City immediately. The primary objective of this Statement is to provide temporary relief to governments and stakeholders in light of the COVID-19 pandemic. This is accomplished by postponing the effective dates of certain provisions in Statements and implementation Guides that first became effective for periods beginning after June 15, 2018, and later. These date changes have been reflected in the Statements listed above.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is effective for the City beginning in fiscal year 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires notes disclosures regarding a SBITA.

Statement No. 97, *Certain Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84 and a Suppression of GASB Statement No. 32*, which is effective for the City beginning in Fiscal Year 2022. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The City has not yet determined the impact of implementing the above new pronouncements.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The City Council adopts an annual legal budget, which covers the General Fund, the Debt Service Fund, the Enterprise Funds, and certain Special Revenue Funds (Park Performance, Convention and Event Services and Street Maintenance). All unencumbered appropriations lapse at fiscal year-end, except certain of those of the Special Revenue Funds. The budgets for the General Fund, the Debt Service Fund, and certain Special Revenue Funds are prepared on the modified accrual basis except for encumbrances which are treated as expenditures on the budgetary basis and interdepartmental expenses which are eliminated. The budgets for the Enterprise Funds are prepared on the modified accrual basis and include encumbrances, debt principal retirements and capital outlays as expenses. Additionally, the Enterprise Funds do not include depreciation as a budgetary expense. The schedules comparing budget and actual amounts for these governmental funds include adjustments to those budgetary basis for the differences noted above and for certain other revenue and expenditure items which are reported in the City's budget differently than they are reported for accounting principles generally accepted in the United States. Budgetary level of control is exercised at the fund level. The City Manager is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter total expenditures of the General Fund, Debt Service Fund, and certain Special Revenue funds must be approved by the City Council. During Fiscal Year 2020, there were no operating budget amendments.

The Budgetary Comparison Schedule presents a comparison of budgetary data to actual results of operations for the General Fund, for which an annual operating budget is legally adopted. This fund utilizes the same basis of accounting for both budgetary purposes and actual results, with the following exceptions:

Certain interdepartmental revenues and expenses are included in budgetary basis revenues and expenditures but are eliminated from actual revenues and expenditures.

General Fund encumbrances are added to the actual expenditures for budgetary comparison. Budgetary data for the project-length Special Revenue Funds and Capital Projects Funds have not been presented. Receipts of revenues cannot be estimated for all Special Revenue Funds and are not budgeted. Expenditures are limited to total revenues over the life of the funds. Capital Projects Funds are budgeted over the life of the respective project and are reviewed and approved by the City Council in an annual Capital Improvements Program plan.

The City utilizes encumbrance accounting to ensure appropriated funds are adequately committed and remaining unspent balances are carried forward into the next fiscal year. Encumbrances are created for purchase order, grant match requirements, and capital project funding. These amounts are reported in fund balance as follows (in thousands):

General Fund	Street Capital Projects Fund	Other Nonmajor Funds	Total
$ 4,077	$ 27,356	$ 28,254	$ 59,687

B. Excess of expenditures over appropriations

For the year ended September 30, 2020, there were no expenditures exceeding budget in the aggregate.

C. Deficit fund equity

There were no funds with a deficit fund balance as of September 30, 2020.

III. DETAILED NOTES ON ALL FUNDS

1. CASH, CASH-EQUIVALENT AND INVESTMENTS

Deposits - At September 30, 2020, the carrying amount of the City's demand deposits was $39,245,000 (bank balance, $40,810,000). The balance in cash on hand was $30,000 at year end.

Investments - State statutes, the City's Investment Policy and the City's Depository Agreement govern the investments of the City. The City is authorized to invest in United States Treasuries, its agencies or instrumentalities, other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the United States or its agencies and instrumentalities, obligations of Texas and its agencies, counties and cities, and other political subdivisions rated not less than AA, obligations of other states, its agencies, counties, cities, and other political subdivisions rated not less than AA, fully insured or collateralized certificates of deposit, fully collateralized repurchase agreements, Guaranteed Investment Contracts, commercial paper rated A-1+, P-1 with an underlying long-term rating of AA or better, government pools and money market funds consisting of any of these securities listed. Major provisions of the City's investment policy include the following: depositories must be FDIC-insured institutions, depositories must fully insure or collateralize all deposits, and investments must be purchased in the name of the City and be delivered to the City's agent for safekeeping. For additional information see the City of Arlington Investment Policy at www.arlingtontx.gov. The City elects to exclude investments with an original maturity of one year or less from date of purchase from fair value reporting. These investments are reported at amortized cost. The City does not invest in derivatives.

Cash, Cash-equivalent investments and investments include: (amounts in thousands) Governmental Activities $395,067, Business-type Activities $240,544 and Agency and Pension Trust Funds $7,634.

As of September 30, 2020, the City had the following investments (amounts in thousands):

Cash, Cash-Equivalent Investments and Investments	Fair Value	Weighted Avg Maturity (in days)	Credit Risk
Treasury	$ 3,009	1374	**AA+**
Agency	280,901	848	**AAA**
Texas Municipal	11,657	915	**AA+**
Non-Texas Municipal	4,857	1064	**AA+**
Certificates of Deposit	-	-	**AAA**
Money Market Fund	75,439	1	**AAA**
Total Fair Value	$ 375,863		

The City has investments in government pools at September 30, 2020 totaling $228,107 (amount in thousands) which are recorded at amortized cost or net asset value (NAV) and have a credit risk rating of AAA.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maximum maturity of any single investment and the weighted average maturity of combined investments by fund groups. While the interest income derived from these particular types of investments fluctuate based on market movements and the characteristics of the pools and funds, the value of the principal is not affected.

The following table lists the fund groups authorized in the City's investment policy and the maximum maturity and maximum weighted average maturity ("WAM"):

Fund	Maximum Maturity	Maximum WAM
General Operating	3 Years	18 Months
Capital Project	3 Years	18 Months
Working Capital Reserve	5 Years	4 Years
Dallas Cowboy Complex Development Debt Service Reserve	10 Years	10 Years
Debt Service Sinking & Debt Service	10 Years	10 Years
Closure/Post-closure Trust Fund	10 Years	8 Years

Credit Risk. In accordance with its investment policy, the City minimizes credit risk by limiting investments to the safest type of investments.

Concentration of Credit Risk. The City's investment policy places the following limits on the amount the City may invest in any one issuer. All securities are rated AA or better.

Security	% of Portfolio
United States Treasury	100% of portfolio per Issuer
U.S. Agencies and Instrumentalities	100% of portfolio 35% per Issuer
Other Obligations guaranteed by U.S.	100% of portfolio 10% per Issuer
Obligations of Texas and its subdivisions	10% of portfolio 2% per Issuer

Obligations of other states and its subdivisions	10% of portfolio 2% per Issuer
Certificates of Deposit	50% of portfolio 20% per Issuer
Repurchase Agreements	40% of portfolio 15% per counterparty
Guaranteed Investment Contract	100% of bond funds
Commercial Paper	20% of portfolio 5% per Issuer
Money Market Mutual Fund	100% of portfolio 15% per MMF
Local Government Investment Pools	100% of portfolio 25% per pool

Custodial Credit Risk. State statutes require that all City deposits in financial institutions be fully insured by the Federal Deposit Insurance Corporation (FDIC), collateralized by U. S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits, or by a Letter of Credit from a Federal Agency.

Following the criteria for GASB Statement No. 79, Certain External Investment Pools and Pool Participants, TexPool Prime and TexPool use amortized cost and Texas CLASS, AND Texas Term use NAV to value portfolio assets. As is legally permissible for municipalities and school districts in the state, TexPool and TexasDaily, and TexStar invest in a high-quality portfolio of debt securities, Texas Class Government, and Texas Class invests in a high-quality portfolio of short-term investments.

The City's investments in local government investment pools include investments in TexPool Prime, TexPool, TexasDaily, TexStar, Texas Class Government and Texas Class. These are public funds investment pools operating as an SEC 2a-7 like pool in full compliance with the Public Funds Investment Act and are rated as AAA money market funds by Standard & Poor's. The City has Local Government Investment Pools of $228,107 and Money Market Funds of $75,439 (amounts in thousands).

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of September 30, 2020 (amounts in thousands):

		Fair Value Measurements Using		
	9/30/2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt Securities				
Treasury	3,009		3,009	
Agency	280,901	-	280,901	-
Texas Municipal	11,657	-	11,657	-
Non-Texas Municipal	4,857	-	4,857	-
	300,424	**-**	**300,424**	**-**

Debt securities classified in Level 2 of the fair value hierarchy are valued by Interactive Data Corp (IDC) using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Management believes it is generally compliant with applicable requirements of (PFIA/PFCA).

2. PROPERTY TAXES

Property Taxes are levied on October 1 on the assessed value listed as of the prior January 1 and are due and payable at that time. All unpaid taxes attach as a lien on property as of January 1 and become enforceable February 1. Penalties and interest are charged at 7 percent on delinquent taxes beginning February 1 and increase each month to 18 percent on July 1.

Appraised values are established by the Tarrant Appraisal District at 100 percent of estimated market value and certified by the Chief Appraiser. The total market value for FY20 was $43,090,778,000 which encompasses all properties in Arlington, including real estate, personal, and mineral properties prior to any exemptions or abatements. The assessed value for the tax roll as of September 1, 2019 upon which the original FY20 levy was based, was $25,921,882,000.

City property tax revenues are recorded as receivables and unearned revenues at the time the tax levy is billed. Current year revenues recognized are those collected within the current period, or soon enough thereafter to pay current liabilities, generally within sixty days after year-end. An allowance is provided for delinquent property taxes not expected to be collected in the future.

