

NEW ISSUE – Book-Entry-Only

Ratings:
 Moody's: "Aa1"
 S&P: "AAA"
 Fitch: "AA+"
 (See "OTHER INFORMATION – Ratings")

In the opinion of Bond Counsel, under existing law, interest on the 2024A Bonds is (i) excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.

\$75,095,000*
CITY OF ARLINGTON, TEXAS
(Tarrant County, Texas)
Permanent Improvement Bonds, Series 2024A

Dated: May 15, 2024
Interest to accrue from the Delivery Date

Due: August 15, as shown below

The \$75,095,000* City of Arlington, Texas, Permanent Improvement Bonds, Series 2024A (the "2024A Bonds") will be issued in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in principal amounts of \$5,000 or multiples thereof. 2024A Initial Purchasers (as defined herein) will not receive certificates representing their interest in the 2024A Bonds purchased. Interest on the 2024A Bonds will accrue from the date of their delivery to the 2024A Initial Purchasers (the "Delivery Date") and will be payable on February 15 and August 15 of each year, commencing February 15, 2025.

MATURITY SCHEDULE*

CUSIP ⁽¹⁾ Prefix: _____

(August 15)		Interest		CUSIP ⁽¹⁾	(August 15)		Interest		CUSIP ⁽¹⁾
Maturity	Amount	Rate	Yield		Maturity	Amount	Rate	Yield	Suffix
2025	\$ 3,755,000				2035	\$ 3,755,000			
2026	3,755,000				2036	3,755,000			
2027	3,755,000				2037	3,755,000			
2028	3,755,000				2038	3,755,000			
2029	3,755,000				2039	3,755,000			
2030	3,755,000				2040	3,755,000			
2031	3,755,000				2041	3,755,000			
2032	3,755,000				2042	3,755,000			
2033	3,755,000				2043	3,755,000			
2034	3,755,000				2044	3,750,000			

⁽¹⁾ CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the initial purchasers of the 2024A Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Factset Research Systems Inc. on behalf of 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 2024A Initial Purchasers are responsible for the selection or correctness of the CUSIP numbers set forth herein.

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.

Separate Issues. The 2024A Bonds are being offered by the City concurrently with the "City of Arlington, Texas, Permanent Improvement Refunding Bonds, Series 2024B" (the "2024B Bonds"). The 2024A Bonds and 2024B Bonds are being offered under a common Official Statement and are hereinafter sometimes referred to collectively as the "Bonds." The 2024A Bonds and 2024B Bonds are separate and distinct securities offerings being issued and sold independently. While the 2024A Bonds and 2024B Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, and other features (see "THE BONDS – General").

Redemption. The City reserves the right, at its option, to redeem the 2024A Bonds having stated maturities on and after August 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. (See "THE BONDS – Optional Redemption"). If two or more consecutive serial maturities of the 2024A Bonds are grouped into a single maturity (the "Term 2024A Bonds") by the 2024A Initial Purchasers, such Term 2024A Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the 2024A Bond Ordinance (as defined herein) and will be described in the final Official Statement. (See "THE BONDS – Mandatory Sinking Fund Redemption").

Legality. The 2024A Bonds are offered for delivery when, as and if issued and received by the initial purchasers of the 2024A Bonds (the "2024A Initial Purchasers"), 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 "Forms of Bond Counsel Opinions"). Certain legal matters will be passed upon by West & Associates, L.L.P., Fort Worth, Texas, Disclosure Counsel.

Delivery. It is expected that the 2024A Bonds will be delivered through the facilities of DTC on or about June 18, 2024 (the "Delivery Date").

BIDS DUE TUESDAY, MAY 21, 2024 AT 10:00 AM CDT

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to change, completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor may there be any sale of these securities in any jurisdiction in which such offer, solicitation or sales would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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NEW ISSUE – Book-Entry-Only

Ratings:
 Moody's: "Aa1"
 S&P: "AAA"
 Fitch: "AA+"
 (See "OTHER INFORMATION – Ratings")

In the opinion of Bond Counsel, under existing law, interest on the 2024B Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.

\$7,740,000*
CITY OF ARLINGTON, TEXAS
(Tarrant County, Texas)
Permanent Improvement Refunding Bonds, Series 2024B

Dated: May 15, 2024
Interest to accrue from the Delivery Date

Due: August 15, as shown below

The \$7,740,000* City of Arlington, Texas, Permanent Improvement Refunding Bonds, Series 2024B (the "2024B Bonds") will be issued in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2024B Bonds. Individual purchases will be made in book-entry form only, in principal amounts of \$5,000 or multiples thereof. 2024B Initial Purchasers (as defined herein) will not receive certificates representing their interest in the 2024B Bonds purchased. Interest on the 2024B Bonds will accrue from the date of their delivery to the 2024B Initial Purchasers (the "Delivery Date") and will be payable on February 15 and August 15 of each year, commencing August 15, 2024.

MATURITY SCHEDULE*

CUSIP ⁽¹⁾ Prefix: _____

(August 15)		Interest		CUSIP ⁽¹⁾
Maturity	Amount	Rate	Yield	Suffix
2031	\$ 1,915,000			
2032	1,935,000			
2033	1,940,000			
2034	1,950,000			

⁽¹⁾ CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the initial purchasers of the 2024B Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Factset Research Systems Inc. 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 2024B Initial Purchasers are responsible for the selection or correctness of the CUSIP numbers set forth herein.

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.

Separate Issues. The 2024B Bonds are being offered by the City concurrently with the "City of Arlington, Texas, Permanent Improvement Bonds, Series 2024A" (the "2024A Bonds"). The 2024A Bonds and 2024B Bonds are being offered under a common Official Statement and are hereinafter sometimes referred to collectively as the "Bonds." The 2024A Bonds and 2024B Bonds are separate and distinct securities offerings being issued and sold independently. While the 2024A Bonds and 2024B Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, and other features (see "THE BONDS – General").

Redemption. The 2024B Bonds **are not** subject to redemption prior to stated maturity. (See "THE BONDS – Optional Redemption"). If two or more consecutive serial maturities of the 2024B Bonds are grouped into a single maturity (the "Term 2024B Bonds") by the 2024B Initial Purchasers, such Term 2024B Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the 2024B Bond Ordinance (as defined herein) and will be described in the final Official Statement. (See "THE BONDS – Mandatory Sinking Fund Redemption").

Legality. The 2024B Bonds are offered for delivery when, as and if issued and received by the initial purchasers of the 2024B Bonds (the "2024B Initial Purchasers"), 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 "Forms of Bond Counsel Opinions"). Certain legal matters will be passed upon by West & Associates L.L.P., Fort Worth, Texas, Disclosure Counsel.

Delivery. It is expected that the Bonds will be delivered through the facilities of DTC on or about June 18, 2024 (the "Delivery Date").

BIDS DUE TUESDAY, MAY 21, 2024 AT 11:00 AM CDT

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to change, completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor may there be any sale of these securities in any jurisdiction in which such offer, solicitation or sales would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the “Rule”), this document constitutes an official statement of the City with respect to the Bonds that has been “deemed final” by the City as of its date except for the omission of no more than the information permitted by the Rule.

This Official Statement, which includes the cover page, page iii, tables, schedule 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 as having been authorized by the City, the Initial Purchasers or any other person.

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 City’s 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, 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 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 and page iii 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, schedule 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.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or hyperlinks contain therein are not incorporated into, and are not a part of, this Official Statement for any purposes.

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PRELIMINARY 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”).
THE BONDS	<p>The \$75,095,000* City of Arlington, Texas Permanent Improvement Bonds, Series 2024A (the “2024A Bonds”), dated May 15, 2024, will be issued as serial bonds and/or term bonds maturing on August 15 in each of the years 2025 through 2044. Should term bonds be issued, they will be subject to mandatory sinking fund redemption (see “THE BONDS - General”).</p> <p>The \$7,740,000* City of Arlington, Texas, Permanent Improvement Refunding Bonds, Series 2024B (the “2024B Bonds,” and, together with the 2024A Bonds, the “Bonds”), dated May 15, 2024, will be issued as serial bonds and/or term bonds maturing on August 15 in each of the years 2027 through 2034. Should term bonds be issued, they will be subject to mandatory sinking fund redemption (see “THE BONDS - General”).</p>
PAYMENT OF INTEREST	<p>Interest on the 2024A Bonds accrues from the Delivery Date (as provided on the cover page). Interest on the 2024A Bonds will be paid on February 15, 2025, and on each August 15 and February 15 thereafter until the maturity or prior redemption. (See “THE BONDS - General”).</p> <p>Interest on the 2024B Bonds accrues from the Delivery Date (as provided on page iii). Interest on the 2024B Bonds will be paid on August 15, 2024, and on each February 15 and August 15 thereafter until the maturity or prior redemption. (See “THE BONDS - General”).</p>
AUTHORITY FOR ISSUANCE	<p>The 2024A Bonds are authorized and issued pursuant to authority granted by the Constitution and the general laws of the State of Texas (the “State” or “Texas”), including particularly Chapters 1331 and 1371, Texas Government Code, as amended, elections held on November 6, 2018 and May 6, 2023, and an ordinance adopted by the City Council of the City (the “City Council”) on March 26, 2024 authorizing the issuance of the 2024A Bonds (the “2024A PIB Bond Ordinance”) in which the City Council delegated pricing of the 2024A Bonds to an “Authorized Officer” who will approve a pricing certificate (the “2024A Pricing Certificate,” and together with the 2024A PIB Bond Ordinance, the “2024A Bond Ordinance”) which will contain the final terms of the sale and complete the sale of the 2024A Bonds.</p> <p>The 2024B Bonds are authorized and issued pursuant to authority granted by the Constitution and the general laws of the State of Texas (the “State” or “Texas”), including particularly Chapter 1207, Texas Government Code, as amended, and an ordinance adopted by the City Council on March 26, 2024 authorizing the issuance of the 2024B Bonds (the “2024B PIB Bond Ordinance”) in which the City Council delegated pricing of the 2024B Bonds to an Authorized Officer who will approve a pricing certificate (the “2024B Pricing Certificate,” and together with the 2024B PIB Bond Ordinance, the “2024B Bond Ordinance”) which will contain the final terms of the sale and complete the sale of the 2024B Bonds. The 2024A Bond Ordinance and the 2024B Bond Ordinance are sometimes collectively referred to as the “Ordinances.”</p>
SECURITY FOR THE BONDS	<p>The 2024A Bonds, when issued, will be direct obligations of the City, payable from the proceeds of a continuing and direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City. See “THE BONDS – Security.”</p> <p>The 2024B Bonds, when issued, will be direct obligations of the City, payable from the proceeds of a continuing and direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City. See “THE BONDS – Security.”</p>

*Preliminary, subject to change.

REDEMPTION	<p>The City reserves the right, at its option, to redeem the 2024A Bonds having stated maturities on and after August 15, 2035 in whole or in part in principal amounts of \$5,000 or any integral multiple therefore, on August 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See “THE BONDS – Optional Redemption.” If two or more consecutive serial maturities of the 2024A Bonds are grouped into a single maturity (the “Term 2024A Bonds”) by the 2024A Initial Purchasers (see “OTHER INFORMATION – Initial Purchasers of the Bonds”), such Term 2024A Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the 2024A Bond Ordinance and will be described in the final Official Statement. (See “THE BONDS – Mandatory Sinking Fund Redemption”).</p> <p>The 2024B Bonds are not subject to redemption prior to stated maturity. See “THE BONDS – Optional Redemption.” If two or more consecutive serial maturities of the 2024B Bonds are grouped into a single maturity (the “Term 2024B Bonds”) by the 2024B Initial Purchasers, such Term 2024B Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the 2024B Bond Ordinance and will be described in the final Official Statement. (See “THE BONDS – Mandatory Sinking Fund Redemption”).</p>
TAX EXEMPTION	In the opinion of Bond Counsel, under existing law, interest on the Bonds is (i) excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, “the Code” and (ii) not an item of tax preference for purposes of the alternative minimum tax on individuals. See “TAX MATTERS”. herein, including information regarding potential alternative minimum tax consequences for corporations.
USE OF PROCEEDS	<p>The proceeds from the sale of the 2024A Bonds are being used to provide funds for (i) various permanent public improvements and public purposes to wit; (a) designing, constructing, reconstructing, improving, renovating, expanding, equipping, and furnishing public safety facilities, including fire station facilities, police administrative facilities and evidence storage facilities, including the acquisition of land therefor; (b) acquiring, developing, renovating and improving parks, park facilities and open spaces for park and recreation purposes in and for the City, including the acquisition of land therefor; (c) 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; (d) designing, developing, constructing, reconstructing, improving, renovating, expanding, equipping, and furnishing public safety facilities, including a fire station and a police substation, including the acquisition of land therefor; (e) designing, developing, constructing, reconstructing, improving, renovating, expanding, equipping, and furnishing library facilities; (f) designing, developing, constructing, reconstructing, improving, renovating, expanding, equipping, and furnishing existing City administrative buildings and facilities in downtown Arlington; and (g) acquiring, developing, renovating and improving parks, park facilities and open spaces for park and recreation purposes in and for the City, including the acquisition of land therefor; and (ii) paying the costs of issuance of the 2024A Bonds.</p> <p>The proceeds from the sale of the 2024B Bonds are being used to provide funds for (i) refunding currently outstanding obligations of the City, as set forth on Schedule I attached hereto (the “Refunded Obligations”), in order to achieve debt service savings; and (ii) paying the costs of issuance of the 2024B Bonds.</p>
RATINGS	The Bonds are rated “Aa1” by Moody’s Investors Service, Inc., (“Moody’s”) “AAA” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) and “AA+” by Fitch Ratings (“Fitch”). The City’s presently outstanding tax supported debt and outstanding certificates of obligation have underlying ratings of “Aa1” by Moody’s, “AAA” by S&P and “AA+” by Fitch (see “OTHER INFORMATION – Ratings”).
BOOK-ENTRY-ONLY SYSTEM	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds (see “BOOK ENTRY-ONLY SYSTEM”).
PAYMENT RECORD	The City has never defaulted on its revenue obligations and has not defaulted on its debt obligations payable from ad valorem taxation since 1935 when certain bonds were refunded at par with a reduction in interest rate.

**CITY OF ARLINGTON
CITY OFFICIALS, STAFF, AND CONSULTANTS**

Elected Officials

City Council	Length of Service	Term Expires	Occupation
Jim Ross Mayor	3 Years	May, 2026	Attorney
Barbara Odom-Wesley Council Member	5 Years	May, 2026	Healthcare Professional, Retired
Bowie Hogg ⁽¹⁾ Council Member	2 Years	May, 2024	Human Resources Executive
Helen Moise ⁽¹⁾ Council Member	6 Years	May, 2024	Financial and Asset Manager, Retired
Raul Gonzalez ⁽¹⁾ Council Member	4 Years	May, 2024	Administrator
Nikkie Hunter Council Member	3 Years	May, 2026	Healthcare Administration
Andrew Piel Council Member	5 Years	May, 2026	Attorney
Rebecca Boxall Council Member	3 Years	May, 2026	Architect
Long Pham ⁽¹⁾ Council Member	2 Years	May, 2024	Auto Insurance

⁽¹⁾ The City is holding a general city-wide election on May 4, 2024 for the City Council positions with terms expiring in May, 2024. Council member Hogg is in a contested election. Council member Moise is term limited and is not running for re-election. Council members Gonzalez and Pham are running unopposed and will be re-appointed for terms expiring in May, 2027. The results of the May 4, 2024 election will be included in the final Official Statement.

Appointed Officials

Name	Position	Years of Employment with City
Trey Yelverton	City Manager	31
Lemuel Randolph	Deputy City Manager	10
Jennifer Wichmann	Deputy City Manager	20
April Nixon	Director of Finance, CFO	21
Molly Shortall	City Attorney	17
Alex Busken	City Secretary	6

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Independent AuditorFORVIS LLP, Dallas, Texas

Bond Counsel.....Bracewell LLP, Dallas, Texas

Financial Advisor..... Estrada Hinojosa & Company, Inc., Dallas, Texas

Disclosure Counsel West & Associates, L.L.P., Fort Worth, Texas

For additional information regarding the City, please contact:

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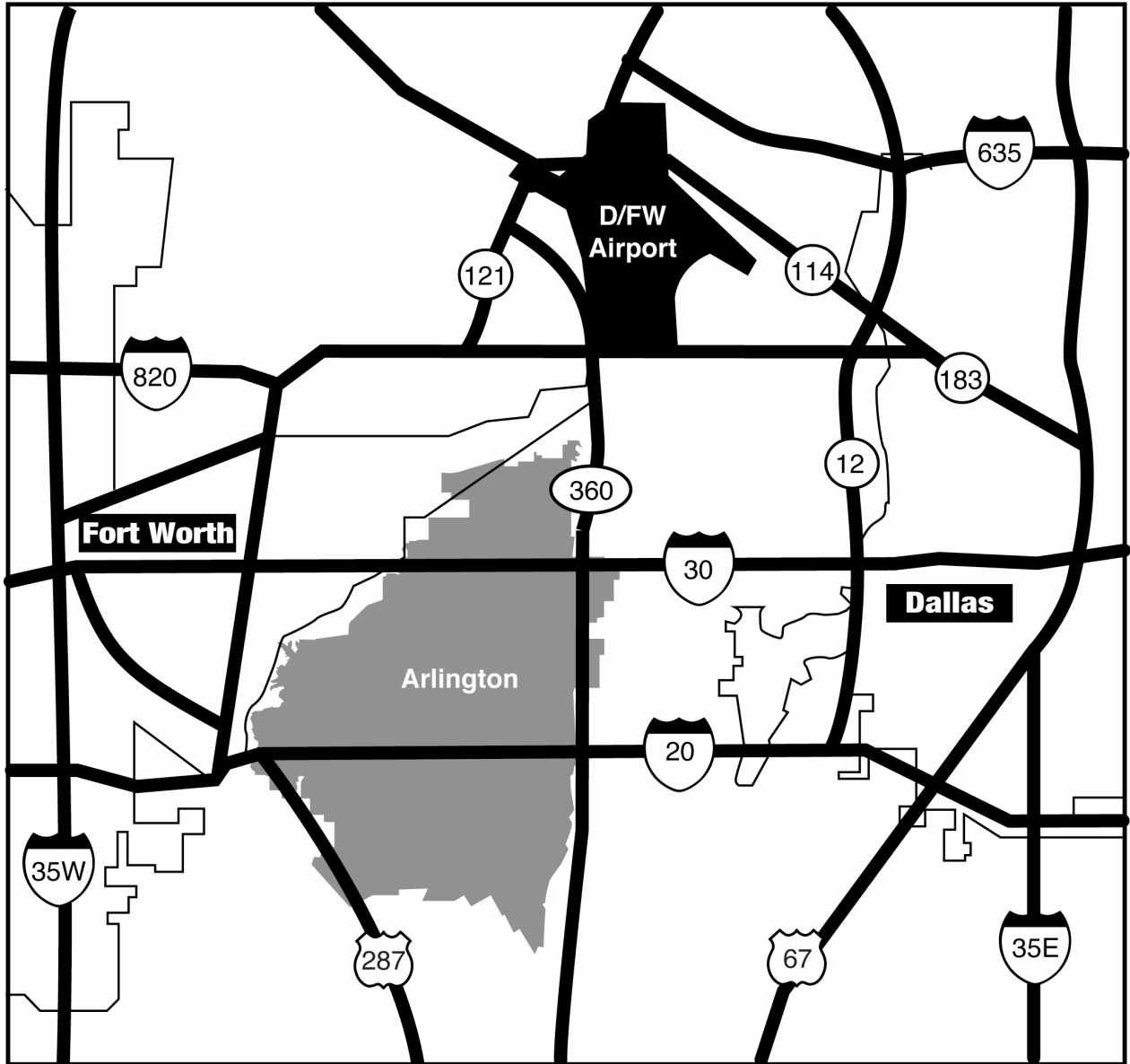
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The cover page hereof, page iii, this page, the schedule, the appendices included herein and any addenda, supplement or amendment hereto, are part of this Official Statement.