For the fiscal year ended September 30, 2020, the City had a tax rate of $0.6240 ($0.4467 for general government and $0.1773 for debt service) per $100 assessed valuation with a tax margin of $1.876 per $100 valuation based upon a maximum ad valorem tax of $2.50 per $100 valuation permitted by Article XI, Section 5, of the State of Texas Constitution. Additional revenues up to approximately $486,294,506 could be raised per year before the limit is reached, based on the current year's appraised net taxable value of approximately $25,921,822,000.

In Texas, county-wide central appraisal districts are required to assess all property within the appraisal district on the basis of 100 percent of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, legal action. Under this system, the City sets tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the tax rate of the previous year.

3. VENUE DEVELOPMENT PROJECT

Overview

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

The 2004 Venue Election and the Cowboys Project

At an election held in the City, on November 2, 2004 pursuant to Chapter 334, Texas Local Government Code, as amended, a majority of the voters voting at said election voted in favor of a proposition authorizing the City to (i) establish and finance the Dallas Cowboys Complex (the "Cowboys Project") as a sports and community venue project of the type described and defined in the Act, (ii) impose a sales and use tax within the City at a rate of one-half of one percent (0.5%) (the "Sales Tax"), (iii) impose a tax at a maximum rate of five percent (5%) on the gross rental receipts from the short-term rental in the City of a motor vehicle (the "Motor Vehicle Rental Tax"), (iv) impose a tax on the occupancy of a room in a hotel located within the City, at a maximum rate of two percent (2%) of the price paid for such room (the "Hotel Occupancy Tax" and together with the Sales Tax and the Motor Vehicle Rental Tax, the "Pledged Special Taxes"), (v) impose an admissions tax on each ticket sold as admission to an event held at the Cowboys Project, at a rate not to exceed ten percent (10%) of the price of the ticket sold as admission (the "Cowboys

Admissions Tax"), and (vi) to impose a tax, not to exceed three dollars ($3.00) per vehicle, on each parked motor vehicle parking in a facility of the Cowboys Project (the "Cowboys Parking Tax") for the purpose of financing the Cowboys Project. The Dallas Cowboys are based in the City of Frisco, Texas, and play their home games at AT&T Stadium located in Arlington. The Dallas Cowboys are a professional football team owned by the Dallas Cowboys Football Club, Ltd., a Texas limited partnership (the "Cowboys' Owner"), operating under a franchise issued by the National Football League (the "NFL") in 1960.

The City financed a portion of AT&T Stadium through the issuance of $297,990,000 of special tax revenue bonds in three issuances, Series 2005A, Series 2005B, and Series 2005C (collectively the "Series 2005 Bonds"). The Series 2005B Bonds were refinanced by the issuance of the City's $112,185,000 Special Tax Revenue Bonds, Series 2008 (the "Series 2008 Bonds") and the City's $62,820,000 Special Tax Revenue Bonds, Series 2009 (the "Series 2009 Bonds" and together with the Series 2008 Bonds, the "Prior Obligations"). Subsequently, all outstanding Series 2008 and Series 2009 Bonds were refinanced by the issuance of the City's $110,200,000 Senior Lien Special Tax Revenue Refunding Bonds, Series 2017 (the "Series 2017 Bonds").

Stadium Lease - As part of the Funding Agreement, the City entered into a lease agreement with the Cowboys Stadium, L.P. (the "Tenant") for lease of the Complex. The Lease Agreement calls for an initial term of 30 years. Monthly lease payments of $166,666.67 began in June, 2009 for an annualized rental rate of $2 million per year. The Lease Agreement contains several renewal options at guaranteed annual rental payments of $1 million per year for the first 10 years and $1.25 million per year for all remaining renewals. The Lease Agreement also provides the Tenant with an option to purchase the Complex from the City at the end of the initial lease term and each renewal option thereafter. Under the lease, the Tenant pays for all costs of operation and maintenance of the Complex. The tenant will also make separate annual payments to the City, beginning during the construction period, equal to five percent of the net naming rights revenue, if any, received by the Tenant, capped at $500 thousand per year. The revenue for this fiscal year was $500,000. The lease is accounted for as an operating lease. The cost of the stadium is $1,109,951,954 with accumulated depreciation of $265,971,843.

Conduit Debt - In 2006, $147,865,000 Cowboy Complex Admissions and Parking Taxes Revenue Bonds, Taxable Series 2006 (the "Cowboys Admission and Parking Taxes Revenue Bonds") with a pledge of a 10% admissions tax and a $3 parking tax for events held at the Complex, with additional security provided by a Guaranty Agreement from The Cowboys Stadium, L.P., were issued to fund a portion of the Dallas Cowboy's funding for the Complex. The Cowboys Admission and Parking Taxes Revenue Bonds are not payable from or secured by any money raised or to be raised from property taxes or any other of the City's revenue sources and accordingly have not been reported as a liability in the City's financial statements but are disclosed here as conduit debt. At September 30, 2020, outstanding conduit debt was $128,130,000.

Franchise - The City and the Dallas Cowboys Football Club, LTD. entered into a franchise agreement that requires the Dallas Cowboys NFL football franchise to remain in Arlington and to play 7 of 8 of the team's regular season home games in the Complex for a minimum of 30 years after the Complex opens. If the lease renewal options are exercised, the Cowboys' obligation to stay in Arlington is extended for the renewal term.

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

The 2016 Venue Election and the Rangers Project

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

Stadium Lease - As part of the Funding Agreement, the City entered into a lease agreement with the Rangers Stadium Company LLC. (the "Tenant") for lease of the Rangers Complex. The Lease Agreement calls for an initial term from commencing upon occupation through January 1, 2054. Monthly lease payments of $166,666.67 began upon occupation for an annualized rental rate of $2 million per year. The Lease Agreement contains several renewal options at guaranteed annual rental payments of $1 million per year for two successive renewal periods of five years each. The Lease Agreement also provides the Tenant with an option to purchase the Complex from the City at the end of the initial lease term and each renewal option thereafter. Under the lease, the Tenant pays for all costs of operation and maintenance of the Complex. The lease is accounted for as an operating lease. The cost of the stadium is $1,284,106,396 with accumulated depreciation of $13,751,310.

Conduit Debt - In 2020, $321,717,000 Rangers Baseball Complex Admissions and Parking Taxes Revenue Bonds, Taxable Series 2020 (the "Rangers Admission and Parking Taxes Revenue Bonds") with a pledge of a 10% admissions tax and a $3 parking tax for events held at the Complex. The Rangers Admission and Parking Taxes Revenue Bonds are not payable from or secured by any money raised or to be raised from property taxes or any other of the City's revenue sources and accordingly have not been reported as a liability in the City's financial statements but are disclosed here as conduit debt. At September 30, 2020, outstanding conduit debt was $321,717,000.

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

Venue Project Debt
In 2018, the City issued an additional $266,080,000 Senior Lien Special Tax Revenue Bonds, Series 2018A, $28,250,000 Senior Lien Special Tax Revenue Bonds, Series 2018B, and $171,095,000 Subordinate Lien Special Tax Revenue Bonds, Series 2018C for the City's portion of the Ballpark Venue's construction.

4. RECEIVABLES

Receivables at September 30, 2020 for the government's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following (amounts expressed in thousands):

	General	Debt Service	Storm Water Utility	Water & Sewer	Street Capital Projects	Other Nonmajor Governmental Funds	Internal Service Funds	Total
Receivables:								
Taxes	$ 12,743	$ 205	$ -	$ -	$ -	$ 473	$ -	$ 13,421
Franchise Fees	5,257	-	-	-	-	-	-	5,257
Trade Accounts	-	-	1,502	12,269	-	-	111	13,882
Unbilled Trade Accounts	-	-	888	9,369	-	-	-	10,257
Special Assessments	-	-	-	-	122	-	-	122
Sales Taxes	12,420	6,210	-	-	-	3,105	-	21,735
Lease and settlement agreements	45,129	-	-	-	-	-	-	45,129
Accrued Interest	1,089	612	-	33	-	-	76	1,810
Other	3,929	-	-	539	-	1,236	112	5,816
Gross Receivables	80,567	7,027	2,390	22,210	122	4,814	299	117,429
Less: Allowance for Uncollectibles	(8,589)	-	(84)	(1,903)	-	-	-	(10,576)
Net total Receivables	$ 71,978	$ 7,027	$ 2,306	$ 20,307	$ 122	$ 4,814	$ 299	$ 106,853

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 was as follows:

(Amounts expressed in thousands)

	Balance at Beginning Of Year	Additions	Retirements	Balance at End Of Year
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 243,968	$ 49,914	$ -	$ 293,882
Construction in progress-other	1,022,432	456,042	(1,336,255)	142,219
Total capital assets, not being depreciated	1,266,400	505,956	(1,336,255)	436,101
Capital assets, being depreciated:				
Buildings and improvements	1,347,385	1,250,469	-	2,597,854
Equipment	133,904	4,959	(1,144)	137,719
Infrastructure	1,012,741	35,050	-	1,047,791
Total capital assets, being depreciated	2,494,030	1,290,478	(1,144)	3,783,364
Less accumulated depreciation for:				
Buildings and improvements	407,369	46,481	-	453,850
Equipment	106,562	10,531	(1,083)	116,010
Infrastructure	711,840	18,141	-	729,981
Total accumulated depreciation	1,225,771	75,153	(1,083)	1,299,841
Total capital assets, being depreciated, net	1,268,259	1,215,325	(61)	2,483,523
Governmental activities capital assets, net	$ 2,534,659	$ 1,721,281	$ (1,336,316)	$ 2,919,624