Dallas/Fort Worth/Arlington Metropolitan Area



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

\$75,095,000*
Permanent Improvement Bonds, Series 2024A

and

\$7,740,000*
Permanent Improvement Refunding Bonds, Series 2024B

INTRODUCTION

This Official Statement, which includes the cover page, page iii, the schedules, and the appendices hereto, provides certain information regarding the issuance of City of Arlington, Texas (the “City”) \$75,095,000* Permanent Improvement Bonds, Series 2024A (the “2024A Bonds”) and \$7,740,000* Permanent Improvement Refunding Bonds, Series 2024B (the “2024B Bonds” and together with the 2024A Bonds, the “Bonds”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinances (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 Information”).

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.

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 2024 estimated population of 411,501. 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 three years (for no more than three terms), with the elections being held in even/odd years for approximately half the seats and provides the following services to the citizens of the City: public safety (police and fire), public works, public welfare, parks and recreation, public health, water and wastewater utilities, and general administrative services. The City operates its water and wastewater system, its storm water system and its sanitary landfill operation (currently outsourced) as self-supporting enterprise funds.

THE BONDS

Authority for Issuance

The 2024A Bonds are authorized and issued pursuant to authority granted by the Constitution and the general laws of the State of Texas (the “State” or “Texas”), including particularly Chapters 1331 and 1371, Texas Government Code, as amended, elections held on November 6, 2018 and May 6, 2023, and an ordinance adopted by the City Council on March 26, 2024 authorizing the issuance of the 2024A Bonds (the “2024A PIB Bond Ordinance”) in which the City Council delegated pricing of the 2024A Bonds to an Authorized Officer who will approve a pricing certificate (the “2024A Pricing Certificate,” and together with the 2024A PIB Bond Ordinance, the “2024A Bond Ordinance”) which will contain the final terms of the sale and complete the sale of the 2024A Bonds.

The 2024B Bonds are authorized and issued pursuant to authority granted by the Constitution and the general laws of the State of Texas (the “State” or “Texas”), including particularly Chapter 1207, Texas Government Code, as amended, and an ordinance adopted by the City Council on March 26, 2024 authorizing the issuance of the 2024B Bonds (the “2024B PIB Bond Ordinance”) in which the City Council delegated pricing of the 2024B Bonds to an Authorized Officer who will approve a pricing certificate (the “2024B Pricing Certificate,” and together with the 2024B PIB Bond Ordinance, the “2024B Bond Ordinance”) which will contain the final terms of the sale and complete the sale of the 2024B Bonds. The 2024A Bond Ordinance and the 2024B Bond Ordinance are sometimes collectively referred to as the “Ordinances.”

*Preliminary, subject to change.

General

The 2024A Bonds will be dated May 15, 2024, and will mature on the dates set forth on the cover page of this Official Statement. Interest on the 2024A Bonds will accrue from the date of delivery of the 2024A Bonds to the 2024A Initial Purchasers (the “2024A Delivery Date”) and will be paid on February 15, 2025, and on each August 15 and February 15 thereafter until maturity or prior redemption (see “OTHER INFORMATION – Initial Purchasers of the Bonds”).

The 2024B Bonds will be dated May 15, 2024, and will mature on the dates set forth on page iii of this Official Statement. Interest on the 2024B Bonds will accrue from the date of delivery of the 2024B Bonds to the 2024B Initial Purchasers (the 2024B Delivery Date”) and will be paid on August 15, 2024, and on each February 15 and August 15 thereafter until maturity or prior redemption (see “OTHER INFORMATION – Initial Purchasers of the Bonds”).

Security

The 2024A Bonds, when issued, will be direct obligations of the City, payable from the proceeds of the levy of a continuing, direct annual ad valorem tax levied and assessed, within the limits prescribed by law, against all taxable property within the City.

The 2024B Bonds, when issued, will be direct obligations of the City, payable from the proceeds of the levy of a continuing, direct annual ad valorem tax levied and assessed, within the limits prescribed by law, against all taxable property within the City.

Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City 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. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance.

Use of Proceeds

The proceeds from the sale of the 2024A Bonds are being used to provide funds for (i) various permanent public improvements and public purposes to wit; (a) designing, constructing, reconstructing, improving, renovating, expanding, equipping, and furnishing public safety facilities, including fire station facilities, police administrative facilities and evidence storage facilities, including the acquisition of land therefor; (b) acquiring, developing, renovating and improving parks, park facilities and open spaces for park and recreation purposes in and for the City, including the acquisition of land therefor; (c) 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; (d) designing, developing, constructing, reconstructing, improving, renovating, expanding, equipping, and furnishing public safety facilities, including a fire station and a police substation, including the acquisition of land therefor; (e) designing, developing, constructing, reconstructing, improving, renovating, expanding, equipping, and furnishing library facilities; (f) designing, developing, constructing, reconstructing, improving, renovating, expanding, equipping, and furnishing existing City administrative buildings and facilities in downtown Arlington; and (g) acquiring, developing, renovating and improving parks, park facilities and open spaces for park and recreation purposes in and for the City, including the acquisition of land therefor; and (ii) paying the costs of issuance of the 2024A Bonds.

The proceeds from the sale of the 2024B Bonds are being used to provide funds for (i) refunding certain currently outstanding obligations of the City, as set forth on Schedule I attached hereto (the “Refunded Obligations”), in order to achieve debt service savings; and (ii) paying the costs of issuance of the 2024B Bonds.

Sources and Uses

The sources and uses of funds for the 2024A Bonds are approximately as follows:

Sources:

Par amount of the Bonds
[Net] Premium
Total Sources of Funds

\$	-
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Uses:

Deposit to Project Fund
Costs of Issuance
Total Uses of Funds

\$	-
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The sources and uses of funds for the 2024B Bonds are approximately as follows:

Sources:

Par amount of the Bonds

[Net] Premium

Total Sources of Funds

\$	-
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Uses:

Deposit to Escrow Account

Costs of Issuance

Total Uses of Funds

\$	-
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Refunded Obligations

The principal and interest due on the Refunded Obligations are to be paid on the scheduled redemption dates of such Refunded Obligations, from funds to be deposited pursuant to an escrow agreement (the "Escrow Agreement") between the City and the Bank of New York Mellon Trust Company, N.A. (the "Escrow Agent"). The 2024B Ordinance provides that from a portion of proceeds of the sale of the 2024B Bonds received from the 2024B Initial Purchasers, together with other lawfully available funds of the City, if any, the City will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Obligations on their respective redemption dates as described in "Schedule I - Schedule of Refunded Obligations." Such amount will be held by the Escrow Agent in an escrow account (the "Escrow Fund"), a portion of which will be held uninvested in cash and the remainder used to purchase a portfolio of securities authorized by Section 1207.062, Texas Government Code, as amended, which authorization includes direct noncallable obligations of the United States and noncallable obligations of an agency or instrumentality of the United States rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and guaranteed by the full faith and credit of the United States of America (the "Governmental Obligations") maturing in time to make such payment. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal and interest on the Refunded Obligations and amounts therein will not be available to pay the Bonds.

Causey Demgen & Moore P.C., Denver, Colorado (the "Verification Agent"), will verify at the time of delivery of the 2024B Bonds to the 2024B Initial Purchasers, the mathematical accuracy of the schedules provided by Estrada Hinojosa & Company, Inc., the City's Financial Advisor, that demonstrate that the Governmental Obligations will mature and pay interest in such amounts which, together with uninvested funds in the Escrow Fund, will be sufficient to pay, when due, the amount necessary to accomplish the discharge and final payment of principal of and interest on the Refunded Obligations on their respective redemption dates (see "OTHER INFORMATION - Verification of Arithmetical and Mathematical Computations").

By the deposit of the Governmental Obligations and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the legal defeasance of the Refunded Obligations, pursuant to Chapter 1207 and the ordinances authorizing the issuance of the Refunded Obligations. It is the opinion of Bond Counsel that, as a result of such defeasance, and in reliance upon the report of the Verification Agent, the Refunded Obligations will no longer be payable from ad valorem taxes, but will be payable solely from the principal of and interest on the Governmental Obligations and cash, if any, on deposit in the Escrow Fund and held for such purpose by the Escrow Agent, and that the Refunded Obligations will be defeased and are not to be included in or considered to be indebtedness of the City for the purpose of a limitation of indebtedness or for any other purpose. See "APPENDIX C - Forms of Bond Counsel's Opinions" herein.

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

The initial Paying Agent/Registrar for the Bonds is Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "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 such 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 “THE BONDS - Book-Entry-Only System”.

Amendments

The City may amend the 2024A Bond Ordinance and the 2024B Bond Ordinance, respectively, 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 2024A Bonds or 2024B Bonds, as applicable, then outstanding, amend, add to, or rescind any of the provisions of the 2024A Bond Ordinance and the 2024B Bond Ordinance, respectively, except that, without the consent of the registered owners of all of the 2024A Bonds or 2024B 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 2024A Bond or 2024B Bond, as applicable, over any other, 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 at its option to redeem the 2024A Bonds scheduled to mature on and after August 15, 2035 prior to their scheduled maturities, in whole or in part, on August 15, 2034 or on any date thereafter, at par plus accrued interest to the date fixed for redemption in principal amounts of \$5,000 or any integral multiple thereof. If less than all of the 2024A 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 2024A Bonds of such maturities, or portions thereof, shall be redeemed. If any 2024A Bond (or portion of the principal amount thereof) shall have been called for redemption and notice of such redemption shall have been given, such 2024A 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.

The 2024B Bonds **are not** subject to optional redemption prior to stated maturity.

Mandatory Sinking Fund Redemption

If two or more consecutive serial maturities of the 2024A Bonds are grouped into a single maturity (the “Term 2024A Bonds”) by the 2024A Initial Purchasers, such Term 2024A Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the 2024A Bond Ordinance and will be described in the final Official Statement.

If two or more consecutive serial maturities of the 2024B Bonds are grouped into a single maturity (the “Term 2024B Bonds”) by the 2024B Initial Purchasers, such Term 2024B Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the 2024B Bond Ordinance and will be described in the final Official Statement.

Notice of Redemption

Not less than 30 days prior to an optional redemption date for the 2024A Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the 2024A Bonds to be redeemed by optional redemption, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

The City reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem 2024A Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any obligations subject to conditional redemption if such redemption has been rescinded shall remain outstanding, and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE 2024A BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY 2024A BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH 2024A BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

Defeasance

The Ordinances provide 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 States 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 obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds to refund the obligations, that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The Authorized Officer may limit these eligible securities as deemed necessary in connection with the sale of the Bonds. In the event the City restricts such eligible securities, the final Official Statement will reflect the new authorized eligible securities. The foregoing obligations may be in book-entry-only form and shall mature and/or bear interest in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Ordinances.

Under current State law, after such deposit as described above, 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 Ordinances do not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

Holders' Remedies

The Ordinances establish the following Events of Default 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 the covenants, conditions or obligations set forth in the Ordinances which materially and adversely affects the rights of the related Owners, including but not limited to their prospect or ability to be repaid in accordance with the Ordinance, 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 Ordinances. 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 Ordinances would be successful.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006) (“*Tooke*”), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the City’s governmental immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Bonds or covenants in the Ordinances. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. In *Tooke*, the Court noted the enactment in 2005 of Sections 271.151 through 160, Texas Local Government Code (the “Local Government Immunity Waiver Act”), which, according to the Court, waives “immunity from suit for contract claims against most local governmental entities under certain circumstances.” The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services.

Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“*Wasson I*”) 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. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) (“*Wasson II*” and, together with *Wasson I*, “*Wasson*”), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach.

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 as amended (“Chapter 1371”), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds the City has not waived sovereign immunity.

The Ordinances do not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source or revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bond holders 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. Bonds 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 Ordinances. Such new Bonds 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 Bonds 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 a Bond 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 the Ordinances 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.

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, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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, Bonds 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 Ordinances will be given only to DTC. Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City or the Initial Purchasers.

Effect of Termination of Book-Entry-Only System

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

LEGAL HOLDINGS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

INVESTMENTS

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

Legal Investments

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are (A) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National credit Union Share Insurance Fund or its successor or (B) are invested through (i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the City adopts or (ii) a depository institution with a main office or branch office in this state that the City selects; and (a) the broker or depository institution selected arranges for the deposit of the funds in the banking deposits in one or more federal insured depository institutions, regardless of where located, for the City's account; and (b) the full amount of the principal and accrued interest of the banking deposits is insurance by the United States or an instrumentality of the United States; and (c) the City appoints as the City's custodian of the banking deposits issued for the City's account: (1) the depository institution selected pursuant to (ii) above or (2) an entity described by Section 2256.041(d); or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (8) certificates of deposit (i) issued by a depository institution that has its main office or a branch office in the State, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or a) where the funds are invested by an investing entity through: (i) a broker that has its main office or a branch office in this State and is selected from a list adopted by the City; or (ii) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity; (b) where the broker or the depository institution selected by the investing entity under (a) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iii) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (iv) the investing entity appoints the depository institution selected by the investing entity under (a), an entity described by Section 2257.041(d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the City, (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City with a third party selected and approved by the City and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less, (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (12) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share and (14) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

Investment Policies

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

At least quarterly the investment officers of the City shall submit an investment report to the Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest City funds without express written authority from the City Council. For more discussion see APPENDIX B – Audited Basic Financial Statements of the City of Arlington, Texas Year Ended September 30, 2023 - Basic Financial Statements – Notes to the Financial Statements.

Additional Provisions

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

Table 1 – Current Investments

As of February 29, 2024 the following percentages of the City’s operating funds were invested in the following categories of investments:

Type of Investment	% Invested
Federal Agencies	64.23%
Statewide Local Government Investment Pools ⁽²⁾	30.16%
Treasury Securities	2.13%
Municipals	1.38%
Cash	0.52%
Commercial Paper	1.58%
Totals	100.00%

Source: City of Arlington, Finance Department.

⁽¹⁾ Currently in TexStar, TexPool, Texas Daily, TexPool Prime, Texas CLASS and Texas CLASS Gov.

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

As of February 29, 2024, the weighted average maturity of the City’s operating portfolio was 276 days and the market value of the operating portfolio was 99 percent of its book value. No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

Table 2 - Authorized Permanent Improvement Bonds and Use of Proceeds

The following table provides information on the outstanding permanent improvement bond authorizations.

(in thousands)

Election Purpose	Election Date	Authorized Amount	Previously Issued	The 2024A Bonds ⁽¹⁾	Unissued
Fire and Police	11/6/2018	24,500	20,000	910	3,590
Parks and Recreation	11/6/2018	19,165	11,450	7,065	650
Streets and Transportation	11/6/2018	137,835	101,570	24,865	11,400
		\$ 181,500	\$ 133,020	\$ 32,840	\$ 15,640
City Facilities	5/6/2023	\$ 3,000	\$ -	\$ 3,000	\$ -
Fire and Police	5/6/2023	30,080	15,000	5,830	9,250
Library	5/6/2023	1,100	-	1,100	-
Parks and Recreation	5/6/2023	24,645	-	2,500	22,145
Streets and Transportation	5/6/2023	219,460	-	37,060	182,400
		\$ 278,285	\$ 15,000	\$ 49,490	\$ 213,795
Grand Total		\$ 459,785	\$ 148,020	\$ 82,330	\$ 229,435

Source: City of Arlington Finance Department.

⁽¹⁾ Preliminary, subject to change.