	Balance at Beginning Of Year	Additions	Retirements	Balance at End Of Year
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 23,002	$ 755	$ -	$ 23,757
Construction in progress	98,003	54,845	(54,151)	98,697
Total capital assets, not being depreciated	121,005	55,600	(54,151)	122,454
Capital assets, being depreciated:				
Buildings and improvements	4,337	4,924	-	9,261
Drainage System	128,794	8,034	-	136,828
Water and sewer system	995,118	39,856	-	1,034,974
Machinery and equipment	12,474	-	-	12,474
Total capital assets, being depreciated	1,140,723	52,814	-	1,193,537
Less accumulated depreciation for:				
Buildings and improvements	1,712	133	-	1,845
Drainage System	46,692	2,658	-	49,350
Water and sewer system	351,100	19,814	-	370,914
Machinery and equipment	12,144	114	-	12,258
Total accumulated depreciation	411,648	22,719	-	434,367
Total capital assets, being depreciated, net	729,075	30,095	-	759,170
Business-type activities capital assets, net	$ 850,080	$ 85,695	$ (54,151)	$ 881,624

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental activities:	
General Government	$ 39,520
Public Safety	4,200
Parks and recreation	5,930
Public works	21,579
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	3,924
Total depreciation expense – governmental activities	$75,153
Business-type activities:	
Storm Water Utility	2,658
Water and sewer	$ 20,061
Total depreciation expense – business-type activities	$ 22,719

Discretely presented component units:

	(amounts expressed in thousands)			
	Balance at Beginning of Year	Transfer and Additions	Transfers and Retirements	Balance at End of Year
Arlington Housing Authority, Inc.				
Capital assets, being depreciated:				
Buildings and improvements	$ 563	$ 114	$ -	$ 677
Machinery and equipment	382	-	-	382
Totla capital assets, being depreciated	945	114	-	1,059
Less accumulated depreciation for:				
Buildings and improvements	(351)	(12)	-	(363)
Machinery and equipment	(370)	(10)	-	(380)
Total accumulated depreciation	(721)	(22)	-	(743)
Arlington Housing Authority, Inc.				
Capital assets, net	$ 224	$ 92	$ -	$ 316

	Balance at Beginning of Year	Transfer and Additions	Transfers and Retirements	Balance at End of Year
Arlington Convention and Visitors Bureau, Inc.				
Capital asset, being depreciated:				
Machinery and equipment	$ 739	$ 9	$ -	$ 748
Total capital assets, being depreciated	739	9	-	748
Less accumulated depreciation for:				
Machinery and equipment	(578)	(74)	-	(652)
Total accumulated depreciation	(578)	(74)	-	(652)
Arlington Convention and Visitors Bureau, Inc.				
Capital assets, net	$ 161	$ (65)	$ -	$ 96

6. PENSION AND EMPLOYEE BENEFIT PLANS

Texas Municipal Retirement System

A. Plan Description

The City provides pension benefits for all its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 888 administered by TMRS, an agent, multiple-employer public employee retirement system. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. The contribution rate for the employees is 7%, and the city matching ratio is currently 2 to 1, both as adopted by the governing body of the city.

Initiated in 1998, the City provides on an annually repeating basis annuity increases for retirees, which are also referred to as cost of living adjustments (COLAS). Currently, that amount is equal to 50% of the change in the consumer price index (CPI). The amount of the COLA percentage can only be changed by a City-adopted ordinance.

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,876
Inactive employees entitled to but not yet receiving benefits	1,204
Active Employees	2,578
	5,658

C. Contributions

The contribution rates for employees in TMRS is 7% of employee gross earnings, and the City matching percentages are 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Arlington were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Arlington were 15.96% and 16.29% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were $29,866,086 and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 0219 municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and a 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Actuarial assumptions used in the December 31, 2019, valuation were based on the results of actuarial experience studies. The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return (Arithmetic)**
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 10/01/2019	$ 1,249,596,102	$ 1,033,827,549	$ 215,768,553
Changes for the year:			
Service Cost	30,217,987	-	30,217,987
Interest	83,399,154	-	83,399,154
Change of benefit terms	-	-	-
Difference between expected and actual experienc	7,744,979	-	7,744,979
Changes of assumptions	4,696,314	-	4,696,314
Contributions-employer	-	29,405,052	(29,405,052)
Contributions-employee	-	13,023,433	(13,023,433)
Net investment income	-	159,738,998	(159,738,998)
Benefit payments, including refunds			
of employee contributions	(58,324,155)	(58,324,155)	-
Administrative expense	-	(903,100)	903,100
Other changes	-	(27,128)	27,128
Net changes	67,734,279	142,913,100	(75,178,821)
Balance at 09/30/20	$ 1,317,330,381	$ 1,176,740,649	$ 140,589,732

Plan fiduciary net position as a percentage of the total pension liability	89.33%
Covered payroll	$185,842,479
Net pension liability as a percentage of covered payroll	75.65%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	Discount Rate (5.75%)	Discount Rate (6.75%)	Discount Rate (7.75%)
City's net pension liability	$325,286,635	$140,589,732	($11,108,370)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com

E. Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended September 30, 2020, the City recognized pension expense of $39,821,981.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	**Deferred Inflow of Resources**
Differences between expected and actual economic experience	$ -	$36,149,000
Changes of assumptions	15,983,000	-
Net difference between projected actual earnings on pension plan investments	-	-
Contributions subsequent to the measurement date	195,990,000	-
Total	$211,973,000	$36,149,000

$195,990,000 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended September 30:	
2020	$ (5,007,046)
2021	(5,559,008)
2022	6,744,899
2023	(16,344,882)
2024	-
Thereafter	-
Total	$ (20,166,037)

Part-Time, Seasonal and Temporary Employees Deferred Income Plan

The Part-Time, Seasonal and Temporary Employees Deferred Income Plan (PSTDIP) provides a retirement benefit for those employees not eligible to participate in the Texas Municipal Retirement System. PSTDIP issues stand-alone financial statements that can be obtained from the City of Arlington at 101 S. Mesquite Street, Suite 800, Arlington, TX 76010.

Plan Description

Plan administration. The City's Retirement Committee administers the Part-time, Seasonal and Temporary Employees Deferred Income Plan (PSTDIP) – a single-employer defined benefit pension plan that provides benefits for all part-time, seasonal and temporary employees. Management of the PSTDIP is vested in the City's Retirement Committee consists of an odd number of persons, but not less than three, that are determined and appointed by the City acting through City Council. The Committee includes the Director of Human Resources appointed as Chair, the Chief Financial Officer, and a representative of the City Manager's Office. The Committee meets on a quarterly basis and has final approval for all administrative actions.

Benefits. PSTDIP provides retirement, disability and death benefits for part-time, seasonal and temporary employees. Monthly retirement benefits for plan members are calculated as the lesser of a) a life annuity with an actuarial equivalent value equal to 2.5 times employee contributions with interest, or b) average compensation times percentage of average pay times credited service not in excess of 30. Average compensation is determined by dividing the sum of monthly compensation by the months of credited service earned prior to termination. Percentage of average pay ranges from 1.5 percent to 2.0 percent based on number of months of credited service. A plan member is eligible to retire upon attaining age 65. If an employee is terminated by reason of total and permanent disability, the employee will be eligible for a life only annuity in an amount actuarially equivalent to a lump sum payment equal to 2.5 times employee contributions with interest. With the approval of the Retirement Committee, the Disability Retirement Pension shall be paid as a lump sum in lieu of a life annuity. Death benefits are the same as for disability.

Contributions. The Retirement Committee establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by plan members during the year. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members. For the year ended June 30, 2020, the active member average contribution rate was 3.0 percent of annual pay and the City's average contribution rate was 2.6 percent of annual payroll. The city's contributions to the plan for the year ended September 30, 2020, was $76,850 and was equal to the required contributions.

At the June 30, 2020 valuation and measurement date, the following employees were covered by the terms:

Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	3,528
Active Employees	778
	4,329

Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of June 30, 2020 and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Discount Rate	5.00%

Mortality rates were based on the RP2000 Combined Tables with Blue Collar Adjustment, projected with Scale BB. Active rates were multiplied by 54.5% for males and 51.5% for females. Retiree rates were multiplied by 109% for males and 103% for females.

Discount Rate:

The discount rate used to measure the Total Pension Liability was 5.00%.

Changes in the Net Pension Liability

	Total Pension Liability (a)		Plan Fiduciary Net Position (b)		Net Pension Asset (a)-(b)	
Balance at 10/01/2019	$	2,799,188	$	2,999,905	$	(200,717)
Changes for the year:						
Service Cost		174,664		-		174,664
Interest		141,268		-		141,268
Change of benefit terms		-		-		-
Difference between expected and actual experienc		-		-		-
Changes of assumptions		-		-		-
Contributions-employer		-		76,850		(76,850)
Contributions-employee		-		98,126		(98,126)
Net investment income		-		248,242		(248,242)
Benefit payments, including refunds						
of employee contributions		(122,330)		(122,330)		-
Administrative expense		-		(57,037)		57,037
Other changes		-		24,800		(24,800)
Net changes		193,602		268,651		(75,049)
Balance at 09/30/20	$	2,992,790	$	3,268,556	$	(275,766)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension asset of the City, calculated using the discount rate of 5.00%, as well as what the City's net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	Discount Rate (4.00%)	Discount Rate (5.00%)	Discount Rate (6.00%)
City's net pension asset	($4,699)	($275,766)	($498,367)

Pension Plan Fiduciary Net Position

The financial statements of the plan are presented below.

City of Arlington, Texas
Part-time, Seasonal and Temporary
Employees Deferred Income Plan

Statement of Fiduciary Net Position
June 30, 2020

Assets	
Cash and deposits	$ 88,210
Receivables	9,226
Accrued Interest	-
Investments	
Mutual funds - bonds	2,442,388
Mutual funds - equities	728,732
Total investments	3,171,120
Total assets	$ 3,268,556
Liabilities	
Accrued expenses	$ -
Net position restricted for pensions	$ 3,268,556

Statement of Changes in Fiduciary Net Position
for the Year Ended June 30, 2020

Additions	
Contributions:	
Employer	$ 76,850
Employees	98,126
Total contributions	174,976
Net investment income	
Interest and dividends	17,261
Net appreciation in fair value of investments	230,981
Total investments	248,242
Other	24,800
Total additions	448,018
Deductions	
Benefit payments	122,330
Administrative expenses	57,037
Total deductions	179,367
Net increase in net position	268,651
Net position restricted for pensions	
Beginning of year	2,999,905
End of year	$ 3,268,556

F. Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended September 30, 2020, the City recognized pension expense of $98,126.