DEBT INFORMATION

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

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

Table 3 - Key Debt Ratios

Fiscal Year	Estimated Population ⁽¹⁾	Estimated Taxable Valuation ⁽²⁾	Tax - Supported Principal Year Ended September 30	Ratio of Tax-Supported Debt	
				Per Capita	To Assessed Valuation
2015	379,370	\$ 18,905,765,829	\$ 323,590,000	\$ 853	1.71%
2016	380,740	19,601,363,251	354,185,000	930	1.81%
2017	382,230	21,379,080,714	382,735,000	1,001	1.79%
2018	383,950	23,503,192,007	408,365,000	1,064	1.74%
2019	386,180	25,921,882,291	428,490,000	1,110	1.65%
2020	394,266	29,238,009,537	617,190,000	1,565	2.11%
2021	393,420	30,036,634,647	603,305,000	1,533	2.01%
2022	399,560	31,664,722,384	640,830,000	1,604	2.02%
2023	405,420	35,737,311,313	649,845,000	1,603	1.82%
2024	411,501	41,360,692,669	672,555,000 ⁽³⁾	1,634 ⁽³⁾	1.63% ⁽³⁾

Source: City of Arlington Finance Department.

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

⁽²⁾ Estimated taxable valuation is obtained from Tarrant County Appraisal District and the City Finance Department.

⁽³⁾ Includes the Bonds and excludes the Refunded Obligations. Preliminary, subject to change.

Table 4 – Pro Forma Debt Service Requirements

The following schedule sets forth the principal and interest requirements on the City’s outstanding debt payable from ad valorem taxation pledged thereto.

Fiscal Year Ended	Existing Debt Service ⁽¹⁾		2024A Bonds ⁽²⁾		2024B Bonds ⁽²⁾		Total Debt Service Requirements	% of Principal Retired	Fiscal Year Ended
9/30	Principal	Interest	Principal	Interest	Principal	Interest			9/30
2024	\$ 51,455,000	\$ 22,530,604	\$ -	\$ -	\$ -	\$ 61,275	\$ 74,046,879		2024
2025	49,670,000	20,181,909	3,755,000	4,349,252	-	387,000	78,343,161		2025
2026	49,830,000	18,343,746	3,755,000	3,567,000	-	387,000	75,882,746		2026
2027	47,795,000	16,541,532	3,755,000	3,379,250	-	387,000	71,857,782		2027
2028	44,785,000	14,734,026	3,755,000	3,191,500	-	387,000	66,852,526	35.71%	2028
2029	42,310,000	13,164,230	3,755,000	3,003,750	-	387,000	62,619,980		2029
2030	42,010,000	11,691,203	3,755,000	2,816,000	-	387,000	60,659,203		2030
2031	38,310,000	10,252,337	3,755,000	2,628,250	1,915,000	387,000	57,247,587		2031
2032	37,730,000	8,928,625	3,755,000	2,440,500	1,935,000	291,250	55,080,375		2032
2033	36,440,000	7,657,218	3,755,000	2,252,750	1,940,000	194,500	52,239,468	66.29%	2033
2034	33,640,000	6,456,767	3,755,000	2,065,000	1,950,000	97,500	47,964,267		2034
2035	33,835,000	5,379,357	3,755,000	1,877,250	-	-	44,846,607		2035
2036	32,435,000	4,282,786	3,755,000	1,689,500	-	-	42,162,286		2036
2037	30,140,000	3,315,032	3,755,000	1,501,750	-	-	38,711,782		2037
2038	27,445,000	2,423,678	3,755,000	1,314,000	-	-	34,937,678	90.90%	2038
2039	13,620,000	1,616,950	3,755,000	1,126,250	-	-	20,118,200		2039
2040	10,830,000	1,143,600	3,755,000	938,500	-	-	16,667,100		2040
2041	8,745,000	753,950	3,755,000	750,750	-	-	14,004,700		2041
2042	7,155,000	406,000	3,755,000	563,000	-	-	11,879,000		2042
2043	2,995,000	119,800	3,755,000	375,250	-	-	7,245,050	99.48%	2043
2044	-	-	3,750,000	187,500	-	-	3,937,500	100.00%	2044
	\$ 641,175,000	\$ 169,923,350	\$ 75,095,000	\$ 40,017,002	\$ 7,740,000	\$ 3,353,525	\$ 937,303,877		

⁽¹⁾ Excludes the Refunded Obligations. Total may not match annual disclosure statement due to rounding. Preliminary, subject to change.

⁽²⁾ Calculated at an assumed rate for purposes of illustration. Preliminary, subject to change.

Table 5 - Computation of Self-Supporting Debt

The City no longer designates debt as self-supporting and therefore has eliminated this table. Should the City decide to designate debt as self-supporting in the future, then it will detail it here.

Table 6 - Tax Adequacy ⁽¹⁾

The following analysis assumes 98 percent collection of ad valorem taxes levied against the City's fiscal year 2024 Net Assessed Valuation.

Average Annual Requirement (2024 - 2044)	\$ 44,633,518
A tax rate of \$0.1101 per \$100 assessed valuation produces	44,633,518
Average Annual Requirement (10 year) (2024 - 2033)	\$ 65,482,971
A tax rate of \$0.1616 per \$100 assessed valuation produces	65,482,971
Maximum Annual Requirement (2025)	\$ 78,343,161
A tax rate of \$0.1933 per \$100 assessed valuation produces	78,343,161

⁽¹⁾ Includes the Bonds and excludes the Refunded Obligations. Preliminary, subject to change.

ESTIMATED OVERLAPPING DEBT

The following table indicates the indebtedness, defined as outstanding obligations payable from ad valorem taxes, of governmental entities within which the City is located or with which taxable property is jointly levied against, and the estimated percentages and amounts of such indebtedness attributable to taxable property within the City. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance purposes. Furthermore, certain of the entities listed may have issued additional obligations payable from ad valorem taxes since the date stated in the table, and such entities may have programs requiring the issuance of substantial additional amounts of indebtedness, the amount of which cannot be determined.

Overlapping Debt			
Taxing Jurisdiction	Total Tax Supported Debt as of 6/18/2024 ⁽¹⁾	Percent	Amount Overlapping
Arlington ISD	\$ 1,174,040,000	78.10%	\$ 916,925,240
Ft. Worth ISD	1,389,950,000	0.21%	2,918,895
Hurst-Euless-Bedford ISD	295,350,000	6.50%	19,197,750
Kennedale ISD	57,050,025	56.42%	32,187,624
Mansfield ISD	739,380,000	28.94%	213,976,572
Tarrant Co	376,120,000	15.53%	58,411,436
Tarrant Co College District	591,230,000	15.53%	91,818,019
Tarrant Co Hospital District	440,020,000	15.53%	68,335,106
Viridian Municipal Management District	300,335,000	100.00%	300,335,000
Total Net Overlapping Debt			<u>\$1,704,105,642</u>
Arlington, City of	724,010,000 ⁽²⁾	100.00%	<u>\$ 724,010,000</u>
Total Direct and Overlapping Debt			\$2,428,115,642
Total Direct and Overlapping Debt % of AV			5.87%
Total Direct and Overlapping Debt Per Capita			\$ 5,989

⁽¹⁾ Source: Municipal Advisory Council of Texas. Net debt outstanding per representative of each jurisdiction.

⁽²⁾ Includes the Bonds and excludes the Refunded Obligations. Preliminary, subject to change.

TAX-SUPPORTED CAPITAL IMPROVEMENT PROGRAM

The City's Capital Improvement Program ("CIP") provides for multi-year improvements to the City's public facilities along with the means of financing these improvements. The City's CIP is prepared annually and primarily enabled by recent bond election results. The approved CIP is the result of a process that balances the need for public facilities against the fiscal capability of the City to provide for those needs. The City's tax-supported CIP for fiscal year 2024 is approximately \$82,330,000. The proposed capital projects for the 2024 fiscal year include funds for fire, police, parks and recreation, streets and transportation, city facilities, and library. See Table 2 – Authorized Permanent Improvement Bonds and Use of Proceeds.

FINANCIAL INFORMATION

Basis of Accounting and Accounting Structure

The accounting records of the City are maintained on the modified accrual basis of accounting for the General Fund (defined herein), Special Revenue Funds, Capital Projects Funds and Trust and Agency Funds and on the accrual basis of accounting for the Enterprise Funds, and the Internal Service Funds. In general, under the modified accrual basis of accounting, revenues are recorded as received in cash except for material revenues considered to be both measurable and available to finance current year appropriations, which are recognized as revenue when earned. Expenditures are recorded in the period in which liabilities are incurred. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when liabilities are incurred without regard to receipts or disbursements of cash.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Arlington for its Annual Comprehensive Financial Report (ACFR) for the year ended April 30, 1966 and then annually from 1977 to 2003 and 2005 to 2017. The City has also received GFOA's Award for Distinguished Budget Presentation for fiscal years 1986 through 2022.

ACCOUNTING STANDARDS

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 and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the City's statement of net assets 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 continue to 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. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

GAAP also requires supplementary information presented as Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison schedule is presented that compares the originally adopted and final General Fund budget with actual results

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 fund 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.

Government fund level 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 revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting, except debt service expenditures, including lease liabilities, 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. General capital asset acquisitions, including entering into contracts giving the City of Arlington the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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 assets. Proprietary funds distinguish operating revenues and expenses from non-operating 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 are charges to customers for sales and services. Operating expenses for the enterprise fund 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 non-operating revenues and expenses.

The following major funds are used 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:

- 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. Venue Fund, a capital project fund, accounts for the planning, acquisition, establishment, development, and construction of the Dallas Cowboys Complex Development Project and the Texas Rangers Complex Development Project. Funds are provided primarily through bond sales and interest earnings.
- d. Street 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.
- e. Other Governmental Funds is a summarization of all of the nonmajor governmental funds.

2. Enterprise Funds:

The focus of Enterprise Fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows, which is similar to businesses. The City's Enterprise Funds are the Water and Sewer Fund and the Storm Water Utility Fund. The Water and Sewer Fund accounts for the administration, operation and maintenance of the water and sewer utility system, and the billing and collection activities. The Water and Sewer 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 Water and Sewer 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 and Sewer fund, while revenues from landfill fees 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. The Storm Water Utility Fund was previously set up as a capital project fund and was converted to an enterprise fund in Fiscal Year 2009.

3. Other Fund Types:

The City additionally reports for the following Fund types:

- a. 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 printing, mailing and duplicating; fleet services; self insurance; technology services; workers' compensation insurance; and group health insurance.

b. 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.

c. 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 and for thrift savings plans for City employees.

GENERAL FUND REVENUES AND EXPENDITURES

The General Fund is the primary operating fund maintained by the City to account for revenue derived from City-wide ad valorem taxes, other local taxes, licenses, fees, permits, and certain other miscellaneous revenues. General Fund expenditures are the cost of general City government. The following is a discussion of the General Fund revenue structure and major classifications of General Fund expenditures.

CERTAIN OPERATIONS OF THE GENERAL FUND

The General Fund is that accounting entity which is used to account for all transactions which are not accounted for in another fund and which, specifically, receives all revenues and records all expenditures relating to the ordinary operations of general government. Other major funds of the City are the Special Revenue Funds, the Capital Project Funds, the Enterprise Funds, and the Debt Service Funds.

Summaries for fiscal years 2019 to 2023 have been compiled from the audited financial statements included in the respective Annual Financial Reports of the City. These unaudited summaries should be read in conjunction with their related audited comprehensive financial statements and notes. For the fiscal year ended September 30, 2023, the General Fund revenues and transfers were greater than expenditures by \$4,733,000 or 1.68% percent of General Fund revenues, leaving a General Fund balance at September 30, 2023, of \$87,149,000. The following table presents a comparison of the City's General Fund balance for fiscal years 2019 to 2023.

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

	Fiscal Years Ended September 30,				
	2023	2022	2021	2020	2019
Beginning General Fund Balance	\$ 82,416	\$ 87,268	\$ 70,610	\$ 65,898	\$ 66,306
<u>Revenues</u>					
Taxes	218,058	201,083	186,291	181,320	175,985
Franchise Fees	22,429	23,193	21,468	22,048	24,921
Service Charges	9,417	9,734	7,791	7,940	9,743
Interest	2,133	655	1,217	2,356	2,556
All Other	29,602	31,982	29,109	30,858	33,097
Total Revenues	<u>\$ 281,639</u>	<u>\$ 266,647</u>	<u>\$ 245,876</u>	<u>\$ 244,522</u>	<u>\$ 246,302</u>
<u>Expenditures</u>					
Total Expenditures	<u>\$ 294,851</u>	<u>\$ 259,336</u>	<u>\$ 225,288</u>	<u>\$ 250,366</u>	<u>\$ 251,338</u>
Net Expenditures Over (Under)					
Expenditures	(13,212)	7,311	20,588	(5,844)	(5,036)
Other Financing Sources					
Issuance of Capital Leases	-	-	-	-	-
Operating Transfers	17,945	(12,163)	(3,930)	10,556	4,628
Ending General Fund Balance	<u>\$ 87,149</u>	<u>\$ 82,416</u>	<u>\$ 87,268</u>	<u>\$ 70,610</u>	<u>\$ 65,898</u>
General Fund Balance as a					
Percent of General Fund Expenditures	29.56%	31.78%	38.74%	28.20%	26.22%

Source: The City's Audited Financial Statements.

The following table shows the City’s estimated revenues and budgeted expenditures, as reported in the adopted fiscal year 2024 Budget.

**Table 8 – Debt Service Fund Budget
Fiscal Year 2024**

Beginning Balance	\$ 1,982,891
Property Tax Revenue	73,756,255
Transfers In	<u>1,536,324</u>
Total Available for Debt Service	77,275,470
Debt Service Expenditures	<u>(75,017,579)</u>
Estimated Ending Fund Balance	<u>\$ 2,257,891</u>

Source: City of Arlington Finance Department.

TAX DATA

State of Texas Tax Code

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title 1 of the Texas Tax Code, as amended (the “Property Tax Code”), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (“Appraisal Review Board”) responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Tarrant Appraisal District (the “Appraisal District”) with respect to City property which is a county-wide agency created under the Property Tax Code for that purpose. Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the 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. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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 “10% Homestead Cap”). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity (“Productivity Value”). The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See “– City and Taxpayer Remedies.”

State Mandated Homestead Exemptions . . . State law grants, with respect to each city in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

Local Option Freeze For The Elderly and Disabled . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded..

Personal Property . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport And Goods-In-Transit Exemptions . . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. The City does tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. On January 13, 1998, the Council repealed its ordinance taxing “Freeport” property, which has the effect of exempting “freeport” property from taxation effective January 1, 1999. This exemption is irrevocable under current State law.

Other Exempt Property . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Financing Zones . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ” or “TIF”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “captured appraised values”. During the existence of the TIRZ, all or a portion of the taxes levied against the captured appraised values by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See “

Tax Abatement Agreements . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

Temporary Exemption For Qualified Property Damaged By A Disaster ... The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code.

City And Taxpayer Remedies. . . Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code. Beginning in the 2020 tax year, 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 \$572,16,456 million for the 2023 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 the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see “– Public Hearing and Maintenance and Operations Tax Rate Limitations”). 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 appraisal roll.

Levy and Collection of Taxes. . . The City 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. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain conditions. Currently, the City does not permit split payments, and discounts are not allowed. Notwithstanding the City’s prohibition on split payments, taxpayers 65 years old or older are permitted by State law to pay taxes (without penalty and interest) on homesteads in four installments with the first due on or before January 31 of each year and the final installment due on or before July 31.

City’s Right In The Event of Tax Delinquencies. . . Taxes levied by the City are a personal obligation of the owner of the property. 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 each taxing unit, including the City, having power to tax the property. The City’s tax lien is on a parity with tax liens of such 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 the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City 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, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer’s debt. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Public Hearing And Maintenance and Operations Tax Rate Limitations . . . The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis 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), 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.

“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).

“special taxing unit” means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

“unused increment rate” means the cumulative difference between a city’s voter-approval tax rate and its actual tax rate for each of the tax years 2021 through 2023, which may be applied to a city’s tax rate in tax years 2023 through 2025 without impacting the voter-approval tax rate.

“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 City’s tax rate 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 State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city 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 city and the county tax assessor-collector for each county in which all or part of the city is located. A city 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 a city 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 city for the preceding tax year.

As described below, the Property Tax Code provides that if a city 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. A city 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 such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city 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, that city 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.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city 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. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city 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 city'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.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) 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. The City does not collect the additional one-half percent sales tax. Taxable sales in the City are currently subject to the maximum 8.25% sales tax (1% of which is the City's portion) and the City has not implemented the additional sales tax.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Bonds.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

City Application of Property Tax Code. . .

The City grants an exemption of 20% of the market value of residence homesteads; the minimum exemption is \$5,000.

The City grants an additional exemption to the market value of the residence homestead of persons 65 years of age or older or disabled, of \$60,000; disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces are granted an exemption of \$5,000 to \$12,000 dependent upon the amount of disability.

The City currently has four active Tax Increment Financing Zones (TIF):

The City Council adopted an ordinance on November 3, 1998, establishing a TIF (the "TIF Zone #1") encompassing approximately 533 acres in the City's downtown area. TIF Zone #1 took effect on January 1, 1999. The TIF Zone #1 was extended in November 2018 and will terminate on December 31, 2038. The City Council can terminate TIF Zone #1 at an earlier date by subsequent ordinance. The taxable value for the TIF for the fiscal year ended September 30, 2023 was approximately \$351,914,807 more than its base year value.

The City Council adopted an ordinance on December 19, 2006, establishing a TIF (the "TIF Zone #5") encompassing 2,187 acres 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. TIF Zone #5 took effect on January 1, 2007. The TIF Zone #5 was extended in December 2019 and will terminate on December 31, 2052. The City Council can terminate the TIF Zone #5 at an earlier date by subsequent ordinance. The taxable value for the TIF for the fiscal year ended September 30, 2023 was approximately \$766,130,097 more than its base year value.