At September 30, 2020, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	28,227	118,146
Contributions subsequent to the measurement date	20,000	-
Total	$48,227	$118,146

$20,000 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2021	$ (18,155)
2022	(19,268)
2023	(32,823)
2024	(19,673)
2025	-
Thereafter	-
Total	$ (89,919)

Expenses (Reduction) of Expenses

The amount of expenses recognized for the current year for the net pension liability recognized this year is as follows:

TMRS	($163,317)
PST DIP	15
Total	($163,302)

Thrift Savings Plan

All full-time City employees may participate in the Thrift Savings Plan (the "Thrift"), a single-employer defined contribution plan administered by the Retirement Committee at the City. The plan provisions and contribution savings are adopted and amended by the City Council, within the options available in the federal statutes governing Internal Revenue Code, section 401(k). This voluntary IRS Code 401(k) plan allows all full-time City employees to contribute between 1 percent to 10 percent of their salary with the City matching the first 6 percent of employee contributions at 50 cents to the dollar. Partial vesting of employer contributions begins after three years of participation with full vesting taking place after six years of participation. At September 30, 2020, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was $261,957,000.

The City's total payroll during fiscal 2020 was $191,207,000. The current year contribution was calculated based on a covered payroll of $134,460,000, resulting in a required and actual employer contribution of $3,738,000 and actual employee contributions of $9,483,000. The employer contribution represents 2.91 percent of the covered payroll. The employee contribution represents approximately 7.08 percent of the covered payroll.

There were no material changes to the Thrift plan during fiscal 2020. There were no related-party transactions. The Thrift Plan does not issue separate stand-alone financial statements.

Its financial statements are presented below as of and for the year-ended September 30, 2020. (amounts in thousands):

ASSETS	
Investments	261,957
Total Assets	$ 261,957
LIABILITIES	
Accounts Payable	-
Retired City Mgr 401(k) plan payable	59
Total Liabilities	$ 59
NET POSITION	
Held in trust for pension benefits	261,898
Assigned pension trust	-
Total Net Position	261,898

Changes in Net Position

Thrift Savings Plan

ADDITIONS	
Employer contributions	$ 3,914
Employee contributions	9,524
Net appreciation in fair value of investments	34,387
Other additions	100
	47,925
DEDUCTIONS	
Benefits	13,154
Plan administration	142
Other deductions	80
	13,376
Increase in Net Position	34,549
Net Position, October 1	227,349
Net position, September 30	$ 261,898

City contributions for the above plans for the year ended September 30, 2020, are as follows (amounts in thousands):

TMRS	$29,866
THRIFT	3,914
PTDIT	75
	$33,857

7. OTHER EMPLOYEE AND POSTEMPLOYMENT BENEFITS

Disability Income Plan

Plan Description

Effective October 1, 1992, the City began providing active employees with disability insurance through a policy obtained from a commercial carrier. Previously, all City employees had participated in a Disability Income Plan (DIP), a single-employer other postemployment benefit disability plan, which had been funded by actuarially determined contributions. This plan had been accounted for in the DIP fund. Benefits to employees who were disabled while participating under the previous plan will continue to be paid from the remaining assets of the DIP fund, a fiduciary fund of the City.

Plan Description. DIP is a single-employer defined benefit disability income plan that covers the employees of the City. The plan originally provided in-service death benefits and long term disability benefits commencing upon disablement. The plan was amended to eliminate the in-service death benefit and to start disability payments at age 65. The plan contemplates that long term disability benefits will be provided through a separate LTD insurance contract prior to age 65. The retired life liability for current disabled employees (many of whom are under age 65) is retained under the plan.

The Disability Income Plan does not issue separate GAAP financial reports. Its financial statements are presented below as of and for the year-ended September 30, 2020. (amounts in thousands):

ASSETS	
Cash and cash-like investments	$ -
Investments:	
U.S. Government securities	25
Common stock mutual funds	802
Balanced mutual funds	268
Participant borrowing	282
Total investments	1,377
	-
Total Assets	$ 1,377
LIABILITIES	
Accounts payable	-
Total Liabilities	-
NET POSITION	
Restricted for OPEB	1,377
Total Net Position	$ 1,377

Changes in Net Position
Disability Income Plan

Additions	
Employer contributions	77
Other additions	114
Total Additions	191
Deductions	
Benefits	119
Plan Administration	24
Total Deductions	143
Increase in Net Position	48
Net Position, October 1	1,329
Net Position, September 30	$ 1,377

Benefits Provided

The amount of monthly benefit payable to the employee is provided by 60% of basic earnings not less than $50 less the sum of TMRS benefit plus worker's compensation plus social security benefit.

In September of 2012, the City amended the Disability Income Plan to limit benefit eligibility to:

a. Former employees who were receiving disability income from the trust as of September 18, 2012, and
b. Former employees who, as of September 18, 2012, were receiving benefits from the City's Long Term Disability (LTD) plan and were in active service prior to January 1, 1993.

Because the amendment closed the plan to any future disabled employees, there is no longer any liability attributable to the City's active employees.

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	10
Inactive, Nonretired Members	1
Active Members	0
	11

Contributions

The retirement committee of the City has the authority to establish and amend contribution requirements of the plan. The City's contribution is determined through an actuarial valuation. For the year ended September 30, 2020, the City contributed $77,000 to the plan. Administrative costs of DIP are financed through investment earnings.

Net Disability Income Plan Liability

The City's Total Disability Income Plan Liability was measured as of December 31, 2019.

Actuarial assumptions:

The Total Disability Income Plan Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Individual Entry Age Normal
Discount Rate	5%
Inflation	2.5%
Salary Increases	N/A; no active employees
Cost of Living Adjustment	The TMRS offset is assumed to increase by 1.25% per annum. The Social Security offset is assumed to increase 2.5% per annum. The offsets are assumed to increase in January.
Commencement of Plan Benefits	Age 65 for participants on the LTD plan

Changes in the Net Disability Income Plan Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at 10/01/2019	$1,408,844	$1,246,151	$162,693
Changes for the year:			
Service Cost	-	-	-
Interest on total OPEB liability	67,549	-	67,549
Change of benefit terms	-	-	-
Difference between expected and actual exper	(91,774)	-	(91,774)
Changes of assumptions or other inputs	-	-	-
Employer contributions	-	80,319	(80,319)
Net investment income	-	155,531	(155,531)
Benefit Payments	(115,737)	(115,737)	-
Administrative expense		(32,464)	32,464
Net changes	(139,962)	87,649	(227,611)
Balance at 9/30/20	$1,268,882	$1,333,800	$ (64,918)

Sensitivity of the Total OPEB (Asset) Liability to Changes in the Discount Rate

Regarding the sensitivity of the net OPEB (asset) liability to changes in the Single Discount Rate, the following presents the plan's net OPEB liability, calculated using a discount rate of 5.00%, as well as what the plan's net OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	Discount Rate (4.00%)	Discount Rate (5.00%)	Discount Rate (6.00%)
City's net OPEB liability	$44,895	($64,918)	($159,475)

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to disability income plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions and other inputs	-	-
Contributions subsequent to the measurement date	56,785	-
Net difference between projected and actual earnings on OPEB plan investments	-	36,320
Total	$56,785	$ 36,320

Deferred outflows and deferred inflows of resources, by year, to be recognized in future OPEB expense (excluding City-provided contributions made subsequent to the measurement date):

Plan Year Ended September 30:	
2021	(8,003)
2022	(8,002)
2023	(1,331)
2024	(18,984)
Thereafter	-
Total	$ (36,320)

Retiree Health Insurance

The City of Arlington administers a single-employer self-funded health care plan. The plan provides post-retirement health care benefits to eligible retirees and their dependents.

To be eligible for retiree health insurance, an employee must be eligible to retire from the City of Arlington based upon the policies and requirements of the Texas Municipal Retirement System ("TMRS") and elect to retire at the time of separation from the City. If a retiree has coverage through another employer, they must waive the City retiree coverage until the employer-based coverage terminates. As of December 31, 2019, there were 250 retired employees who met this requirement.

An employee may retire from the City based on one of the following circumstances: (1) the employee becomes eligible and elects to retire under the Texas Municipal Retirement System (TMRS) after either 20 years of service credit at any age, or after a minimum of five years of service at age 60; (2) the employee becomes eligible and elects to retire under the provisions of TMRS relating to disability retirement.

Benefits Provided

A Retiree may be eligible for insurance benefits that include: medical, dental, and vision benefits, regardless of the number of years worked for the City. However, to be eligible for a contribution from the City toward medical insurance, the Retiree must meet all of the following requirements:

- Be a minimum of age 50 and have a minimum of 10 years of full-time service with the City of Arlington and age plus years of service with the City must equal at least 70.
- Elect to receive their TMRS pension at the time of separation from the City of Arlington.
- Be hired/re-hired OR transferred to a Full-time status prior to January 1, 2006.

Retiree Health Insurance City Benefit Payments

The City's payment toward Retiree health insurance premiums is based upon five criteria: Date of Hire, Re-hire, or Full-time Status; Years of Full-time Service with the City of Arlington; Age; Election of TMRS Pension; and Date of Retirement.

1. Retirees who were hired/re-hired or transferred into a full-time status prior to 1/1/2006 have a City contribution based on their years of eligible service with the City. Retirees who were hired/re-hired or transferred into a full-time status after 1/1/2006 have no City contribution; however they may elect to pay the full cost and remain on the City's health plan.
2. Retirees who are TMRS eligible and elect a pension, are a minimum of age 50 and have 10 years of full-time service with the City of Arlington are eligible for a City contribution if hired, re-hired, or transferred into a full-time status prior to 1/1/2006.
3. Retirees who are TMRS eligible, have elected a pension but have less than 10 years of full-time service with the City of Arlington are not eligible for the City contribution, but may elect insurance benefits and pay the full premium.
4. Retirees who retired prior to 1/1/2008 have a City contribution toward their dependent's health coverage. Retirees who are retiring after 1/1/2008 do not have a contribution toward their dependent's health care.
5. Effective January 1, 2014, the City's retiree contribution was changed to a flat rate based on date of retirement. The contribution for retirees over the age of 65 has $50 of the contribution designated for Medicare pharmacy coverage.

Benefit Payments The City Council through the budget process has the authority to establish and amend payment requirements of the plan. Currently the plan is funded on a pay-as-you-go basis. The City's payments for the year ended September 30, 2020 were $6,583,000.

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	815
Inactive employees entitled to but not yet receiving benefits	250
Active Employees	2,475
	3,540

Net OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2019.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

.Actuarial Cost Method	Individual Entry-Age
Discount Rate	2.75%
Inflation	2.50% per year
Salary Increases	3.50% to 10.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rate in the MP tables.
Health Care Trend Rates	Pre-65: Initial rate of 7.10% declining to an ultimate rate of 4.25% after 14 years; Post-65: Initial rate of 6.40% declining to an ultimate rate of 4.25% after 14 years
Participation Rates	Following rates apply for retirees that are eligible for a subsidy and retire between the ages of 50 and 65: 45% for retirees with 10-14 years of service; 55% for retirees with 15-19 years of service; 65% for retirees with 20-24 years of service; 75% for retirees with 25-29 years of service; 80% for retirees with 30 or more years; 95% for retirees that are eligible for a subsidy and retire after the age of 65; 20% for retirees that are not eligible for a subsidy from the City; 10% for retirees that are eligible for a subsidy and retire before the age of 50

Discount Rate:

The discount rate used to measure the Total OPEB Liability was changed from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019.

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 10/01/19	$ 111,705,193
Changes for the year:	
Service Cost	2,267,816
Interest on total OPEB liability	4,077,730
Change of benefit terms	-
Difference between expected and actual experience	(3,486,806)
Changes of assumptions or other inputs	6,920,378
Benefit Payments	(5,854,499)
Net changes	3,924,619
Balance at 9/30/20	115,629,812

Covered-employee payroll	$167,712,006
Total OPEB liability as a percentage of covered payroll	68.95%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	Discount Rate (1.75%)	Discount Rate (2.75%)	Discount Rate (3.75%)
City's total OPEB liability	$128,058,769	$115,629,812	$104,908,358

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, calculated using the assumed trend rates as well as what the City's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
City's total OPEB liability	$110,791,044	$115,629,812	$121,232,749

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,267,375	$ 2,988,042
Changes of assumptions and other inputs	9,105,098	1,770,276
Benefit payments subsequent to the measurement	4,827,540	n/a
Total	$ 15,200,013	$ 4,758,318

Deferred outflows and deferred inflows of resources, by year, to be recognized in future OPEB expense (excluding City-provided benefit payments made subsequent to the measurement date):

Year Ended September 30:	
2021	$ 1,177,302
2022	1,177,302
2023	1,177,302
2024	1,177,302
2025	420,309
Thereafter	484,638
Total	$ 5,614,155

Supplemental Death Benefits Plan

Plan Description

Texas Municipal Retirement System ("TMRS") administers a single-employer defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit ("OPEB") and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB75).

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

Benefits Provided

TMRS provides death benefits to retirees at a fixed amount of $7,500.

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,500
Inactive employees entitled to but not yet receiving benefits	391
Active Employees	2,578
	4,469

Contributions

The total contribution rate is for .15% of employee gross earnings, with .04% of that rate being the retiree portion. The City's contributions to TMRS for the year ended September 30, 2020, were $74,422.

Net Pension Liability

The City's Total OPEB Liability was measured as of December 31, 2019

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.50% - 11.5% per year
Discount Rate	2.75%

Salary increases were based on a service-related table. Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. For disabled retirees, the 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Actuarial assumptions used in the December 31, 2019, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2014 through December 31, 2018.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.75%, down from 3.75% in the previous year..

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 10/01/2019	$ 8,249,995
Changes for the year:	
Service Cost	241,595
Interest on total OPEB liability	309,177
Change of benefit terms	-
Difference between expected and actual experience	(238,208)
Changes of assumptions or other inputs	1,642,715
Benefit Payments	(74,337)
Net changes	1,880,942
Balance at 9/30/20	10,130,937

Total OPEB liability as a percentage of covered payroll 5.45%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.75%) or 1-percentage-point higher (3.75%) than the current rate:

	Discount Rate (1.75%)	Discount Rate (2.75%)	Discount Rate (3.75%)
City's total OPEB liability	$12,377,822	$10,130,937	$8,398,096

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$268,405
Changes of assumptions and other inputs	1,293,821	-
Benefits subsequent to the measurement date	56,336	n/a
Total	$1,350,157	$268,405

Deferred outflows and deferred inflows of resources, by year, to be recognized in future OPEB expense (excluding City-provided benefits made subsequent to the measurement date):

Year Ended September 30:	
2021	$ 236,733
2022	236,733
2023	220,873
2024	131,120
Thereafter	199,957
Total	$ 1,025,416

8. DEBT AND LIABILITIES

General Obligation Bonds

On May 15, 2020, the City issued Permanent Improvement Refunding Bonds, Series 2020 of $8,720,000 with an interest rate of 2.00 to 5.00 percent and serial maturities on August 15 from 2021 through 2030. Interest on the bonds is due every February 15 and August 15, beginning February 15, 2021. The bonds were issued to refund currently outstanding obligations of the City, in order to achieve debt service savings; and paying the costs of issuing the 2020 bonds. Total interest requirements for the Series 2020 bonds at a rate from 2.00 to 5.00 percent is $1,465,915 in the aggregate.

On July 15, 2020 the City issued Permanent Improvement Bonds, Series 2020A of $39,625,000 with an interest rate of 2.00 to 5.00 percent and serial maturities on August 15 from 2022 through 2040. Interest on the bonds is due every February 15 and August 15, beginning February 15, 2021. The bonds were issued to provide funds for permanent public improvements, to wit: designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, bridges, and other public ways of the City, including streetlighting, right-of-way protection, and related storm drainage improvements; and acquiring rights-of-way in connection therewith; designing, constructing, reconstructing, improving, renovating, expanding, equipping, and furnishing firefighting facilities, including fire station facilities, and administrative facilities; acquiring, developing, renovating and improving parks and open spaces for park and recreation purposes in and for the City; and paying the costs of issuance of the Bonds. Total interest requirements for the Series 2020A bonds at a rate from 2.00 to 5.00 percent is $15,510,161 in the aggregate.

General obligation bonds currently outstanding are as follows (amounts in thousands):

Purpose	Interest Rates	Amount
Governmental activities	2.00-5.00%	$ 265,565
Governmental activities - refunding	1.00-5.00%	112,085
Total Governmental		$ 377,650

Annual debt service requirements to maturity for general obligation bonds are as follows (amounts in thousands):

Year Ending September 30	Principal	Interest
2021	$ 28,440	$ 14,382
2022	29,325	13,166
2023	28,100	12,064
2024	27,015	10,840
2025	25,935	9,661
2026-2030	116,315	32,463
2031-2035	85,245	13,390
2036-2040	37,275	2,363
	$ 377,650	$ 108,328

General obligation debt authorized and unissued as of September 30, 2020, amounted to $224,515,000.

General Obligation Pension Bonds

On August 15, 2020, the City issued General Obligation Pension Bonds, Taxable Series 2020 of $174,665,000 with an interest rate of .206 to 2.146 percent and serial maturities on August 15 from 2021 through 2038. Interest on the bonds is due every February 15 and August 15, beginning February 15, 2021. The bonds were issued to provide funds to pay a portion of the City's accrued unfunded liability to the Texas Municipal Retirement System and to pay the costs of issuance of the bonds. Total interest requirements for the Series 2020 bonds at a rate from 2.00 to 5.00 percent is $29,124,493 in the aggregate.

Annual debt service requirements to maturity for general obligation pension bonds are as follows (amounts in thousands):

Year Ending September 30	Principal	Interest
2021	$ 8,620	$ 2,151
2022	8,975	2,379
2023	9,005	2,352
2024	9,035	2,317
2025	9,090	2,262
2026-2030	46,810	9,961
2031-2035	50,455	6,312
2036-2038	32,675	1,390
	$ 174,665	$ 29,124

Certificates of Obligation

On May 15, 2020, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2020 of $9,205,000 with an interest rate of 2.00 to 5.00 percent. The Series 2020 Certificates will mature on August 15 over a period from 2021 to 2030. Interest is payable February 15 and August 15, beginning February 15, 2021. The total interest requirement for the Series 2020 at a rate of 2.00 to 5.00 percent is $1,719,436 in the aggregate. The certificates were issued to provide funds for acquisition and installation of firefighting vehicles and equipment; acquisition and installation of aircraft rescue and firefighting vehicles and equipment; information technology infrastructure and equipment for the City's public safety operations, design, development, construction, improvement and equipping of City drainage improvements and facilities; and to pay for professional services of attorneys, financial advisors and other professionals in connection with the issuance of the Certificates and the costs of issuance.