The City Council adopted an ordinance on December 18, 2007, establishing a TIF (the “TIF Zone #6”) encompassing approximately 2,000 acres in the northeast quadrant of the City. TIF Zone #6 took effect on January 1, 2007. The TIF Zone #6 Project and Finance Plan was amended and restated in FY2017 to extend the term of the TIF from 30 years to 35 years. The TIF is to expire on December 31, 2041 or until the City has contributed \$230,000,000 in City tax increment, whichever occurs first, and will terminate on December 31, 2036. The taxable value for the TIF for the fiscal year ended September 30, 2023 was approximately \$469,341,606 more than its base year value.

The City Council adopted an ordinance on May 18, 2021, establishing a TIF (the “TIF Zone #7”) encompassing approximately 1,495 acres in the City’s international corridor area of east Arlington, generally defined by Pioneer Parkway and Park Row Boulevard to the north, Arkansas Lane to the south, South Collins Street to the west, and the Grand Prairie city limit to the east. TIF Zone #7 took effect on January 1, 2021. The TIF Zone #7 will terminate on December 31, 2051. The City Council can terminate TIF Zone #7 at an earlier date by subsequent ordinance. The taxable value for the TIF for the fiscal year ended September 30, 2023 was approximately \$252,924,893 more than its base year value.

The 2022-2023 tax roll reflects a \$0 the reduction in taxable valuation attributable to state-mandated homestead exemptions.

Chapter 311 of the Texas Tax Code allows the City Council to enter into tax abatement agreements with property owners within these zones. The abatement value loss on the FY 2023 tax roll is \$953,622,440.

The 2023-2024 tax roll reflects a \$2,705,523,543 reduction in taxable valuation attributable to Freeport Property exemptions.

Section 23.83 of the Property Tax Code allows taxes to be deferred on property that is restricted to scenic use. The FY 2024 tax roll reveals an exempt value of \$0 due to scenic deferrals.

The 2023-2024 tax roll reflects a \$42,185,022 reduction in taxable valuation attributable to valuation by agriculture deferrals.

The 2023-2024 tax roll reflects a \$34,560,352 reduction in taxable valuation attributable to valuation by pollution control.

The 2023-2024 tax roll reflects a \$3,709,937,526 reduction in taxable valuation attributable to local option homestead exemptions.

The 2023-2024 tax roll reflects a \$1,777,700,206 reduction in taxable valuation attributable to the freeze on taxes for the elderly and disabled.

The 2023-2024 tax roll reflects a \$953,622,440 reduction in taxable valuation attributable to tax abatement agreements.

The tax ceiling carries forward to a surviving spouse aged 55 or older of an individual who is 65 years of age or older. The City has 90,711 residential homestead properties in FY 2022-2023 and 24,419 of these properties received an exemption for a disabled individual or individual 65 years of age or older.

Tarrant County bills and collects ad valorem taxes for the City pursuant to a contract. The City does not permit split payments, and discounts are not allowed. Notwithstanding the City’s prohibition on split payments, taxpayers 65 years old or older are permitted by State law to pay taxes (without penalty and interest) on homesteads in four installments with the first due on or before January 31 of each year and the final installment due on or before July 31.

Tax Revenue

The following table shows the City’s principal tax revenues by source for each of the last five fiscal years.

Table 9 – Tax Rate Distribution and Collection Ratios

Fiscal Year	Estimated Net Taxable Valuation ⁽¹⁾	Tax Rate			Tax Levy	% Collections	
		General Fund	Debt Service Fund	Total Tax Rate		Current Year	Prior Years ⁽²⁾
2019	\$ 25,921,882,291	\$ 0.4428	\$ 0.1920	\$ 0.6348	\$ 164,552,109	95.90	96.70
2020	29,510,132,493	0.4467	0.1773	0.6240	182,445,180	94.08	94.59
2021	30,036,634,647	0.4085	0.2140	0.6225	186,978,051	95.81	92.36
2022	31,664,722,384	0.4098	0.2100	0.6198	196,257,949	94.99	94.92
2023	35,737,311,313	0.4030	0.1968	0.5998	214,352,393	94.06	94.16

Source: City of Arlington Finance Department

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

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

**Table 10 - Tax Base Distribution
Fiscal Years 2020 to 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Residential	54.42%	52.28%	53.07%	53.07%	51.52%
Commercial, Industrial, Retail	43.74%	46.27%	45.74%	45.74%	47.10%
Mineral	1.01%	0.56%	0.27%	0.27%	0.36%
Undeveloped	0.83%	0.89%	0.92%	0.92%	1.02%

Source: City of Arlington Finance Department.

Table 11 - Top Ten Taxpayers ⁽¹⁾

<u>Taxpayer</u>	<u>FY 2023 Taxable Assessed Valuation</u>
General Motors LLC	\$ 298,910,750
Oncor Electric Delivery	226,403,096
S2 Forest Ridge LP	210,577,808
UPS	163,335,032
CPT Arlington Highlands	162,974,572
BMF IV TX	157,900,000
Parks at Arlington LP	129,035,750
Polk Apartments LLC	115,280,706
CD/Park7 Arlington Owner LP	100,400,000
Atmos Energy	103,125,526
Total	\$ 1,667,943,240
Top ten taxpayers as % of total tax rolls	5.27%
Total tax roll	\$ 31,644,722,384

⁽¹⁾ Source: Tarrant Appraisal District.

Municipal Sales Tax

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

On November 2, 2004, an election to adopt an additional one-half cent sales and use tax for the Dallas Cowboys Complex Development Project as permitted by Chapter 334 of the Texas Local Government Code was held and the additional one-half cent sales and use tax was approved. On November 6, 2016, an election was held to extend the one-half cent sales tax previously collected for the financing of the Dallas Cowboys Complex Development Project to be used to finance a new Rangers Baseball Complex, as permitted by Chapter 334 of the Texas Local Government Code. The election authorizing the extension of the one-half cent sales and use tax to finance the Rangers Baseball Complex in addition to the Dallas Cowboys Complex Development Project was approved by voters.

The Comptroller of Public Accounts of the State of Texas, after the deduction of a two percent service fee, currently remits monthly the City's portion of sales tax collections to the City. The statute provides the Comptroller must remit at least twice annually. Revenue from sales tax levied for general purposes of the City may not be pledged, under the applicable statutes, to the payment of debt service of the City's debt obligations.

Table 12 – Municipal Sales Tax History

Fiscal Year	Sales Tax Receipts ⁽¹⁾	Ad Valorem Tax Levy	Sales Tax as a % of Tax Levy	Population Estimate ⁽²⁾	Per Capita Sales Tax Collection
2019	\$ 66,983,242	\$ 164,552,109	41%	\$ 395,477	173
2020	63,714,803	182,445,180	35%	394,266	162
2021	72,648,805	186,978,051	39%	393,420	185
2022	83,733,059	196,257,949	43%	399,560	210
2023	89,039,110	214,352,393	42%	405,420	220

⁽¹⁾ Receipts reflect the City's 1% sales tax levied pursuant to Chapter 321, Texas Tax Code.

⁽²⁾ Population estimates are based on percent of occupancy in available residences and U.S. Census Bureau data.

PENSION AND EMPLOYEE RETIREMENT PLANS

Texas Municipal Retirement System

The City provides pension benefits for all its full-time employees through a nontraditional, joint contributory, hybrid defined benefit cash balance pension plan in the state-wide Texas Municipal Retirement System (TMRS), one of 909 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 annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com. All eligible employees of the City are required to participate in TMRS.

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 contribution rate for the employees is 7% of employee gross earnings, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. The contribution rates for the City were 10.36% and 9.95% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$21,528,919.

On August 15, 2020, the City issued \$174,665,000 par value General Obligation Pension Bonds, Taxable Series 2020. The bonds were issued to provide funds to pay a portion of the City's accrued unfunded liability to the TMRS and to pay the costs of issuance of the bonds.

As of December 31, 2021, the City reported the Net Pension Liability (NPL) was \$(119,521,723) and the funded ratio based on the NPL was 108.28%. As of December 31, 2022 the City reported the NPL was \$108,758,330 and the funded ratio based on the NPL was 92.86%.

Part-Time, Seasonal and Temporary Employees Deferred Income Plan

The City's retirement committee (the "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. PSTDIP provides retirement, disability and death benefits for part-time, seasonal and temporary employees. A plan member is eligible to retire upon attaining the age of 65 years old. Management of the PSTDIP is vested in the City's Retirement Committee which 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 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, 2023, 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, 2023, was \$154,186 and was equal to the required contributions.

As of June 30, 2022, the City reported the PTSTDIP NPL was \$(104,955) and the funded ratio based on the PTSTDIP NPL was 103.5%. As of June 30, 2023, the City reported the PTSTDIP NPL was \$11,352 and the funded ratio based on the PTSTDIP NPL was 99.7%.

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, 2023, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was \$289,308,000.

The City's total payroll during fiscal 2023 was \$227,472,000. The current year contribution was calculated based on a covered payroll of \$153,165,000, resulting in a required and actual employer contribution of \$4,230,000 and actual employee contributions of \$10,925,000. The employer contribution represents 2.76 percent of the covered payroll. The employee contribution represents approximately 7.13 percent of the covered payroll.

For additional details about the City's pension and employee retirement plans and benefits including benefit eligibility, employee participation, schedule of employer contributions, actuarial methods and assumptions, funded status and funded progress, see the Audited Basic Financial Statements of the City of Arlington, Texas for the Fiscal Year Ended September 30, 2023, particularly Note 6, attached hereto as "APPENDIX B."

Other Post Employment Benefit Plans

Disability Income Plan

The City covers its employees with a single-employer defined benefit disability income plan ("DIP"). 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. Further, a 2012 amendment closed the plan to any future disabled employees, there is no longer any liability attributable to the City's active employees. The plan contemplates that long term disability benefits will be provided through a separate long term disability 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 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.

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, 2023, the City contributed \$14,689 to the plan. Administrative costs of DIP are financed through investment earnings. As of September 30, 2023, the City reported a Net OPEB Asset of \$99,776.

Retiree Health Insurance

The City administers a single-employer self-funded health care plan. The plan provides post-retirement health care benefits (including medical, dental, and vision benefits) to eligible retirees and their dependents. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of General Accounting Standards No. 75. To be eligible for retiree health insurance, an employee must be eligible to retire from the City based upon the policies and requirements of the 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, 2022, there were 235 retired employees who met this requirement.

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, 2023 were \$5,768,000. As of September 30, 2023 the City's Total OPEB Liability related to post-retirement health care plan was \$99,350,789.

Supplemental Death Benefits Plan

The City participates in voluntary single-employer defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF") which is administered by TMRS. This 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 and is a fixed amount of \$7,500. 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 City's payments to TMRS for the year ended September 30, 2023, were \$594,222. As of September 30, 2023, the City's Total OPEB Liability related to SDBF was \$8,999,753.

For additional details about the City's other employee and postemployment benefits including benefit eligibility, employee participation, schedule of employer contributions, actuarial methods and assumptions, funded status and funded progress, see the Audited Basic Financial Statements of the City of Arlington, Texas for the Fiscal Year Ended September 30, 2023, particularly Note 7, attached hereto as "APPENDIX B."

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City made the following agreements for the benefit of the owners and beneficial owner of the Bonds. The City is required to observe the agreements for so long as it remains obligated to advance funds to the respective series of Bonds. Under the agreements, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (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 12, including financial statements of the City if audited financial statements of the City are then available, and (2) if not provided as part of such financial information and operating data, audited financial statements of the City, within 12 months after the end of each fiscal year when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Appendix B hereto or such other accounting principles as the City may be required to employ, from time to time, by State law or regulation, and (ii) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

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

The City's current fiscal year end is September 30. Accordingly, the City must provide updated information included in Tables 1 through 12 by March 31 in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

Notice of Certain Events

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

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

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 agreements or from any statement made pursuant to its agreements, although owners of Bonds may seek a writ of mandamus to compel the City to comply with its agreements.

The City may amend its continuing disclosure agreements 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 agreements, 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 2024A Bonds and/or the 2024B Bonds, as applicable, 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 2024A Bonds and/or the 2024B Bonds, as applicable. If the City so amends the agreements, it has agreed to include with the next financial information and operating data provided in accordance with its agreements 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. Certain annual filings were inadvertently not linked to certain CUSIPs for outstanding bonds. The City has updated its filings through EMMA and remedied the missing CUSIP linkages for the outstanding bonds for which it is aware.

ADDITIONAL INFORMATION

For additional information regarding this document please contact Mr. Ethan Klos, Treasurer, 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 (i) excludable from gross income for federal income tax purposes under section 103 of the Code and (ii) not an item of preference for purposes of the alternative minimum tax on individuals.

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

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the City, the City’s Financial Advisor, the Initial Purchasers, and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the City and such parties, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the Ordinances 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.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Ordinances upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel’s ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

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 CONSEQUENCES

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, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An “applicable corporation” (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its “adjusted financial statement income” (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation’s “adjusted financial statement income,” ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also 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.

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 Bonds

If the issue price of a maturity 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 Bonds 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 Accounting Treatment of Original Issue Discount

If the issue price of a maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “OID Bonds”), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “TAX MATTERS – Tax Exemption” and “TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences” and “—Tax Legislative Changes” generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such OID Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such OID Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such OID Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the OID Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each OID Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such OID Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of OID 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 OID Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such OID Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such OID 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 are rated “Aa1” by Moody’s Investors Service, Inc., (“Moody’s”) “AAA” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) and “AA+” by Fitch Ratings (“Fitch”). The City’s presently outstanding tax supported debt of the City has underlying ratings of “Aa1” by Moody’s, “AAA” by S&P and “AA+” by Fitch.

An explanation of the significance of such ratings 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 either of such ratings may have an adverse effect on the market price of the Bonds.

Litigation

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

The City is involved in litigation brought by a group of homeowners concerning a privately owned dam. After the dam failed through lack of repair and maintenance by the homeowners, the City conducted an emergency breach of the dam to control the situation. The homeowners brought suit seeking to have the City repair the dam or otherwise improve the property or pay for alleged damages. The trial court granted the City's Plea to the Jurisdiction which was subsequently taken up on appeal. The appellate court affirmed the trial court's order in part and denied it in part and the case has returned to the trial court for further proceedings.

The City is involved in litigation with two non-profit corporations alleging that the City's Donation Box Ordinance is unconstitutional by violating free speech by virtually banning donation boxes throughout the City. Cross motions for summary judgment were filed and the district court granted the motions in part and denied in part. The case is currently on appeal.

The City is involved in litigation with two Deputy Fire Chiefs of the Arlington Fire Department who allege that they are statutorily entitled to be compensated for overtime pay. The parties have reached a proposed settlement subject to Council approval.

The City is currently involved in litigation concerning a police detective who arrested an individual charged with harassment. The individual claims the detective signed a false affidavit and arrested her without probable cause, in violation of her Fourth Amendment rights. The district court ruled in favor of the detective. The case is currently on appeal.

The City is involved in a lawsuit that involves a motor vehicle accident that occurred when an Arlington Police Officer was running code through an intersection on an emergency call and collided with the Plaintiff's vehicle. The Plaintiff is seeking damages for bodily injuries and lost wages. Arlington filed a plea to the jurisdiction which was denied. This case is currently on appeal.

The City is involved in a lawsuit that involves a motor vehicle accident that occurred when a Water Utilities employee, driving a City truck, ran over Plaintiff who was asleep on the ground underneath an overpass. The Plaintiff is seeking damages for bodily injuries.

The City is currently involved in litigation with the family of a former recruit in the Arlington Police Academy who alleges his death was related to training at the Academy. Plaintiff asserts a civil rights claim alleging excessive use of force in addition to other claims, including state law tort claims. Plaintiff seeks wrongful death and survival damages, as well as attorney's fees.

The City is involved in litigation that concerns an individual who slipped and fell on wet painted concrete near the porte cochere at a City golf course. It was misting that day and Plaintiff alleges there were no warning signs or sand to prevent the concrete from becoming slippery. Plaintiff is seeking damages for bodily injuries.

As of March 14, 2024, there are sixteen lawsuits pending against the City seeking monetary damages and/or injunctive relief. Seven of the cases assert state law tort claims which are subject to the Texas Tort Claims Act (TTCA). The TTCA limits liability for money damages to \$250,000 for each person and \$500,000 for each single occurrence for bodily injury and death. Further, the TTCA limits liability for property damage to \$100,000.00 for each single occurrence. See Texas Civil Practice and Remedies Code, Section 101.023(c). In addition to the sixteen lawsuits, the City is engaged in four 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.

Cybersecurity

As cybersecurity and information security risks continue to grow, directly impacting local government and critical infrastructure operations, the City designated a Chief Information Security Officer (CISO) to manage cybersecurity risks and develop a city-wide information security program. The CISO is responsible for carrying out the City's information security responsibilities. The City adopted an information security strategic plan, which emphasizes: (i) information security governance, with the City Manager's office providing oversight of information security risk management, performance, governance, and compliance; (ii) security risk management; (iii) data classification and assurance; (iv) critical infrastructure security, focusing on water operational technology; (v) artificial intelligence security governance; (vi) security operations maturation; and (vii) internal engagement and education.

Specific objectives include: protecting City information in accordance with their security classification, sensitivity, and criticality; preventing unauthorized access, disclosure, destruction, disruption, or modification of information; managing third-party risk; ensuring City-wide security investments are based on sound risk management practices; conducting regular audits of all City information systems; investigating security incidents for incident management and forensic investigations; ensuring the consistent application of information security policy requirements across all City departments. To date, the City has not experienced a cyber-attack that has had a material adverse effect on its operations or financial condition. However, no assurance can be given that the City will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the City's control, including electrical telecommunications outages, natural disasters, or cyber-attacks initiated by criminal activities of individuals or organizations; any such occurrence could materially and adversely affect the City's operations and/or financial condition.

Legal Matters

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

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction 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.