Annual debt service requirements to maturity for certificates of obligation of the primary government as of 9/30/20 are as follows (amounts in thousands):

Year Ending September 30	Principal	Interest
2021	$ 6,410	$ 2,146
2022	6,615	1,926
2023	6,715	1,745
2024	6,810	1,533
2025	6,050	1,285
2026-2030	21,615	3,759
2031-2035	9,865	1,054
2036-2040	795	24
	$ 64,875	$ 13,470

Revenue Bonds

The City also issues bonds where the government pledges income derived from the operations of the Water and Sewer Fund or the Storm Water Utility Fund.

In May 2020, the City issued $5,185,000 in Water and Wastewater System Revenue Refunding Bonds, Series 2020A. Proceeds from the sale of these bonds will be used to provide funds to refund certain currently outstanding revenue obligations of the City in order to achieve debt service savings and to pay costs of issuance associated with the sale of the 2020A Bonds. These bonds mature June 1 over a period from 2021 to 2030. Interest, at a rate of 2.00 to 5.00 percent, is $911,310 in the aggregate.

In May 2020, the City issued $9,845,000 in Municipal Drainage Utility System Revenue Bonds, Series 2020A. Proceeds from the sale of these bonds will be used to pay the costs of drainage improvements, including the acquisition and construction of equipment and facilities of the System and to pay costs of issuance associated with the sale of the 2020A Bonds. These bonds mature June 1 over a period from 2021 to 2040 and as a Term Bond maturing on June 1, 2040. Interest, at a rate of 2.00 to 5.00 percent, is $3,125,999 in the aggregate.

In May 2020, the City issued $13,540,000 in Municipal Drainage Utility System Revenue Refunding Bonds, Series 2020B. Proceeds from the sale of these bonds will be used for the purpose of providing funds to refund certain currently outstanding revenue obligations of the City, in order to achieve debt service savings and to pay costs of issuance associated with the sale of the 2020B Bonds. These bonds mature June 1 over a period from 2021 to 2031 and as a Term Bond maturing on June 1, 2031. Interest, at a rate of 1.00 to 1.95 percent, is $1,310,133 in the aggregate.

The revenue bond debt service requirements to maturity are as follows (amounts in thousands):

Year Ending September 30	Business Activities					
	Water/Wastewater		Water/Wastewater TWDB		Storm Water Utility	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 15,590	$ 6,991	$ 6,275	$ 387	$ 3,075	$ 1,268
2022	14,775	6,409	6,275	378	3,070	1,167
2023	14,750	5,889	6,270	366	3,035	1,087
2024	13,970	5,364	6,270	353	2,980	1,007
2025	13,145	4,827	6,270	337	2,930	928
2026-2030	58,665	16,369	31,310	1,375	14,160	3,322
2031-2035	44,775	6,700	27,640	798	8,945	1,451
2036-2040	16,100	982	18,815	196	5,515	374
	$ 191,770	$ 53,531	$ 109,125	$ 4,189	$ 43,710	$ 10,603

Net revenues of the City's water operations have been pledged for repayment of the City's revenue bonds. The amount of the pledge is equal to the remaining outstanding debt service requirements for these bonds, which were all originally issued to provide funding for construction of the water and wastewater systems. The pledge continues for the life of the bonds. For the year ended September 30, 2020, net pledged revenues for the water enterprise fund were $81,791,000 and debt service on the revenue bonds was $27,823,000. The same pledge for repayment applies to the City's Storm Water Utility revenue of $14,223,000 for the bonds issued in fiscal year 2020.

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2020 (amounts expressed in thousands):

	10/1/2019	Increases	Reductions	9/30/2020	Due Within One Year
Governmental activities:					
General obligation debt	$ 367,405	$ 223,011	$ (38,101)	$ 552,315	$ 37,060
Certificates of obligation	61,085	9,205	(5,415)	64,875	6,410
Special tax revenue debt	570,375	-	(2,030)	568,345	3,510
Premium on general bonds	22,868	10,406	(4,313)	28,961	-
Premium on special bonds	53,545	-	(3,427)	50,118	-
Discount on special bonds	(1,512)	(674)	217	(1,969)	-
Net governmental bonds payable	1,073,766	241,948	(53,069)	1,262,645	46,980
Compensated absences	33,831	4,178	(1,346)	36,663	1,394
Claims	9,378	5,436	(4,778)	10,036	4,365
Landfill Closure	22,671		(358)	22,313	-
Estimated pollution remediation	476	-	(476)	-	
Net other post-employ benefit oblg.	112,321	5,428	(228)	117,522	-
Net pension liability*	201,544	-	(70,367)	131,177	-
Total governmental long-term liabilities	$ 1,453,987	$ 256,990	$ (130,622)	$1,580,356	$ 52,739
Business-type activities:					
Water and sewer bonds	$ 324,360	$ 5,185	$ (28,650)	$ 300,895	$ 21,865
Premium on water and sewer bonds	10,712	468	(1,676)	9,504	-
Storm water utility bonds	35,470	23,385	(15,145)	43,710	3,075
Premium/Discount on storm water utilit	1,500	1,071	(801)	1,770	-
Net water and sewer bonds payable	372,042	30,109	(46,272)	355,879	24,940
Compensated Absences	2,470	527	(116)	2,881	102
Net other post-employ benefit oblg.	7,797	377	-	8,174	
Net pension liability	14,025	-	(4,887)	9,138	-
Rebatable arbitrage payable	169	32	-	201	
Total business-type long term liabilities	$ 396,503	$ 31,045	$ (51,275)	$ 376,273	$ 25,042

9. PRIOR YEAR BOND REFUNDINGS

In FY20 and in prior years, the City legally defeased certain general obligation, revenue, and other bonds by placing cash and/or proceeds of refunding bond issues in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's report. As of September 30, 2020, previously defeased debt still outstanding amounted to $12,800,000.

Bond	Maturity Date	Interest Rate	Par Amount
Perm Imp & Ref Bds, Series 2010, 2010, SERIALS:	8/15/2021	5.000%	$ 230,000.00
	8/15/2022	5.000%	230,000.00
	8/15/2023	5.000%	230,000.00
	8/15/2024	5.000%	230,000.00
	8/15/2025	5.000%	225,000.00
	8/15/2026	5.000%	225,000.00
	8/15/2027	5.000%	215,000.00
	8/15/2028	4.000%	1,055,000.00
	8/15/2029	4.125%	1,055,000.00
	8/15/2030	4.250%	1,055,000.00
			$ 4,750,000.00
Perm Imp Ref Bds, Series 2010A, 2010A, SERIALS:	8/15/2021	4.000%	$ 2,060,000.00
	8/15/2022	4.000%	2,015,000.00
	8/15/2023	4.000%	800,000.00
			$ 4,875,000.00
			$ 9,625,000.00

Bond	Maturity Date	Interest Rate	Par Amount
Water and Wastewater System Revenue and Refunding Bonds, Series 2010, SERIALS:	6/1/2021	5.000%	$ 1,245,000.00
	6/1/2022	4.000%	490,000.00
	6/1/2023	4.000%	490,000.00
	6/1/2024	4.000%	490,000.00
	6/1/2025	4.000%	490,000.00
	6/1/2026	4.000%	490,000.00
	6/1/2027	4.000%	490,000.00
	6/1/2028	4.000%	490,000.00
	6/1/2029	4.125%	490,000.00
	6/1/2030	4.250%	485,000.00
			$ 5,650,000.00

Bond	Maturity Date	Interest Rate	Par Amount
Mun Dr Util Sys Rev Bds, Ser 2011, 2011, SERIALS:	6/1/2022	4.000%	$ 1,280,000.00
	6/1/2023	5.000%	1,280,000.00
	6/1/2024	5.000%	1,280,000.00
	6/1/2025	4.000%	1,280,000.00
	6/1/2026	4.000%	1,280,000.00
	6/1/2027	4.000%	1,280,000.00
	6/1/2028	4.125%	1,280,000.00
	6/1/2029	4.250%	1,280,000.00
	6/1/2030	4.375%	1,280,000.00
	6/1/2031	4.500%	1,280,000.00
			$ 12,800,000.00

10. INTERFUND TRANSACTIONS

A summary of interfund receivables and payables at September 30, 2019, is as follows (amounts in thousands):

Fund	Interfund Receivables	Interfund Payables
General Fund	$4,266	$ -
Nonmajor Funds	-	4,266
	$4,266	$4,266

The General Fund receivable represents cash provided to nonmajor funds and will be reimbursed in 2020. Transfers between funds during the year were as follows (amounts in thousands):

	Transfers Out	Transfers In
Major Governmental Funds:		
General Fund	$ 11,486	$ 22,042
Street Capital Projects	831	-
Debt Service Fund	-	-
Total Major Governmental Funds	12,317	22,042
Major Enterprise Fund-Water and Sewer	39,684	11,874
Major Enterprise Fund-Storm Water Utility	1,504	-
Other Funds:		
Nonmajor Governmental Funds	14,599	44,655
Internal Service Funds	-	1,407
Government-wide trans to enterprise	11,874	-
Total All Funds	$79,978	$79,978

The Water and Sewer, Storm Water Utility, and Convention and Event Services transferred $5,449,000 to the General Fund to cover their budgeted indirect costs.

The General Fund transferred $6,141,000 to Street Maintenance Fund and Special Transportation (Handitran) to cover budgeted operating expenses.

The Enterprise Funds transferred $14,029,000 to cover their budgeted operating costs.

The other General Fund transfers were to cover budgeted operating expenses in other funds.

11. MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The City accounts for its landfill closure and postclosure care costs in accordance with GASB No. 18, "*Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*."

State and federal laws and regulations require the City to place a final cover on its municipal landfill site when it stops accepting waste and to perform certain maintenance functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of the closure and post-closure care costs as a liability on the Statement of Net Position in each period based on landfill capacity used as of each balance sheet date. This liability is offset by an asset recorded for a trust account established for the purpose of paying the closure and post-closure costs as more fully described below. In 2014, the City received a permit for vertical expansion and to open an additional 80 acres, which increased the capacity and the life of the landfill. The $22,313,000 reported as a landfill closure and post-closure accrued liability at September 30, 2020, represents the cumulative amount reported to date based on the use of approximately 43 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of $5,555,000 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2020. The City expects to close the landfill in 2060. Actual costs may change due to inflation, changes in technology, or changes in regulations.

On March 18, 2005, the City entered into a contract with Republic Waste Services of Texas, Ltd. (Republic) for a 20-year renewable operating lease of the landfill. The City received an initial payment of $15 million; the remaining balance of deferred revenue of $2,058,000 will be amortized over the life of the lease. Republic is responsible for the funding of monthly contributions to a trust account that will pay closure and post-closure costs as required by state and federal laws and regulations. Republic is in compliance with these requirements and at September 30, 2020, investments are held for these purposes.

12. COMMITMENTS AND CONTINGENCIES

Trinity River Authority

The City entered into a 50-year contract dated October 10, 1973, with the Trinity River Authority (TRA) whereby the TRA agrees to provide supplemental sewage treatment for consideration. Payments by the City are based on metered usage, at rates designed to charge the City a pro rata share of the TRA's annual operating and maintenance expenses, and principal and interest requirements on bonds issued by the TRA.

Grant Audits

The City receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. City management believes such disallowances, if any, would be insignificant.

Construction Commitments

The City has various active construction projects as of September 30, 2020. The projects include construction in streets, parks, traffic, library, and water and sewer facilities. At year-end the City’s significant commitments with contractors are as follows (amounts in thousands):

Project	Spent-to-Date	Remaining Commitment
Street Construction	$ 33,144	$ 25,341
Park Construction	83,801	8,711
Traffic Construction	7,525	13
Library Construction	5,749	6,246
Storm Water Utility Construction	37,926	16,816
Water and Sewer Construction	48,609	35,221
	$ 216,754	$ 92,348

The street and traffic construction projects are funded primarily by permanent improvement bonds proceeds. The park construction projects are funded by permanent improvement bond proceeds, certificate of obligation proceeds, and park fee revenues. Water and sewer and storm water utility construction projects are funded by revenue bond proceeds and cash from operating revenues of the water and sewer and storm water systems.

Litigation

The City is currently involved in several lawsuits in which some liability is probable. The potential liability as of September 30, 2020, cannot be determined. Pursuant to the Texas Tort Claims Act, damages would be capped at $250,000.

Various other claims and lawsuits are pending against the City. In the opinion of City Attorney's Office, the potential losses, in excess of the Self Insurance Risk Management Fund limitations (see Note 13) of insurance coverage, if any, on all claims will not have a materially adverse effect on the City's financial position as a whole.

13. RISK MANAGEMENT

The City's risk management activities are administered through various internal service funds.

Risk Management Fund (RMF)

The RMF was created for the purpose of acting on the City's behalf in financing various governmental programs as prescribed by ordinance or resolution of the City Council. In October 1986, the City Council adopted an ordinance to establish the City's Self-insurance and Risk Management Program (the "Program"). The purpose of the Program is to provide the City a defined and funded self-insurance program for bodily injury, property damage, personal injury, advertising injury, and regulatory injury.

On June 1, 2016 the City issued Combination Tax and Revenue Certificates of Obligation Series 2016C of $14,150,000. The certificates were issued with the purpose of providing moneys to fund the Risk Management Fund, a self-insurance fund to protect the City and its officers, employees and agents from any insurable risk or hazard as permitted under Chapter 2259, Texas Government Code, as amended.

The payments out of the RMF for all purposes cannot exceed $1,500,000 per occurrence and $3,000,000 in aggregate in one annual period. Should claims exceed this amount, the excess claims are to be funded by other available City resources.

The RMF claims liabilities are actuarially determined annually to include the effects of specific incremental claims, adjustment expenses, and if probable and material, salvage and subrogation. The actuarially determined liabilities are reported at their present values using an expected future investment yield assumption of 1.0 percent.

Workers' Compensation

The City's workers' compensation plan provides City employees with workers' compensation insurance through the Workers' Compensation Fund (the "WCF"). Under this program, the WCF provides coverage for up to a maximum of $750,000 per claim. The City purchases commercial insurance for claims in excess of coverage provided by the

WCF. Over the past five years there have been seven claims for which payments have been received totaling $742,448 through the commercial insurance. All City departments participate in the workers' compensation program. Payments to the WCF from such departments are based on actuarial estimates of the amounts needed to pay prior and current year claims and related administrative expenses. The WCF claims liabilities are actuarially determined annually to take into consideration recently settled claims, the frequency of claims and other economic and social factors. The actuarially determined liabilities are reported at their present values using an expected future investment yield assumption of 1.0 percent.

Group Health

Group medical benefits are paid through the Group Health Fund. Revenues are recognized from payroll deductions and from City contributions for employee and dependent coverage. Changes in the balances of claims liabilities during fiscal 2019 and 2018 were as follows (amounts in thousands):

	Workers Compensation		**Health**		**Self Insurance Risk Management**		**Other**	
	2020	2019	2020	2019	2020	2019	2020	2019
Unpaid claims, Oct 1	$3,912	$3,719	$ 2,226	$ 2,264	$2,584	$2,940	$ -	$ -
Incurred Claims (including IBNRs and changes in estimates)	1,057	2,162	28,053	23,024	1,993	362	738	656
Claim payments	(1,237)	(1,969)	(27,832)	(23,062)	(1,458)	(718)	-	-
Unpaid claims, Sept 30	$3,732	$3,912	$ 2,447	$ 2,226	$3,119	$2,584	$ 738	$656

14. LEASES

As Lessor

Effective October 1, 1983, the City entered into a contract to lease a tract of land for the purpose of constructing and developing a hotel. The term of the lease is for an initial period of fifty years with renewal options for two additional terms of fifteen years each. The rental payments are based upon a percentage (ranging from 1.0 percent - 1.75 percent) of gross revenues (as defined in the agreement) through December 31, 2006. After December 31, 2006, the lessee shall pay the total annual rent of $250,000. For each year thereafter, the lessee shall pay an annual rent amount equal to the previous year’s rent plus an increase not to exceed the effective percentage change in the Consumer Price Index (Specifically CPI-U for Dallas-Fort Worth region) for the previous 12-month period. Total rental payments received in 2020 were approximately $311,015.

15. SETTLEMENT AGREEMENT

On April 27, 1999, the City entered into a Dispute Settlement Agreement and Agreement Not To Pursue Claim (the “Dispute Settlement Agreement”) with the Texas Rangers baseball club (the “Rangers”). The Dispute Settlement Agreement relates to the amount of costs of acquiring certain tracts of land for the Project, which the City alleged should be paid by the Rangers (the “Claim”).

The Dispute Settlement Agreement requires the Rangers to make annual installment payments, without interest, to the City on or before December 31 of each year as follows:

Year	Amount
2020	727,500
2021	727,500
2022	727,500
2023	727,500
2024	715,829
	3,625,829
Less Discount	297,503
	$3,328,326

The total is reported as a settlement agreement receivable by the City. The payment amounts will be reduced effective in fiscal year 2016 to reflect reduced interest rates. The payment in 2024 is due on or before March 1. By entering into this agreement, the City agreed to release and discharge the Rangers from the Claim.

16. TEXAS RANGERS CAPITAL LEASE

In November 2016, Arlington citizens voted to build a new Rangers stadium which was completed in 2020. A lease agreement was executed on 2019 between the Texas Rangers, Ltd. (the Rangers) and the City for the Ballpark Complex Development (the Facility). The lease is a triple net lease to the Rangers, with the Rangers retaining all concession and signage rights. The Rangers agreed to pay a base rent of $2,000,000 per year for the 30-year term of the lease through 2054. At the end of the lease, the Rangers have the option to purchase the Facility, at a cost of the difference of $100,000,000 and the sum of all rent paid, all operating costs project costs and tenant specific costs paid by the Rangers.

Pursuant to applicable accounting standards, the lease of the Facility to the Rangers has been accounted for as a capital lease.

Minimum future rentals are as follows:

September 30	
2021	$2,000,000
2022	2,000,000
2023	2,000,000
2024	2,000,000
2025	2,000,000
Thereafter	58,000,001
	68,000,001
Less Discount	26,199,596
Minimum future lease rentals	$41,800,405

17. CONDENSED COMPONENT UNIT INFORMATION

The City includes seven discretely presented component units in its reporting entity (see note I.B.). Condensed component unit information for the year ended September 30, 2020, for all discretely presented component units is as follows (amounts in thousands):

Condensed Schedule of Net Position

	Arlington Tomorrow Foundation	Housing Authority	Other Discretely Presented Component Units	Total Discretely Presented Component Units
Current and other assets	$ 82,732	$ 6,562	$ 3,441	$ 92,735
Capital assets	-	316	4,750	5,066
Total assets	82,732	6,878	8,191	97,801
Other liabilities and deferred inflows of resources	826	1,970	5,022	7,818
Total liabilities	826	1,970	5,022	7,818
Net position:				
Net investment in capital assets	-	316	4,750	5,066
Restricted	81,906	232	-	82,138
Unrestricted	-	4,360	(1,581)	2,779
Total net position	$ 81,906	$ 4,908	$ 3,169	$ 89,983

Condensed Schedule of Activities

	Arlington Tomorrow Foundation	Housing Authority	Other Discretely Presented Component Units	Total Discretely Presented Component Units
Expenses	$ 4,804	$ 33,466	$ 16,708	$ 54,978
Program Revenues:				
Charges for services	-	-	7,235	7,235
Operating grants and contributions	-	33,815	10,170	43,985
Capital grants and contributions	-	-	-	-
Net Program (Expense) Revenue	(4,804)	349	697	(3,758)
Interest Revenues	5,968	43	26	6,037
Other NonTax General Revenues	3,612	279	(2,043)	1,848
Change in Net Position	4,776	671	(1,320)	4,127
Net position, October 1	77,130	4,237	4,489	85,856
Net position, September 30	$ 81,906	$ 4,908	$ 3,169	$ 89,983

18. TAX ABATEMENTS

As of September 30, 2020, the City of Arlington (City) provides for tax abatements and tax rebates through two mechanisms – Tax Abatement Agreements and Chapter 380 Agreements. The City's Tax Abatements are authorized under Chapter 312 of the Texas Tax Code and the City's Policy Statement for Tax Abatement. Under a tax abatement agreement, the taxable value is reduced by a specific percentage, and the amount of the abatement is deducted from the recipient's tax bill. The City's tax abatements are administered by Tarrant Appraisal District. Chapter 380 agreements are authorized under VTCA Local Government Code Chapter 380 and the City's Chapter 380 Economic Development Programs Policies and Procedures. Under a 380 agreement, the recipient pays the total taxes due to the City, and the City rebates a portion of taxes paid based on the terms of the agreement.