Initial Purchasers of the Bonds

After requesting competitive bids for the 2024A Bonds, the City accepted the bid of _____ (the "2024A Initial Purchasers") to purchase the 2024A Bonds at the interest rates shown on the cover page of this Official Statement at a price of ____% of par. The 2024A Initial Purchasers can give no assurance that any trading market will be developed for the 2024A Bonds after their sale by the City to the 2024A Initial Purchasers. The City has no control over the price at which the 2024A Bonds are subsequently sold and the initial yield at which the 2024A Bonds will be priced and reoffered will be established by and will be the responsibility of the 2024A Initial Purchasers.

After requesting competitive bids for the 2024B Bonds, the City accepted the bid of _____ (the "2024B Initial Purchasers") to purchase the 2024B Bonds at the interest rates shown on page iii of this Official Statement at a price of ____% of par. The 2024B Initial Purchasers can give no assurance that any trading market will be developed for the 2024B Bonds after their sale by the City to the 2024B Initial Purchasers. The City has no control over the price at which the 2024B Bonds are subsequently sold and the initial yield at which the 2024B Bonds will be priced and reoffered will be established by and will be the responsibility of the 2024B Initial Purchasers. The 2024A Initial Purchasers and the 2024B Initial Purchasers are sometimes collectively referred to herein as the "Initial Purchasers."

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.

Certification of the Official Statement

At the time of payment for and delivery of the Bonds, the Initial Purchasers of the Bonds will be furnished a certificate, executed by proper officers, acting in their official capacity, to the effect that to their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in this Official Statement and any addenda, supplement or amendment thereto, for its Bonds, on the date of such Official Statement, on the date of sale of said Bonds and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities other than the City and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since September 30, 2023, the date of the last audited financial statements of the City appearing in the Official Statement.

Miscellaneous

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents 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.

In the 2024A PIB Bond Ordinance and the 2024B PIB Bond Ordinance, the City Council authorized the Authorized Officer to approve, for and on behalf of the City, (i) the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) the Initial Purchasers' use of this Official Statement in connection with the public offering and the sale of the Bonds, all of which the Authorized Officer will approve in the respective 2024A Pricing Certificate and/or 2024B Pricing Certificate.

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SCHEDULE I
SCHEDULE OF REFUNDED OBLIGATIONS*

Bond		Maturity Date	Interest Rate	Par Amount	Redemption Date	Call Price
Permanent Improvement Bonds, Series 2014						
	Serials	8/15/2031	3.500%	\$ 725,000	8/15/2024	100.00
		8/15/2032	4.000%	725,000	8/15/2024	100.00
		8/15/2033	4.000%	720,000	8/15/2024	100.00
		8/15/2034	4.000%	720,000	8/15/2024	100.00
				<u>\$ 2,890,000</u>		
Combination Tax and Revenue Certificates of Obligation, Series 2014						
	Serials	8/15/2031	3.500%	\$ 1,445,000	8/15/2024	100.00
		8/15/2032	4.000%	1,445,000	8/15/2024	100.00
				<u>\$ 2,890,000</u>		
	Term 2034	8/15/2033	4.000%	\$ 1,445,000	8/15/2024	100.00
		8/15/2034	4.000%	1,445,000	8/15/2024	100.00
				<u>\$ 2,890,000</u>		
				<u><u>\$ 8,670,000</u></u>		

* Preliminary, subject to change.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY OF ARLINGTON

The City

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

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

General

The City operates under the Council-Manager form of government as established by its Charter. There is a nine member City Council of the City (the "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 City 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 City 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 City Council under provisions of the City Charter. Ordinance, resolutions and zoning decisions are presented at City Council meetings at 6:30 p.m. on the second and fourth Tuesday of each month. City Council meetings are broadcast on the local cable public access station and webcast. A simple majority of the City Council constitutes a quorum. The Mayor is required to vote on all matters considered by the City Council, but has limited power to veto City Council actions that can be overridden by simple majority action of the City Council.

Administration

The City Manager is the administrative head of the municipal government and carries out the policies of the City 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 City Council and serves at the pleasure of the City Council.

Excluding the positions and offices of the City Attorney, City Auditor and certain others whose appointments are reserved for City 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 City Council legislative actions; advises City Council on the City's financial conditions and needs; prepares and submits to City Council the annual budget; and performs such duties required by City 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	386,180	0.58%	328,886,114	0.35%
2020	394,266	2.09%	330,376,491	0.45%
2021	393,420	-0.21%	332,208,099	0.55%
2022	399,560	1.56%	333,808,633	0.48%
2023	405,420	1.47%	335,506,202	0.51%

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

Employment

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

Unemployment Rate 2019 to 2023

	December 2023	December 2022	December 2021	December 2020	December 2019
Arlington	3.2%	3.2%	3.7%	6.5%	2.9%
Texas	3.5%	3.5%	4.1%	6.7%	3.2%
United States	3.5%	3.3%	3.7%	6.5%	3.4%

Source: Texas Workforce Commission

Arlington Major Employers ⁽¹⁾

Employer	Type of Business	Number of employees
Arlington Independent School District	Public Education	9,429
Texas Health Resources	Medical	6,619
General Motors	Automobile Assembly	5,640
UT - Arlington	Higher Education	5,600
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	2,800
Texas Rangers Baseball Club	Major League Baseball	2,000
J.P. Morgan Chase	Banking Services	1,900
Total		44,588

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

Building Permits

	2023	2022	2021
	Permits	Permits	Permits
New Single Family	673	649	761
New Multifamily	53	297	199
New Commercial	63	127	105
Other (Residential and Commercial)	8,290	7,576	8,543
Grand Total	<u>9,079</u>	<u>8,649</u>	<u>9,608</u>

Source: City of Arlington Building Inspections Division

APPENDIX B

**AUDITED BASIC FINANCIAL STATEMENTS OF THE
CITY OF ARLINGTON, TEXAS YEAR ENDED SEPTEMBER 30, 2023**



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Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Arlington, Texas
Arlington, Texas

Opinions

We have audited the 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying 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, 2023, 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.

We did not audit the financial statements of the Arlington Convention and Visitors Bureau, Inc., or the Arlington Tourism Public Improvement District, discretely presented component units of the City, which represent 6 percent, 5 percent, and 13 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Additionally, we did not audit the financial statements of the Part-Time, Seasonal and Temporary Employees Deferred Income Plan, a fiduciary component unit of the City, which represent 1 percent, 1 percent, and 0.3 percent, respectively, of the assets, net position, and revenues/additions of the aggregate remaining fund information. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions on the aggregate discretely presented component units and the aggregate remaining fund information, insofar as they relate to the amounts included for the Arlington Convention and Visitors Bureau, Inc., the Arlington Tourism Public Improvement District and the Part-Time, Seasonal, and Temporary Employees Deferred Income Plan are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Adoption of New Accounting Standards

As discussed in Note I.Q. to the financial statements, effective October 1, 2022, the City adopted Governmental Accounting Standards Board Statements No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 benefit information as listed on the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 and other auditors 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.

Supplementary 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 supplementary information including the combining financial statements, individual fund budgetary comparison schedules, and the schedules of capital assets used in the operation of governmental funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory section and the statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

FORVIS, LLP

**Dallas, Texas
March 14, 2024**



CITY OF ARLINGTON, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2023 (Unaudited)

As management of the City of Arlington (City), we offer readers of the City's Annual Comprehensive Financial Report (ACFR) this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023. 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 and deferred inflows at the close of the most recent fiscal year by \$3B (net position). Of this amount, \$226.3M 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 \$104.5M during the current period primarily due to increases to property taxes and investment activities.
- At the conclusion of the current fiscal year, the City's governmental funds collectively reported ending fund balances of \$473.1M, marking a \$19M increase from the previous year. Of this total, \$349.3M is earmarked for specific legal obligations (restricted), while \$120.9M has been designated for approved expenditures by either the City Council (committed) or City management (assigned). Additionally, \$1.8M is categorized as non-spendable, representing inventory or prepaid items. The remaining balance, categorized as unassigned, totaling \$1.1M, is available for any lawful purpose within the general fund.
- At the close of the current fiscal year, the total unrestricted fund balance for the general fund stood at \$85M. This amount represents roughly 28.8% of the total general fund expenditures. Unrestricted fund balance is comprised of the committed, assigned, and unassigned fund balances.
- As discussed in Note I. Q., in 2023 the City adopted Governmental Accounting Standards Board (GASB) Statements Number 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and Number 96, *Subscription-Based Information Technology Arrangements*. 2022 information presented herein has not been restated for the adoption of GASB 94 and GASB 96.

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 ACFR 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 like a private-sector business.

The Statement of Net Position presents financial information on all 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 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 statements, the City's business is divided into three types of activities:

The government-wide financial statements can be found on pages 19-23 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 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-two 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, convention and event services fund, and disaster assistance fund all of which are 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 24 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 internal service funds to account for the management of 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 Utility 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 Annual Comprehensive Financial Report.

The basic proprietary fund financial statements can be found beginning on page 28 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 accounting used for fiduciary funds is much like that used for proprietary funds. All the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. The City reports two different fiduciary funds. The Pension and Other Employee Benefit trust funds are used to report resources held in trust for the Part Time Deferred Income Trust and the Disability Income Plan. The City also reports one custodial fund to report resources, not in a trust, that are held by City for other parties outside of the City as a reporting entity.

The fiduciary fund financial statements can be found beginning on page 32 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 35 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 general fund budgetary comparison and progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on page 89 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 107-135 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 \$3B as of September 30, 2023.

Long-term liabilities, which consist of bonds, notes, leases, compensated absences, pension, and postemployment benefit obligations, decreased by \$3.1M from the previous year for governmental and business-type activities combined. The City's net OPEB liability decreased \$34.7M. The City's total pension liability for the year increased by \$228.4M.

The largest portion of the City's net position \$2.7B (90%) 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)

As of September 30,

	Governmental Activities		Business-type Activities		Total	
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
Current and other assets	\$ 787	\$ 716	\$ 390	\$ 366	\$ 1,177	\$ 1,082
Capital, SBITA, and lease assets	2,827	2,835	990	1,048	3,817	3,883
Total assets	3,614	3,551	1,380	1,414	4,994	4,965
Total deferred outflows of resources	61	158	4	10	65	168
Long-term liabilities outstanding	1,433	1,383	407	364	1,840	1,747
Other liabilities	104	141	26	60	130	201
Total liabilities	1,537	1,524	433	424	1,970	1,948
Total deferred inflows of resources	180	176	9	4	189	180
Net position:						
Net investment in capital assets	1,693	1,836	834	750	2,527	2,587
Restricted for debt service	60	58	82	64	142	122
Restricted for special revenue	80	56	-	-	80	56
Restricted for use of impact fees	14	15	-	-	14	15
Restricted for net pension asset	112	-	8	-	120	-
Unrestricted	-	44	18	182	18	226
Total net position	\$ 1,959	\$ 2,009	\$ 942	\$ 996	\$ 2,901	\$ 3,005

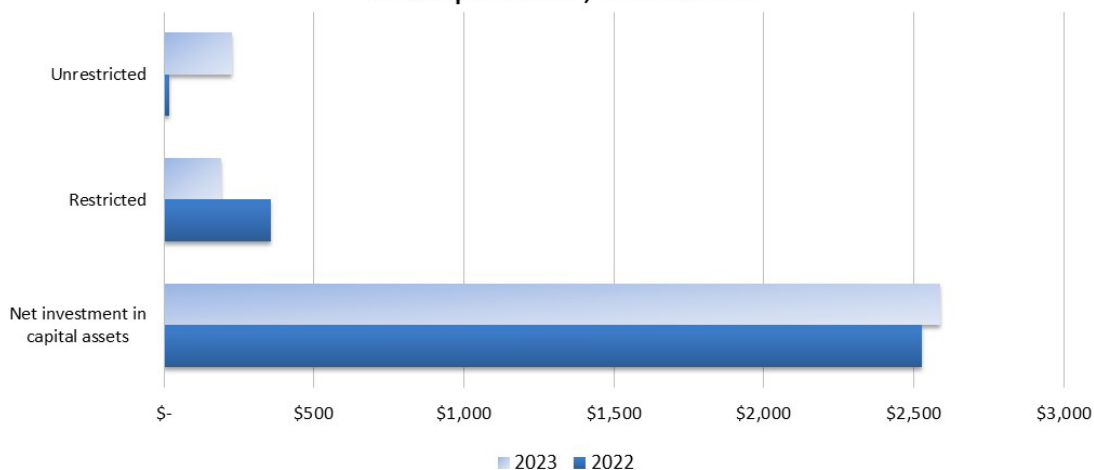
Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital and lease assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of \$177.9M (5.9%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$226.3M (7.5%) 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 \$104.5M from the prior fiscal year.

City of Arlington's Net Position (amounts expressed in millions)

As of September 30, 2022 and 2023

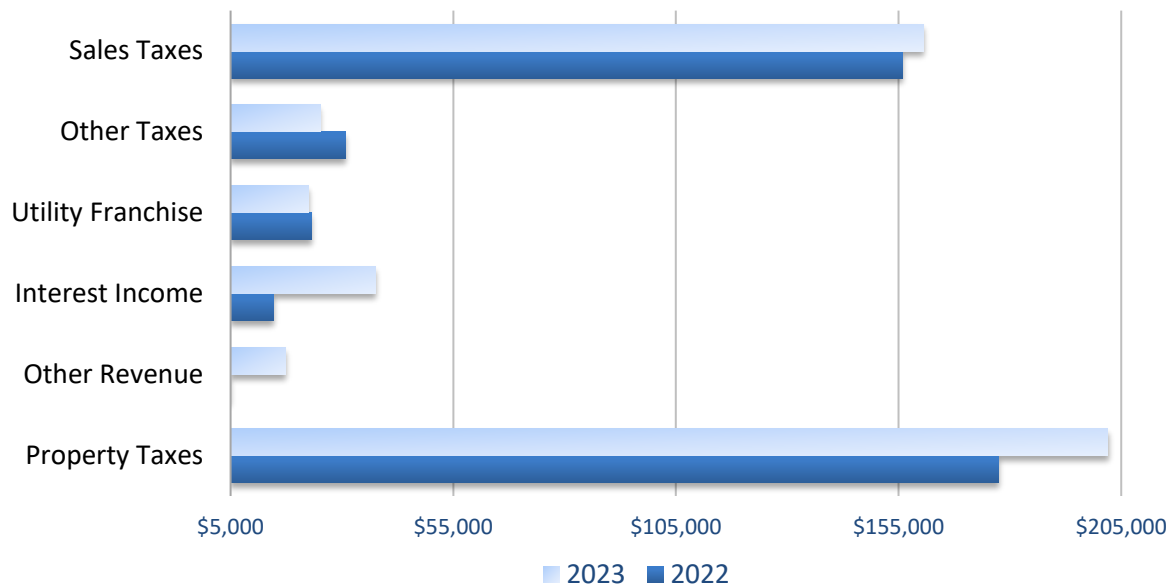


Governmental Activities

The City's general revenues increased compared to the prior year, increased overall by 18.2%. Property tax and interest revenue accounted for much of the increase this year compared to last as a result of new property added to the tax roll and increases in residential values driven by a robust housing market.

Property tax collections were up from the prior year by about \$25.5M and Arlington once again saw growth in assessed valuation. The residential property values increased by 14.8% and commercial property values increased by 17.9% compared to the prior year. The property tax rate for 2023 was set at \$0.5998 per \$100 assessed valuation: down .02 from \$0.6198 in the prior year.

General Revenue Comparison (in thousands) For the Years Ended September 30, 2022 and 2023

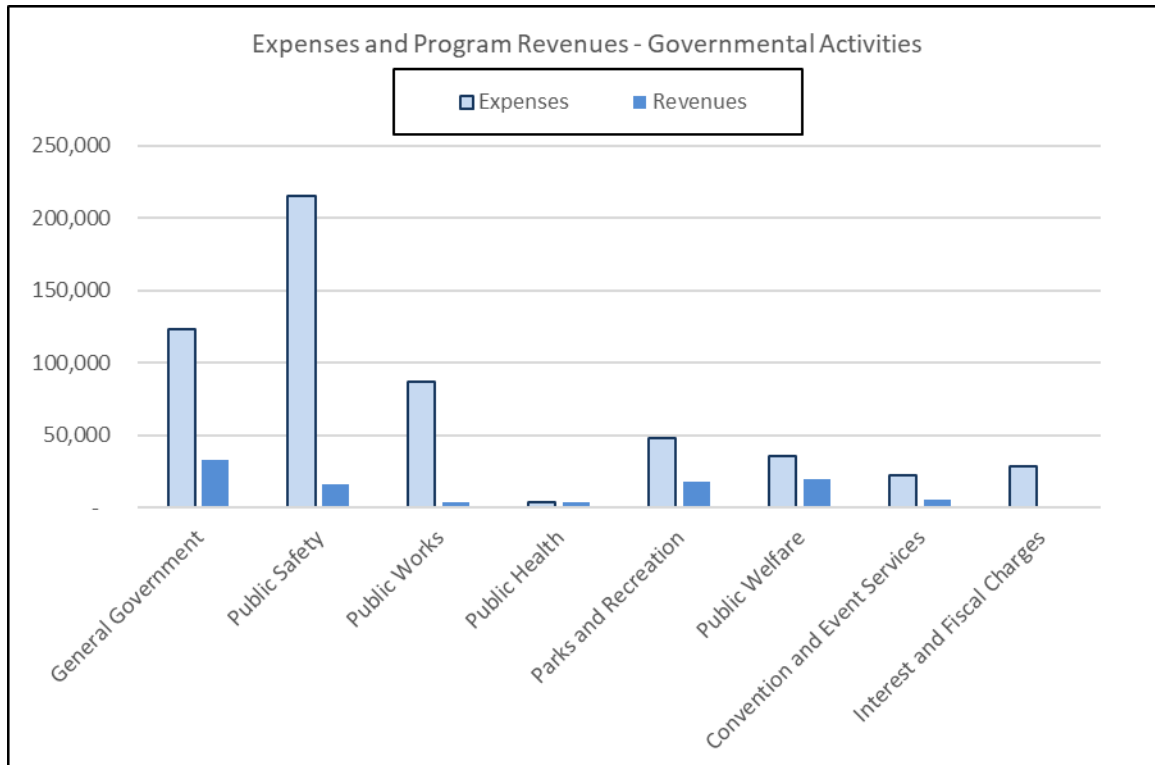


Charges for services decreased \$6M with most of the decrease resulting from the decrease in charges for services in general government. Capital grants and contributions decreased by \$1.9M primarily due to a reduction in capital contributions related public works. Operating grants and contributions decreased \$20.1M compared to the prior year. Interest income increased by \$15.8M compared to the prior year.