For financial reporting purposes, a tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. A transaction's substance, not its form or title, is the key factor in determining whether the transaction meets the definition of a tax abatement for the purpose of this disclosure. Therefore, the City's 380 agreements are being disclosed, as the substance of the rebates meets the definition of a tax abatement for purposes of financial reporting.

The City provides tax abatements for economic development in three categories – (1) Development and Redevelopment, (2) Recruitment, and (3) Retention:

Development and Redevelopment

The City provides development and redevelopment tax abatements to encourage development of remaining Greenfield sites with highest and best uses, and transformational redevelopment of existing sites with high community impact. Abatements are obtained through an application and evaluation process, with ultimate approval authorized by the City Council. Property owners are required to complete the City's Application for Incentives providing a complete description of the project, method of financing, descriptive list of improvements, schedule for completion, estimated taxable value of improvements, level of abatement requested, jobs created (if applicable), and any other incentives requested. Applications are evaluated to determine if the project meets the criteria for a development/redevelopment tax abatement. The City abates up to 100% percent of the additional property tax resulting from the increased appraised value as a result of the improvements. Property owners are required to pay 100% of the property tax on the base year value. The City may also rebate a portion of the sales, hotel occupancy, and mixed beverage taxes generated by a project. A portion of the City's local tax collections generated by the recipient's purchase or sale of taxable items associated with the project and consummated in the City may be rebated for a specified period. In exchange for the abatement/rebatement, the recipient commits to comply with the terms of the agreement, such as project completion deadlines, capital investment, and minimum added value requirements. If the recipient fails to meet the improvement conditions, the agreement enters a breach status, and the City provides a 30-60-day cure period. If the recipient fails to cure the breach, the City may terminate the agreement and recapture any taxes abated/rebated per the terms of the agreement. As part of a tax abatement/rebatement, the City may make other commitments to support development and redevelopment projects (*e.g.,* development fee waivers, infrastructure improvements, etc.).

Recruitment

The City offers recruitment tax abatement agreements to attract and incentivize new business to the City. Abatements may be granted to a company agreeing to relocate to the City or to establish new business in the City; the project must meet requirements of the Tax Code and the City's policy statements to be considered for an abatement. The City may grant tax abatements for recruitment if the City Council finds the abatement is in the public interest because it will facilitate one or more of the following objectives: (1) increase tax base, (2) provide quality employment, and (3) contribute to the diversity and quality of Arlington's business community. The value and duration of the tax abatement is determined by the degree to which the project meets the objectives of the City's Economic Development Strategic Plan, number and types of jobs to be created, and sales taxes, hotel taxes or other incomes that would be generated. Additional levels of abatement are considered based upon the project's employment numbers, industry type, and wages. Applicants undergo the same application and evaluation process required for development/redevelopment abatements. The City abates up to 100% percent of the additional property taxes (*i.e.,* real estate, business personal property, or both) resulting from the increased appraised value as a result of the project. The City may also rebate a portion of the sales, hotel occupancy, and mixed beverage taxes generated by a project. A portion of the City's local tax collections generated by the recipient's purchase or sale of taxable items associated with the project and consummated in the City may be rebated for a specified period. In exchange for the abatement/rebatements(s), the recipient commits to comply with the terms of the agreement, such as project completion deadlines, added value requirements, job creation, etc. If the recipient fails to comply, the same breach and recapture provisions described above may apply. Based on the economic impact of the project, the City may make other commitments to the recipient in addition to the tax abatement/rebatement. Additional incentives include development fee waivers, infrastructure improvements, and grants for hiring Arlington residents.

Retention

The City offers retention tax abatements to incentivize existing businesses to remain in the City and to encourage renovation, expansion, and job growth. Abatements may be granted to existing businesses looking to expand and renovate existing facilities or to construct new facilities to accommodate product/service demand and employment growth. Criteria for retention abatements include increasing and preserving the City's tax base, creating and retaining employment opportunities, and updating the skills of existing employees. The value and duration of the tax abatement is determined by the degree to which the project meets the objectives of the City's Economic Development Strategic Plan, number and types of jobs to be created/retained, community impact, and sales taxes, hotel taxes or other incomes that would be generated. Additional levels of abatement are considered based upon the project's employment numbers, industry type, and wages. Applicants undergo the same application and evaluation process required for all abatements. The City abates up to 100% percent of the additional property tax (*i.e.,* real estate, business personal property, or both) resulting from the increased appraised value as a result of the project. The City may also rebate a portion of the sales taxes and other income generated from the project. In exchange for abatement/rebatement(s), the recipient commits to comply with the terms of the agreement, including project completion deadlines, added value and/or taxable sales requirements, and job creation and retention numbers. If the recipient fails to comply, the same breach and recapture provisions described for all abatements may apply. As part of a tax abatement, the City can make other commitments to support business retention (*e.g.,* development fee waivers, infrastructure improvements, hiring grants, etc.).

Tax Abatement Program

Program	Property Tax	Sales Tax	Hotel Occupancy Tax	Mixed Beverage Taxes	Other Commitments
Development/Redevelopment	904,639	135,540	599,753	205,246	-
Recruitment	514,565	4,273,056	-	-	-
Retention	4,052,620	-	-	-	94,502
Total Tax Abated	5,471,824	4,408,596	599,753	205,246	94,502

For the fiscal year ended September 30, 2020, the City's property tax revenues were reduced by $5,471,824 under active tax abatement and Chapter 380 agreements for Development/Redevelopment, Recruitment, and Retention. Sales tax revenues were reduced by a total of $4,408,596 for Development/Redevelopment and Recruitment rebatements. Hotel occupancy tax revenues were reduced by $599,753 and mixed beverage taxes were reduced by $205,246 for Development/Redevelopment rebatements. In addition to tax abatements/rebatements, recipients qualified for $94,502 in other commitments from the City in the form of development fee waivers or grants for hiring Arlington residents.

Tax revenues were reduced as a result of the City's tax abatement agreements only; no other governments' tax abatement agreements caused a reduction in the City's tax revenues. However, the City may also act as a conduit for the refunding of state sales, hotel occupancy, and mixed beverage taxes generated by a qualifying project under Sections 151.429 (h), 351.102, and 351.1022 of the Texas Tax Code, Section 2303.5055 of the Texas Government Code, and other applicable laws.

19. POLLUTION REMEDIATION

The City is responsible for following all applicable environmental rules when managing sites with environmental clean-up or management requirements. The Texas Commission on Environmental Quality (TCEQ) requires that the City conduct groundwater monitoring of the leaking petroleum storage tanks. The liability is calculated using the current value of outlays to remediate the properties – the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired during the current period. The liability is an estimate and is subject to revision as a result of price increases or reductions, changes in technology, or changes in applicable laws or regulations. As of September 30, 2020, the City has no environmental remediation liability as remediation has been completed.

20. SUBSEQUENT EVENTS

There were no subsequent events that require disclosure at this time.

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APPENDIX C

FORM OF BOND COUNSEL OPINION

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[Form of Bond Counsel Opinion]

$9,505,000

CITY OF ARLINGTON, TEXAS
TAX INCREMENT REVENUE BONDS
SERIES 2021 (CITY OF ARLINGTON TAX INCREMENT REINVESTMENT ZONE NO. 5)

WE HAVE represented the City of Arlington, Texas (the "Issuer"), as its bond counsel in connection with an issue of bonds (the "Bonds") described as

> CITY OF ARLINGTON, TEXAS TAX INCREMENT REVENUE BONDS, SERIES 2021 (CITY OF ARLINGTON TAX INCREMENT REINVESTMENT ZONE NO. 5), dated December 1, 2021 in the principal amount of $9,505,000.
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the City of Arlington Tax Increment Reinvestment Zone Number Five Master Indenture of Trust (the "Master Indenture") and First Supplemental Indenture (the "First Supplemental Indenture") adopted by the City Council of the Issuer authorizing their issuance and the Pricing Certificate authorized therein (the Master Indenture, First Supplemental Indenture and Pricing Certificate are referred to herein as the "Indenture").

WE HAVE represented the Issuer as its bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; and customary certificates of officers, agents and representatives of the Issuer, and other public officials, and other certified showings relating to the authorization and issuance of the Bonds. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. We have also examined executed Bond No. 1 of this issue. Capitalized terms used herein, unless otherwise defined, have the meanings set forth in the Indenture.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding special obligations of the Issuer;

(B) The Bonds are payable solely from and are equally secured, together with certain other Additional Obligations and Credit Agreement Obligations of the Issuer when issued, by a first lien on and pledge of the Pledged Revenues, and owners of the Bonds shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation except from these sources; and

(C) 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. In addition, interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax.

The rights of the owners 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.

Except as stated above, we 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 the acquisition, ownership or disposition of, the Bonds. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the representations of the Issuer and other parties upon which we have relied are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants of the Indenture, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

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