Sales tax revenue increased by \$4.8M, up 6.62% from the prior year. This is a continuation of the recovery from reduced sales taxes collected during the Covid pandemic. Utility franchise fee collections decreased by .7% in 2023.

Overall, expenses increased approximately \$25.6M (3.8%) from the prior year. Increases are primarily attributed to an increase in public safety of approximately \$31.5M while parks and recreation expenses increased by \$5.6M. This is due to salary and benefit increases primarily as well as parks capital expenditures which increased this year.

As shown in the chart below, revenues generated by the City's programs are not sufficient to cover the costs. The City relies on property taxes, sales taxes, investment income and other general revenues to cover the costs associated with the various programs.



City of Arlington's Changes in Net Position

(Amounts expressed in thousands)

For the Years Ended September 30,

	Governmental Activities		Business-type Activities		Total	
	2022	2023	2022	2023	2022	2023
Revenues						
Program Revenues:						
Charges for services	\$ 76,264	\$ 71,333	\$ 214,949	\$ 215,991	\$ 291,213	\$ 287,324
Operating grants and contributions	44,613	24,544	-	7,875	44,613	32,419
Capital grants and contributions	4,068	2,200	6,342	-	10,410	2,200
General Revenues:						
Taxes	364,124	387,710	-	-	364,124	387,710
Utility franchise fees	23,193	22,429	-	-	23,193	22,429
Interest income	2,950	11,321	3,348	4,407	6,298	15,728
Other	(2,482)	50,120	(6,063)	10,792	(8,545)	60,912
Total revenues	512,730	569,657	218,576	239,065	731,306	808,722
Expenses						
General government	125,031	123,341	-	-	125,031	123,341
Public Safety	183,230	214,764	-	-	183,230	214,764
Public Works	91,298	86,916	-	-	91,298	86,916
Public Health	3,025	3,732	-	-	3,025	3,732
Parks and recreation	42,481	48,097	-	-	42,481	48,097
Public welfare	43,975	35,467	-	-	43,975	35,467
Convention and event services	20,660	22,249	-	-	20,660	22,249
Lease expense	-	173	-	-	-	173
Interest and fiscal charges	37,603	28,223	-	-	37,603	28,223
Water, sewer and storm water	-	-	131,340	141,238	131,340	141,238
Total expenses	547,303	562,962	131,340	141,238	678,643	704,200
Increase (decrease) in net position before transfers	(34,573)	6,695	87,236	97,827	52,663	104,522
Transfers and capital contributions	23,077	43,791	(23,077)	(43,791)	-	-
Increase (decrease) in net position	(11,496)	50,486	64,159	54,036	52,663	104,522
Net Position, October 1	1,970,143	1,958,647	878,041	942,200	2,848,184	2,900,847
Net Position, September 30	\$ 1,958,647	\$ 2,009,133	\$ 942,200	\$ 996,236	\$ 2,900,847	\$ 3,005,369

Business-type Activities

During the current fiscal year, net position for business-type activities increased \$54.0M from the prior fiscal year for an ending balance of \$996.2M. The increase in overall net position of business-type activities is the result of the increased amount of water and sewer revenue. The revenue increase of \$20.5M 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 increased by \$9.9M from the prior year.

CAPITAL, LEASE AND SBITA ASSET AND DEBT ADMINISTRATION

Capital, Lease and SBITA Assets

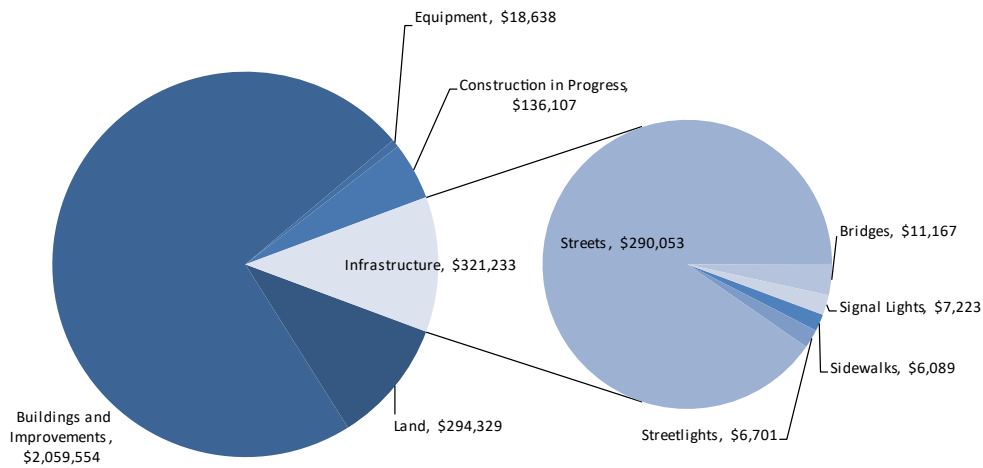
The City's net investment in capital assets for its governmental and business-type activities as of September 30, 2023, amounts to \$3.9B (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, water treatment plants, lease assets and stadiums. The total increase in capital and lease assets for the current fiscal year was \$65.6M. This is a 1.7% increase over the prior fiscal year. Footnote III 5 in the notes to the financial statements provides more detailed information regarding the City's capital, lease and SBITA asset activity.

City of Arlington's Capital, Lease and SBITA Assets						
(in thousands, net of depreciation and amortization)						
	Governmental activities		Business-type activities		Total	
	2022	2023	2022	2023	2022	2023
Land	\$ 294,329	\$ 294,329	\$ 23,757	\$ 23,757	\$ 318,086	\$ 318,086
Buildings and improvements	2,105,788	2,059,554	7,046	6,861	2,112,834	2,066,415
Machinery and equipment	16,051	18,638	583	419	16,634	19,057
Construction in progress	102,768	136,107	195,613	208,430	298,381	344,537
Infrastructure	305,485	321,233	-	-	305,485	321,233
Lease and SBITA assets	2,973	4,669	-	-	2,973	4,669
Drainage system	-	-	99,741	106,911	99,741	106,911
Water and sewer system	-	-	663,134	701,954	663,134	701,954
Totals	\$ 2,827,394	\$ 2,834,530	\$ 989,874	\$ 1,048,332	\$ 3,817,268	\$ 3,882,862

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

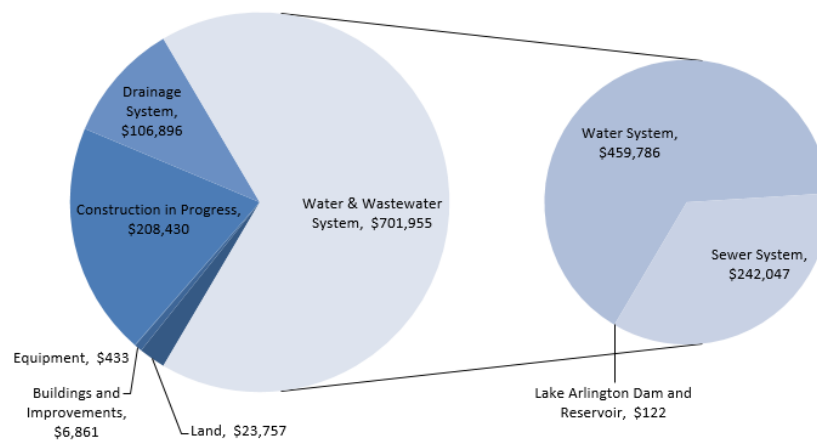
- Private developer capital contributions of \$7.9M to the City's water and sewer infrastructure in connection with various residential and commercial developments
- Water and sewer system capital improvements and expansion of \$61.7M
- Storm drainage system capital improvements and expansion of \$13.1M
- Street construction projects capital outlay totaling \$30.0M
- Improvements to parks and recreation facilities of \$21.8M

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



Asset	Book Value	Accumulated Depreciation	Net Value
Sidewalks	\$ 71,771	\$ (65,682)	\$ 6,089
Streetlights	21,685	(14,984)	6,701
Streets	952,152	(662,099)	290,053
Bridges	43,200	(32,033)	11,167
Signal Lights	20,787	(13,564)	7,223
	<u>\$ 1,109,595</u>	<u>\$ (788,362)</u>	<u>\$ 321,233</u>

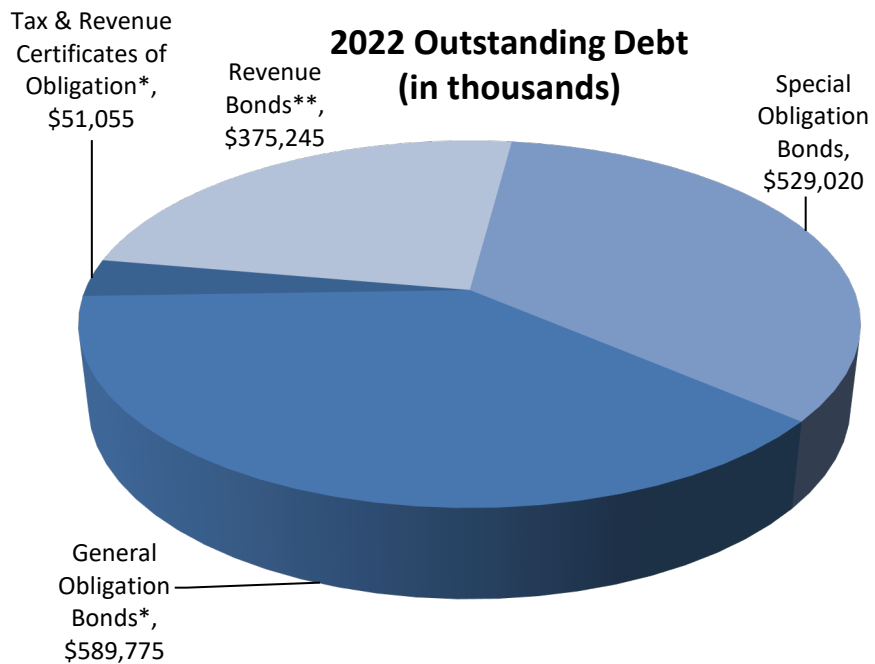
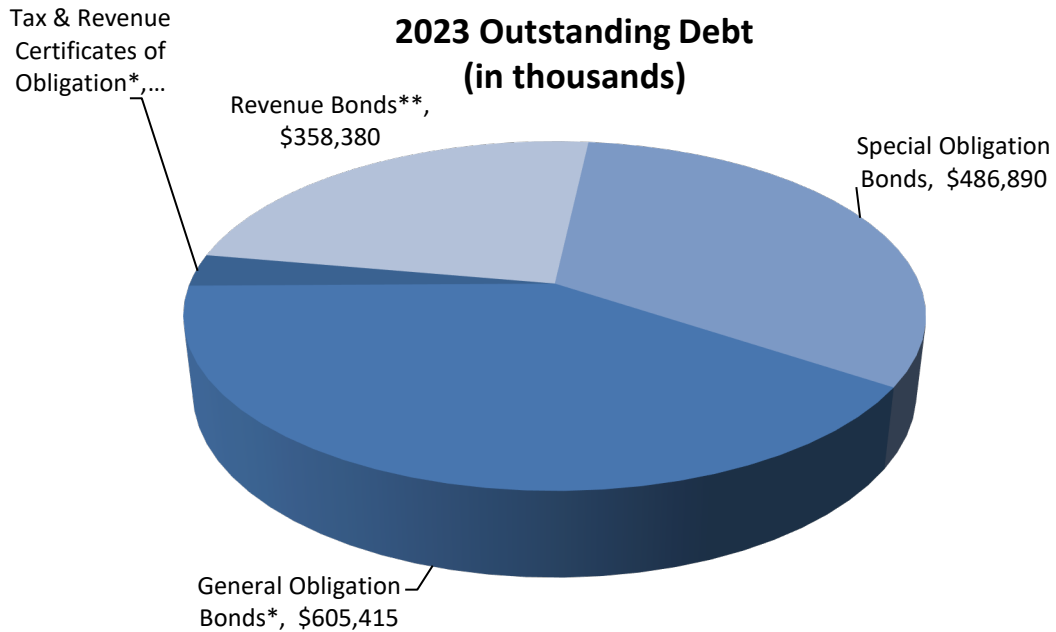
The City's business-type activities infrastructure investment, including accumulated depreciation, breaks down as follows (in thousands):



Asset	Book Value	Accumulated Depreciation	Net Value
Lake Arlington Dam and Reservoir	\$ 2,619	\$ (2,497)	\$ 122
Water System	740,323	(280,537)	459,786
Sewer System	392,496	(150,448)	242,047
	<u>\$ 1,135,438</u>	<u>\$ (433,482)</u>	<u>\$ 701,955</u>

Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$1.5B, a slight increase from 2022.



*Secured by City Tax Base

**Secured by Water and Sewer or Drainage Revenue

City of Arlington's Outstanding Debt

(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2022	2023	2022	2023	2022	2023
General obligation bonds (backed by the City)	\$ 589,775	\$ 605,415	\$ -	\$ -	\$ 589,775	\$ 605,415
Combination tax and revenue certificates of obligation (backed by the City)	51,055	44,430	-	-	51,055	44,430
Special tax revenue bonds	529,020	486,890	-	-	529,020	486,890
Revenue bonds (backed by fee revenues)			375,245	358,380	375,245	358,380
Total	\$ 1,169,850	\$ 1,136,735	\$ 375,245	\$ 358,380	\$ 1,545,095	\$ 1,495,115

During the current fiscal year, the City issued \$59.9M in Permanent Improvement Bonds, \$14.7 in Permanent Improvement Refunding Bonds, \$7.2M and \$5.9M in Water and Wastewater System Revenue Bonds and \$4.7M in Stormwater Revenue Bonds. Footnote 8 in the notes to the financial statements provides more detailed information regarding the City's long-term debt activity.

In 2023, the City's debt ratings were as follows by type and agency:

	Fitch	S&P	Moody's
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

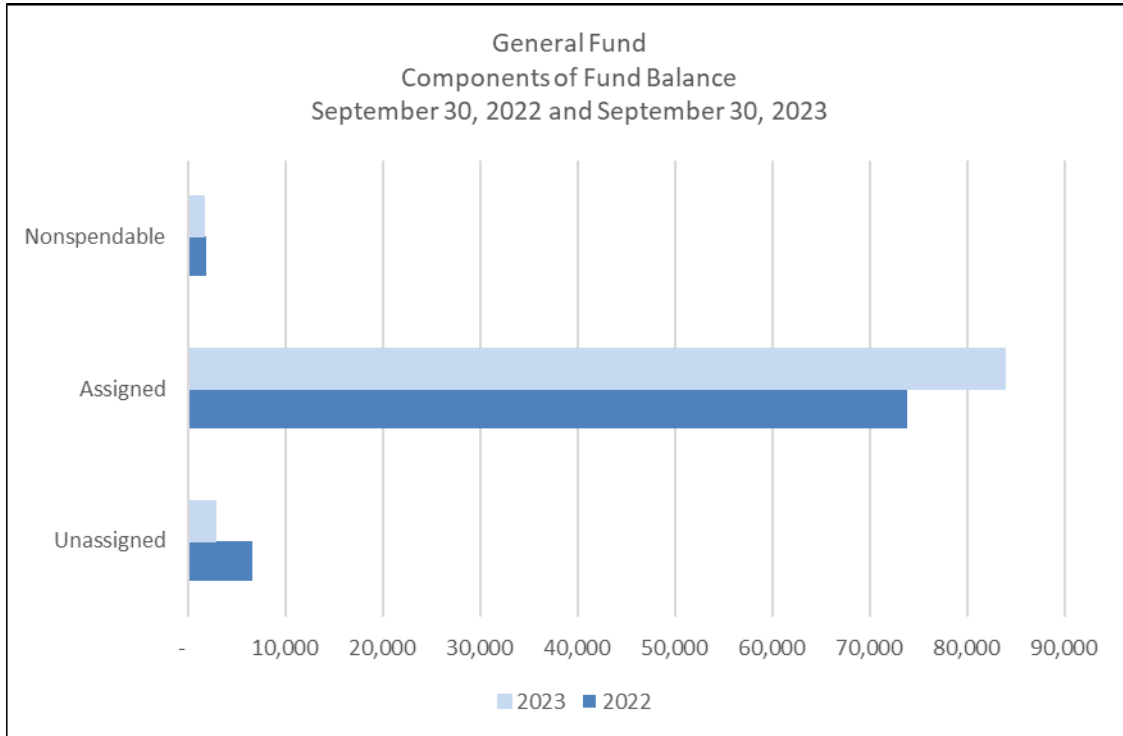
General bonded debt per capita decreased from \$1,679 in 2022 to \$1,652 in 2023.

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 1.9%.

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 on September 30, 2023 was \$11.8M.

THE CITY'S FUNDS

The governmental funds of the City reported a combined fund balance of \$473.2M. The general fund balance was \$86.5M, which was \$4.1M more than the previous year, primarily due to increased expenditures in all categories offset by increases in tax and investment revenue. The Debt Service fund balance decreased \$2.1M, ending the year with \$58.2M. The decrease was a result of the reduction of debt payments made during the fiscal year. Other changes in fund balances noted include:



- Street Capital Projects fund balance increased in fiscal year 2023, up from \$104.6 to \$113.0M.
- The City's water and sewer fund net position of \$825.8M increased by \$39.4M in the current year. The increase in net position is primarily due to operating revenues exceeding expenses by \$67.7M, capital contributions of \$7.9M and net transfers out of \$41.8M.
- The Storm Water Utility fund saw an increase of \$14.6M to net position in 2023. Storm water fee revenues exceeded fund expenses by \$16.3M and transfers out of \$2.1M were completed, increasing net position to \$175.7M at the end of the fiscal year.

GENERAL FUND BUDGET HIGHLIGHTS

During fiscal year 2023, there was one amendment to the general fund operating budget to increase expenditures by \$310,440 for staff in the Fire Department.

Actual expenditures on a budgetary basis of \$262.6M were less than budgeted expenditures of \$330.9M.

Revenues on a budgetary basis were higher than the budgeted amount of \$290.3M by \$7.4M. Taxes, licenses and permits, leases, rents and concessions, and other revenues were higher than budgeted and are attributable to the variance.

ECONOMIC FACTORS AND FISCAL YEAR 2024

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 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. The 2024 Budget also focuses on public safety funding, opening, and maintaining City facilities. General fund property tax revenues are budgeted at \$144.8M and sales taxes increased to \$93.1M. Key budget priorities in 2024 are:

- Enhance regional mobility
- Support youth and families
- Champion great neighborhoods
- Invest in our economy
- Leverage technology
- Build unity

The City's total general fund revenues and transfers for 2024 are budgeted at \$322.5M, and total general fund expenditures are expected to be \$322.4M, an increase of \$26.3M over 2023.

The general fund's largest single revenue source is property taxes. This revenue represents 60.1% of the general fund budget. The property tax rate for 2024 is \$0.5898 per \$100 valuation, the eighth time it has decreased since 2001. The tax rate is split out into two categories, operations, and maintenance, \$0.4080 per \$100 valuation, to the general fund, and interest and sinking, \$0.1818 per \$100 valuation, for debt service. The general fund property tax revenue for 2024 is estimated to be \$144.8M, up \$29.6M (25.7%) from last year's estimate.

The City's portion of the local 8.25 cent sales tax rate is two cents. The general fund receives one cent, one-quarter cent is dedicated to the Street Maintenance Fund, one-quarter cent is dedicated to funding the City's Economic Development Corporation, and one-half cent provides for debt service for venue debt. Sales tax revenue for the general fund for fiscal year 2024 is estimated at \$93.1M, an increase of \$6.7M from 2023 estimates.

The City's Water and Sewer Fund accounts for approximately 26.7% 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 \$91.7M and \$87.3M respectively for FY 2024. 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 2024 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 Mapes, Controller (amy.mapes@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 ACFR on file. Additionally, the ACFR can be found on the City's website at <http://www.arlington-tx.gov/finance/financial-reports/>.



CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2023
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 487,463	\$ 52,776	\$ 540,239	\$ 70,786
Investments	-	-	-	79,452
Land held for resale	7,653	-	7,653	-
Receivables (net of allowance for uncollectibles):				
Taxes	6,658	-	6,658	4,140
Sales taxes	29,021	-	29,021	-
Trade accounts	-	14,571	14,571	-
Franchise fees	5,692	-	5,692	-
Unbilled trade accounts	-	12,638	12,638	-
Special assessments	122	-	122	-
Accrued interest	2,645	39	2,684	216
Lease	86,879	2,859	89,738	-
PPP Receivable	59,839	-	59,839	-
Due from component units	900	-	900	-
Other	8,817	116	8,933	1,414
Internal balances	5,308	(5,308)	-	-
Due from other governments	13,337	-	13,337	-
Inventory of supplies	1,794	2,724	4,518	-
Prepaid expenses	-	-	-	176
Net OPEB Asset	100	-	100	-
Restricted assets-				
Bond contingency-				
Investments	-	30,870	30,870	-
Capital construction-				
Investments	-	218,600	218,600	-
Escrow	-	26,374	26,374	-
Meter deposits-				
Investments	-	9,353	9,353	-
Capital, Lease and SBITA Assets-				
Land	294,329	23,757	318,086	10,500
Buildings and improvements	2,696,100	9,261	2,705,361	-
Water and sewer system	-	1,135,438	1,135,438	-
Machinery and equipment	156,012	13,232	169,244	6,170
Infrastructure	1,109,595	-	1,109,595	-
Lease and SBITA assets	8,409	-	8,409	-
Drainage systems	-	165,204	165,204	-
Construction in progress	136,107	208,430	344,537	-
Accumulated depreciation/amortization	(1,566,022)	(506,990)	(2,073,012)	(1,033)
Total Assets	3,550,758	1,413,944	4,964,702	171,821
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on debt refunding	7,657	491	8,148	-
Pension items	131,685	9,126	140,811	-
OPEB items	19,115	74	19,189	-
Total Assets and Deferred Outflows of Resources	3,709,215	1,423,635	5,132,850	171,821

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, 2023
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable and accrued liabilities	\$ 40,527	\$ 6,469	\$ 46,996	\$ 4,599
Unearned revenue	20,597	-	20,597	4,594
Retainage payable	4,204	-	4,204	-
Accrued interest	5,956	-	5,956	-
Payable from restricted assets-				
Accounts payable and accrued liabilities	-	7,709	7,709	-
Retainage payable	-	4,961	4,961	-
Accrued interest	-	3,209	3,209	-
Meter deposits	-	9,353	9,353	-
Noncurrent liabilities				
Due within one year:				
Estimated claims payable	6,773	-	6,773	-
General obligation and certificates of obligation debt	51,455	-	51,455	-
Special tax revenue debt	7,150	-	7,150	-
Accrued compensated absences	1,450	253	1,703	-
Revenue bonds	-	27,935	27,935	-
Leases and SBITA payable	2,599	-	2,599	-
Due in more than one year:				
Estimated claims payable	5,017	-	5,017	-
Rebatable arbitrage payable	-	891	891	-
Total other postemployment benefit liability	101,308	7,043	108,351	-
General obligation and certificates of obligation debt	634,203	-	634,203	-
Special tax revenue debt	518,921	-	518,921	-
Estimated pollution remediation	35	-	35	-
Accrued compensated absences	19,839	1,075	20,914	-
Revenue bonds	-	347,633	347,633	-
Net pension liability	101,702	7,069	108,771	-
Leases and SBITA payable	2,173	-	2,173	-
Total Liabilities	1,523,909	423,600	1,947,509	9,193
DEFERRED INFLOWS OF RESOURCES				
OPEB items	31,843	970	32,813	-
PPP related	58,750	-	58,750	-
Leases related	85,580	2,829	88,409	-
Total Deferred Inflows of Resources	176,173	3,799	179,972	-
NET POSITION				
Net investment in capital assets	1,836,472	750,148	2,586,620	7,970
Restricted for debt service	58,197	63,852	122,049	-
Restricted for special revenue	55,718	-	55,718	-
Restricted for use of impact fees	14,523	-	14,523	-
Restricted for net OPEB asset	100	-	100	-
Restricted for housing assistance	-	-	-	43
Restricted for Arlington Economic Development Corporation Operations	-	-	-	6,544
Restricted for endowments	-	-	-	89,389
Unrestricted	44,123	182,236	226,359	58,682
Total Net Position	\$ 2,009,133	\$ 996,236	\$ 3,005,369	\$ 162,628

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



CITY OF ARLINGTON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(AMOUNTS EXPRESSED IN THOUSANDS)

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General government	\$ 123,341	\$ 32,667	\$ 325
Public safety	214,764	10,488	5,104
Public works	86,916	2,211	101
Public health	3,732	3,591	-
Parks and recreation	48,097	17,028	7
Public welfare	35,467	241	19,007
Convention and event services	22,249	5,107	-
Lease expense	173	-	-
Interest and fiscal charges	28,223	-	-
Total Governmental Activities	<u>562,962</u>	<u>71,333</u>	<u>24,544</u>
Business-Type Activities:			
Water and sewer	131,243	191,636	7,875
Storm water utility	9,995	24,355	-
Total Business-Type Activities	<u>141,238</u>	<u>215,991</u>	<u>7,875</u>
Total Primary Government	<u>\$ 704,200</u>	<u>\$ 287,324</u>	<u>\$ 32,419</u>
Component Units:			
Arlington Housing Authority	\$ 43,123	\$ 42,683	\$ -
Arlington Convention and Visitors Bureau	8,855	6,778	1,966
Arlington Tomorrow Foundation	2,143	-	-
Arlington Housing Finance Corporation	156	1,758	-
Arlington Tourism Public Improvement District	2,342	3,251	-
Arlington Convention Center Development Corp	60	65	-
Arlington Economic Development Corp	3,104	23,620	-
Total Component Units	<u>\$ 59,783</u>	<u>\$ 78,155</u>	<u>\$ 1,966</u>

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

Intergovernmental revenues

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.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
\$ 16	\$ (90,333)	\$ -	\$ (90,333)	\$ -
-	(199,172)	-	(199,172)	-
1,367	(83,237)	-	(83,237)	-
-	(141)	-	(141)	-
817	(30,245)	-	(30,245)	-
-	(16,219)	-	(16,219)	-
-	(17,142)	-	(17,142)	-
-	(173)	-	(173)	-
-	(28,223)	-	(28,223)	-
2,200	(464,885)	-	(464,885)	-
-	-	68,268	68,268	-
-	-	14,360	14,360	-
-	-	82,628	82,628	-
\$ 2,200	\$ (464,885)	\$ 82,628	\$ (382,257)	\$ -
\$ -	\$ -	\$ -	\$ -	\$ (440)
-	-	-	-	(111)
-	-	-	-	(2,143)
-	-	-	-	1,602
-	-	-	-	909
-	-	-	-	5
-	-	-	-	20,516
\$ -	\$ -	\$ -	\$ -	\$ 20,338
	202,028	-	202,028	-
	160,596	-	160,596	-
	221	-	221	-
	2,518	-	2,518	-
	112	-	112	-
	7,606	-	7,606	-
	14,629	-	14,629	-
	22,429	-	22,429	-
	37,648	-	37,648	-
	11,321	10,792	22,113	3,815
	6,083	4,407	10,490	8,182
	6,389	-	6,389	6,216
	43,791	(43,791)	-	-
	515,371	(28,592)	486,779	18,213
	50,486	54,036	104,522	38,551
	1,958,647	942,200	2,900,847	124,077
\$ 2,009,133	\$ 996,236	\$ 3,005,369	\$ 162,628	

CITY OF ARLINGTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2023
(AMOUNTS EXPRESSED IN THOUSANDS)

	General	Debt Service	Street Capital Projects	Convention and Event Services	Disaster Assistance	Other Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash and cash-equivalents	\$ 62,347	\$ 49,287	\$ 119,793	\$ 4,862	\$ 19,007	\$ 207,564	\$ 462,860
Land held for resale	-	-	-	-	-	7,653	7,653
Receivables (net of allowance for uncollectibles)							
Taxes	4,900	388	-	1,370	-	-	6,658
Sales taxes	16,601	8,280	-	-	-	4,140	29,021
Franchise fees	5,692	-	-	-	-	-	5,692
Special assessments	-	-	122	-	-	-	122
Accrued interest	2,438	163	-	38	-	-	2,639
Lease agreements	56,689	-	-	29,917	-	273	86,879
PPP Receivable	59,839	-	-	-	-	-	59,839
Other	6,675	85	-	120	-	1,560	8,440
Due from component units	900	-	-	-	-	-	900
Due from other funds	9,030	-	-	-	-	-	9,030
Due from other governments	-	-	-	-	437	12,900	13,337
Inventory of supplies, at cost	1,582	-	-	-	-	212	1,794
Total Assets	\$ 226,693	\$ 58,203	\$ 119,915	\$ 36,307	\$ 19,444	\$ 234,302	\$ 694,864
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 17,341	\$ 6	\$ 4,742	\$ 598	\$ 1,024	\$ 14,097	\$ 37,808
Retainage payable	105	-	2,028	-	1,157	914	4,204
Unearned Revenue	2,410	-	122	332	17,263	470	20,597
Due to other funds	-	-	-	-	-	9,030	9,030
Total Liabilities	19,856	6	6,892	930	19,444	24,511	71,639
Deferred inflows of resources:							
Taxes	3,912	-	-	-	-	-	3,912
Landfill	1,806	-	-	-	-	-	1,806
Lease agreements	55,830	-	-	29,527	-	222	85,579
PPP agreements	58,751	-	-	-	-	-	58,751
Total Deferred Inflows of Resources	120,299	-	-	29,527	-	222	150,048
Fund Balances:							
Nonspendable:							
Inventory	1,582	-	-	-	-	212	1,794
Prepays	-	-	-	-	-	-	-
Restricted for:							
Debt service	-	58,197	-	-	-	-	58,197
Capital projects	-	-	113,023	-	-	122,399	235,422
Special revenue	-	-	-	-	-	55,718	55,718
Committed to:							
Capital projects	-	-	-	-	-	6,992	6,992
Special revenue	-	-	-	-	-	21,362	21,362
Assigned to:							
Working capital	29,495	-	-	-	-	-	29,495
Subsequent years' expenditures	20,545	-	-	-	-	-	20,545
Compensated absences	1,450	-	-	-	-	-	1,450
Other post employment benefits	1,718	-	-	-	-	-	1,718
Future initiatives	17,151	-	-	-	-	-	17,151
Dispatch	2,437	-	-	-	-	-	2,437
Information technology	2,139	-	-	-	-	-	2,139
Business Continuity	4,062	-	-	-	-	-	4,062
Park performance	-	-	-	-	-	2,050	2,050
Capital Projects	-	-	-	-	-	10	10
Event Reserve Trust Fund	4,850	-	-	-	-	-	4,850
Special revenue	-	-	-	5,850	-	826	6,676
Unassigned	1,109	-	-	-	-	-	1,109
Total Fund Balances	86,538	58,197	113,023	5,850	-	209,569	473,177
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 226,693	\$ 58,203	\$ 119,915	\$ 36,307	\$ 19,444	\$ 234,302	\$ 694,864

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, 2023
(AMOUNTS EXPRESSED IN THOUSANDS)**

Total fund balances per balance sheet **\$ 473,177**

Amounts reported for governmental activities in the statement of net position are different because:

Capital, lease, and SBITA assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (excluding \$14,732 recorded in the internal service funds). 2,819,827

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Taxes 3,912

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. 34,222

Long-term liabilities, including bonds payable, arbitrage, compensated absences, and related deferred outflows and inflows of resources, are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	\$ (1,136,735)		
Premium general obligation debt	(76,675)		
Discount on bonds	1,681		
Deferred outflow of resources (refunding)	7,657		
Accrued interest payable	(5,956)		
Estimated pollution remediation	(35)		
Compensated absences	(21,289)		
Lease	(4,799)		
Pension:			
Net pension asset (liability)	\$ (101,702)		
Deferred inflow/outflow-actuarial gain, assumption changes and contributions	131,685	29,983	
Other Postemployment Benefits (OPEB)			
Total OPEB liability	(101,209)		
Deferred inflow/outflow-actuarial gain, assumption changes and contributions	(12,728)	(113,937)	(1,320,105)
Estimated claims			(1,900)

Net position of governmental activities **\$ 2,009,133**

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, 2023
(AMOUNTS EXPRESSED IN THOUSANDS)

	General	Debt Service	Streets Capital Projects	Convention and Event Services	Disaster Assistance	Other Nonmajor Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 216,346	\$ 118,946	\$ -	\$ 11,036	\$ -	\$ 42,723	\$ 389,051
Licenses and permits	10,483	-	-	-	-	-	10,483
Utility franchise fees	22,429	-	-	-	-	-	22,429
Fines and forfeitures	4,784	-	-	-	-	-	4,784
Leases, rents and concessions	13,480	2,000	-	2,769	-	-	18,249
Service charges	9,417	-	-	2,338	-	19,340	31,095
Interest revenue	2,133	1,278	3,210	19	-	4,452	11,092
Net increase (decrease) in fair value of investments	1,487	250	1,729	51	-	2,448	5,965
Contributions	16	-	1,367	-	-	817	2,200
Intergovernmental revenues	325	-	-	-	37,648	24,220	62,193
Gas lease royalty	-	-	-	-	-	6,410	6,410
Gas lease other	-	-	-	-	-	310	310
Other	115	169	-	448	-	4,087	4,819
Total Revenues	281,015	122,643	6,306	16,661	37,648	104,807	569,080
EXPENDITURES							
Current-							
General government	71,543	-	-	-	4,273	6,992	82,808
Public safety	168,660	-	-	-	10,083	18,243	196,986
Public works	27,625	-	-	-	90	40,634	68,349
Public health	2,460	-	-	-	-	1,235	3,695
Public welfare	-	-	-	-	-	35,482	35,482
Parks and recreation	22,543	-	-	-	3	16,851	39,397
Convention and event services	-	-	-	16,464	-	5,559	22,023
Capital outlay	2,007	-	29,988	-	23,199	27,272	82,466
Debt service-							
Principal retirement	-	107,794	-	-	-	-	107,794
Interest and fiscal charges	-	35,378	-	-	-	-	35,378
Total Expenditures	294,838	143,172	29,988	16,464	37,648	152,268	674,378
Excess (deficiency) of revenues over (under) expenditures	(13,823)	(20,529)	(23,682)	197	-	(47,461)	(105,298)
OTHER FINANCING SOURCES (USES)							
Issuance of bonds	-	-	29,194	-	-	30,765	59,959
Refunding Bond Principal	-	14,715	-	-	-	-	14,715
Bond premium	-	2,338	3,121	-	-	3,290	8,749
Transfers in	33,212	1,368	4,751	3,208	-	36,460	78,999
Transfers out	(15,267)	-	(4,915)	(561)	-	(17,386)	(38,129)
Total Other Financing Sources and Uses	17,945	18,421	32,151	2,647	-	53,129	124,293
Net Change in Fund Balances	4,122	(2,108)	8,469	2,844	-	5,668	18,995
Fund Balances, October 1,	82,416	60,305	104,554	3,006	-	203,901	454,182
Fund Balances, September 30	\$ 86,538	\$ 58,197	\$ 113,023	\$ 5,850	\$ -	\$ 209,569	\$ 473,177

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, 2023
(AMOUNTS EXPRESSED IN THOUSANDS)

Net change in fund balances - total governmental funds **\$ 18,995**

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. 92,234

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. (89,832)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (287)

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	(59,959)	
Repayment of general obligation debt	93,078	
Proceeds from issuance of bonds-premiums	(8,749)	
Amortization of bond premium	7,153	
		31,523

Effect of GASB 87 Leases and GASB 96-SBITA (153)

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. Current year changes in:

Compensated absences	20,468	
Accrued interest expense	55	
Estimated pollution remediation	(35)	
Net pension asset (liability)	950	
Net OPEB liability	(25,395)	
Estimated settlement	(1,900)	
		(5,857)

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. 3,863

Change in net position of governmental activities **\$ 50,486**

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, 2023
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Water and Sewer	Storm Water Utility	Total	
ASSETS				
Current Assets:				
Cash and cash-like investments	\$ 51,715	\$ 1,061	\$ 52,776	\$ 24,603
Receivables (net of allowances for uncollectibles):				
Trade accounts	12,832	1,739	14,571	-
Accrued Interest	39	-	39	6
Unbilled trade accounts	11,558	1,080	12,638	-
Leases receivable	2,859	-	2,859	-
Other	116	-	116	375
Inventory of supplies, at cost	2,724	-	2,724	-
Subtotal	81,843	3,880	85,723	24,984
Restricted Assets:				
Bond contingency-cash and cash-like investments	15,096	783	15,879	-
Capital construction-cash and cash-like investments	58,466	21,017	79,483	-
Total Current Assets	155,405	25,680	181,085	24,984
Noncurrent Assets:				
Restricted Assets:				
Bond contingency-				
Investments	13,620	1,371	14,991	-
Capital construction-				
Investments	102,331	36,786	139,117	-
Escrow	26,374	-	26,374	-
Meter deposit investments	9,353	-	9,353	-
Capital Assets:				
Land	7,929	15,828	23,757	-
Buildings and improvements	9,261	-	9,261	467
Water and sewer system	1,135,438	-	1,135,438	-
Machinery and equipment	13,209	23	13,232	57,318
Drainage system	-	165,204	165,204	-
Construction-in-progress	158,002	50,428	208,430	-
Accumulated depreciation	(448,659)	(58,331)	(506,990)	(43,053)
Total Capital Assets Net of Accumulated				
Depreciation	875,180	173,152	1,048,332	14,732
Net Pension Asset	-	-	-	-
Total Noncurrent Assets	1,026,858	211,309	1,238,167	14,732
Total Assets	1,182,263	236,989	1,419,252	39,716
Deferred Outflows of Resources:				
Deferred charges on debt refunding	335	156	491	-
Pension items	9,126	-	9,126	-
OPEB items	74	-	74	-
Total Assets and Deferred Outflows of Resources	\$ 1,191,798	\$ 237,145	\$ 1,428,943	\$ 39,716

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, 2023
(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	\$ 5,347	\$ 1,122	\$ 6,469	\$ 912
Accrued compensated absences	185	68	253	-
Revenue bonds payable from unrestricted assets	8,724	4,115	12,839	-
Current Liabilities Payable From				
Restricted Assets:				
Accounts payable and accrued liabilities	7,578	131	7,709	-
Retainage payable	4,588	373	4,961	-
Accrued interest	2,744	465	3,209	-
Estimated claims payable	-	-	-	4,873
Revenue bonds payable from restricted assets	15,096	-	15,096	-
Meter deposits	9,353	-	9,353	-
Total Current Liabilities	53,615	6,274	59,889	5,785
Noncurrent Liabilities:				
Estimated claims payable	-	-	-	5,017
Rebatable arbitrage payable	891	-	891	-
Compensated absences	966	109	1,075	-
Revenue bonds payable from unrestricted assets	292,582	55,051	347,633	-
Net pension liability	7,069	-	7,069	-
OPEB liability	7,043	-	7,043	-
Total Noncurrent Liabilities	308,551	55,160	363,711	5,017
Total Liabilities	362,166	61,434	423,600	10,802
Deferred Inflows of Resources:				
Lease related	2,829	-	2,829	-
OPEB Items	970	-	970	-
Total Liabilities and Deferred Inflows of Resources	365,965	61,434	427,399	10,802
NET POSITION				
Net investment in capital assets	622,969	127,179	750,148	14,732
Restricted for debt service	61,698	2,154	63,852	-
Unrestricted	141,166	46,378	187,544	14,182
Total Net Position	\$ 825,833	\$ 175,711	\$ 1,001,544	\$ 28,914
Reconciliation to government-wide statements of net position:				
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(5,308)	
Net position of business-type activities			<u>\$ 996,236</u>	

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, 2023
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Water and Sewer	Storm Water Utility	Total	
Operating Revenues:				
Water sales	\$ 96,066	\$ -	\$ 96,066	\$ -
Sewer service	82,517	-	82,517	-
Storm water fee - commercial	-	11,620	11,620	-
Storm water fee - residential	-	12,703	12,703	-
Service charges	-	-	-	43,078
Sundry	13,053	32	13,085	-
Total Operating Revenues	191,636	24,355	215,991	43,078
Operating Expenses:				
Purchase of water	22,112	-	22,112	-
Purchase of sewage treatment	41,886	-	41,886	-
Salaries and wages	13,872	2,440	16,312	92
Benefits	6,060	777	6,837	23
Operations and maintenance	17,776	1,655	19,431	4,198
Claims (net of adjustments)	-	-	-	30,178
Depreciation	21,779	3,193	24,972	3,668
Miscellaneous services	392	-	392	4,887
Total Operating Expenses	123,877	8,065	131,942	43,046
Operating Income	67,759	16,290	84,049	32
Nonoperating Revenues (Expenses):				
Interest revenue	9,155	1,637	10,792	252
Net increase in the fair value of investments	3,631	776	4,407	118
Gain on sale of assets	-	-	-	490
Interest expense and fiscal charges	(7,319)	(1,930)	(9,249)	-
Total Nonoperating Revenues (Expenses)	5,467	483	5,950	860
Income before transfers and contributions	73,226	16,773	89,999	892
Contributions in aid of construction	7,875	-	7,875	-
Transfers in	170	-	170	2,922
Transfers out	(41,835)	(2,127)	(43,962)	-
Change in Net Position	39,436	14,646	54,082	3,814
Total Net Position, October 1	786,397	161,065	947,462	25,100
Total Net Position, September 30	\$ 825,833	\$ 175,711	\$ 1,001,544	\$ 28,914
Net change in net position - total enterprise funds			\$ 54,082	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(46)	
Change in net position of business-type activities			<u>\$ 54,036</u>	

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, 2023
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Water and Sewer	Storm Water Utility	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 193,751	\$ 23,869	\$ 217,620	\$ 43,215
Cash payments to suppliers	(71,891)	(1,183)	(73,074)	(40,451)
Cash payments to employees	(21,379)	(3,354)	(24,733)	(127)
Net Cash Provided By Operating Activities	100,481	19,332	119,813	2,637
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	170	-	170	2,922
Transfers out	(41,835)	(2,127)	(43,962)	-
Net Cash Provided By (Used For) Noncapital Financing Activities	(41,665)	(2,127)	(43,792)	2,922
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(62,432)	(13,122)	(75,554)	(6,726)
Increase/Decrease in escrow balance	14,260	-	14,260	-
Proceeds from sales of capital assets	-	-	-	510
Proceeds from issuance of long-term debt	14,494	5,133	19,627	-
Repayment of long-term debt	(30,695)	(3,935)	(34,630)	-
Interest payment long-term debt	(9,921)	(3,772)	(13,693)	-
Net Cash Used For Capital Related Financing Activities	(74,294)	(15,696)	(89,990)	(6,216)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from interest earnings	9,155	1,637	10,792	143
Net increase in the fair value of investments	3,631	776	4,407	118
Purchase of investments	(151,768)	(29,510)	(181,278)	-
Maturities/sales of investments	207,260	37,431	244,691	-
Net cash Provided by Investing Activities	68,278	10,334	78,612	261
Net Increase (Decrease) In Cash And Cash Equivalents	52,800	11,843	64,643	(242)
Cash and cash equivalents, October 1	72,477	11,018	83,495	24,845
Cash and cash equivalents, September 30	\$ 125,277	\$ 22,861	\$ 148,138	\$ 24,603
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 67,759	\$ 16,290	\$ 84,049	\$ 32
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	21,779	3,193	24,972	3,668
Amortization of bond premium	1,433	529	1,962	-
Amortization of deferred loss on bond refunding	(135)	(19)	(154)	-
Provision for bad debts	147	(17)	130	-
(Increase) decrease in- Receivables	1,967	(486)	1,481	(136)
Inventory of supplies	1,678	-	1,678	-
Prepaid expenses	-	-	-	-
Increase (decrease) in- Accounts payable and accrued liabilities	3,536	23	3,559	(590)
Net pension/OPEB liability	1,606	-	1,606	-
Estimated claims payable	-	-	-	(325)
Retainage payable	1,114	(25)	1,089	-
Meter deposits	695	-	695	-
Accrued compensated absences	(1,098)	(156)	(1,254)	(12)
Total adjustments	32,722	3,042	35,764	2,605
Net Cash Provided By Operating Activities	\$ 100,481	\$ 19,332	\$ 119,813	\$ 2,637
Noncash investing, capital, and financing activities:				
Contributions of capital assets from developers	7,875	-	7,875	-

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, 2023
(AMOUNTS EXPRESSED IN THOUSANDS)

	Pension and Other Employee Benefit Trust Funds	Custodial Funds
ASSETS		
Cash and cash-equivalents	\$ -	\$ 3,149
Investments		
Money market fund	118	-
Corporate bonds	2,572	-
Fixed income mutual bond funds	857	-
Common stock mutual bond funds	881	-
Total Investments	4,428	-
Total Assets	\$ 4,428	\$ 3,149
LIABILITIES		
Accounts payable and accrued liabilities	\$ -	\$ -
Total Liabilities	\$ -	\$ -
NET POSITION		
Restricted for pensions	\$ 3,323	\$ -
Restricted for OPEB	1,105	-
Restricted for individuals, organizations, other governments	-	3,149
Total Net Position	\$ 4,428	\$ 3,149

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, 2023
(AMOUNTS EXPRESSED IN THOUSANDS)

	Pension and Other Employee Benefit Trust Funds	Custodial Funds
ADDITIONS		
Employer contributions	\$ 136	\$ -
Employee contributions	207	-
Net depreciation in fair value of investments	215	-
Other additions (deductions)	-	13,645
Seizures	-	85
Total Additions	558	13,730
DEDUCTIONS		
Benefits	255	-
Plan administration	59	-
Other deductions	-	13,397
Total Deductions	314	13,397
Increase in Net Position	244	333
Net Position, October 1	4,184	2,816
Net Position, September 30	\$ 4,428	\$ 3,149

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



CITY OF ARLINGTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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 and amortization expenses on the City's capital, lease, and subscription 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.

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 by GASB 39, 61, 80, 84 and 90, 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.

Arlington Housing Authority

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.

Arlington Convention and Visitors Bureau, Inc.

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.

Arlington Tomorrow Foundation

The Arlington Tomorrow Foundation (ATF) oversees an endowment fund with a corpus of \$89.0 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.

Arlington Housing Finance Corporation

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.

Arlington Convention Center Development Corporation

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 seven members appointed by the Mayor and City Council. 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.

Fiduciary Component Units

Part-Time, Seasonal and Temporary Employees Deferred Income Plan

The purpose of the PSTDIP is to provide a systematic plan for the retirement of eligible employees of the City, and under the conditions set forth, a pension upon the retirement of such an Employee. This is a 401(a) single employer defined benefit pension plan that provides retirement, disability and death benefits for all part-time, seasonal and temporary employees.

The City's Retirement Committee administers the PSTDIP. 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.

PSTDIP issues stand-alone financial statements with a June 30 year-end that can be obtained from the City of Arlington at 101 S. Mesquite Street, Suite 800, Arlington, TX 76010.

Disability Income Plan (DIP)

The Disability Income Plan 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 City provides active employees with disability insurance through a policy obtained from a commercial carrier. Previously, all City employees had participated in a Disability Income 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.

The Disability Income Plan does not issue separate GAAP financial reports. Its financial statements are presented in the notes to this ACFR.

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 a 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, Convention and Event Services Fund, and Disaster Assistance 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, deferred inflows, deferred outflows, revenues or expenditures/expenses of either fund category or 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 Annual Comprehensive 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 accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

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. Custodial funds use the economic resources 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, including lease liabilities, 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. General capital asset acquisitions, including entering into contracts giving the City of Arlington the right to use leased and subscription assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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 proprietary funds and fiduciary funds are accounted for on a flow of economic resources measurement focus. With this 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 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. Convention and Event Services Fund accounts for the operations of the Esports Stadium Arlington and Expo Center, which focuses on Arlington being a pre-eminent convention and tourist attraction.
- e. Disaster Assistance Fund accounts for the grant funds received for various natural disasters.
- f. 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:

- a. Pension and other employee benefit trust funds are used to account for the accumulation of resources to be used for the retirement and disability benefit payments to qualified employees.
- b. Custodial Funds are used to account for assets held by the City in a fiduciary capacity as custodian or agent for individuals, other funds within the City, other governmental units, and private organizations.

These include amounts held for court proceedings and amounts held for infrastructure improvements donated by developers.

E. Cash, Cash Equivalents 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 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 equivalents - 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 follows GASB Statement No. 72, *Fair Value Measurement and Application* in its financial statements. The City's investments are categorized as Level 2 only and there are 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, Lease and SBITA Assets

Capital, lease and SBITA 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 in accordance with GASB 94. 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, lease and SBITA assets are defined by the government as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of one year.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements Other than Buildings	20-40
Equipment	5 - 10
Right-to-Use Assets	5-20
Drainage Improvements	35-50
Meters	10
Streets	20-25
Storm/sanitary sewer	50
System infrastructure	20-50

A lease or SBITA asset will be amortized in a systematic rational manner over the shorter of the lease/subscription term or the useful life of the underlying asset.

H. 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.

I. Leases and Subscription-Based Information Technology Agreements (SBITA)

Lessee

The City of Arlington is a lessee for various noncancellable leases of land, buildings, equipment and software. The City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The City recognizes lease liabilities with an initial individual value of \$25,000 or more.

At the commencement of a lease, the City of Arlington initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Key estimates and judgments related to leases include how the City of Arlington determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City of Arlington uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City of Arlington generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City of Arlington is reasonably certain to exercise.

The City of Arlington monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor

The City of Arlington is a lessor for various noncancellable leases of a right-of-way, buildings and equipment. The City of Arlington recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City of Arlington initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City of Arlington determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City of Arlington uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City of Arlington monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

J. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension liability/asset, pension related deferred outflows and inflows of resources, and pension and OPEB expense, City specific information about its Fiduciary Net Position in the plans can be found in their audited financial statements. Additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by Texas Municipal Retirement System (TMRS) and Part-Time Seasonal and Temporary Employees Deferred Income Program (PSTDIP), Disability Income Plan (DIP), Supplemental Death Benefits, and Retiree Health Insurance statements. 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 PSTDIP audited financial statements and 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/asset is recorded on the face of the financial statements. The City elected to allocate the net pension liability/asset 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 \$98.9K. Detailed pension information is discussed in footnote 6.

Beginning in fiscal year 2017, and in accordance with GASB 75, the City's total or net OPEB liability/asset is recorded on the face of the financial statements. The City elected to allocate the total or net OPEB liability/asset 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. Detailed OPEB information is discussed in footnote 7.

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 upon termination of employment for employees who have completed at least six months of continuous service.

The City's employees accumulate 1.25 days of sick leave per month with a maximum accrual of 150 days. 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) 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 investment in capital assets consists of capital, lease and SBITA assets net of accumulated depreciation and amortization 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 assets 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 three 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 two are 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 assets 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 four 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, OPEB related items, and leases related deferrals are reported in the government-wide statement of net position and in fund level statements.

Q. New Accounting Pronouncements

During fiscal year 2023, the City adopted the following Governmental Accounting Standards Board ("GASB") Statements:

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 practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Adoption of this standard had no effect on the City's beginning net position or fund balances at October 1, 2022.

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). Adoption of this standard had no effect on the City's beginning net position or fund balance at October 1, 2022.

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. Adoption of this standard had no effect on the City's beginning net position or fund balance at October 1, 2022.

Statement No. 99, *Omnibus 2022*, which is effective for the City beginning in fiscal year 2023. This Statement provides guidance on requirements related to disclosures of nonmonetary transactions, pledges of future revenues, clarifications of certain elements of Statement 34, requirements related to leases, PPPs and SBITAs. Adoption of this standard had no effect on the City's beginning net position or fund balance at October 1, 2022.

The City is in the process of reviewing possible impacts of GASB pronouncements which will become effective in future years, and notes the following statements are applicable to the City:

The GASB has issued the following statements which will be effective in future years as described below:

Statement No. 100, *Accounting Changes and Error Corrections*, is effective for the City beginning in fiscal year 2024. This statement was created to enhance the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions and assessing accountability.

Statement No. 101, *Compensated Absences*, is effective for the City in fiscal year 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

The City as 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 2023 there was an amendment to the Operating Budget to authorize an increase in full-time staff positions in the General Fund and increase appropriations in the General Fund for that position and for Advanced Emergency Medical Technician certification pay, and increase appropriations in the Street Maintenance Fund to provide additional resources for contracted street maintenance.

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	Convention & Event Services	Disaster Assistance	Nonmajor Funds	Total
\$ 9,914	\$ 1,822	\$ 2,677	\$ 374	\$ 34,665	\$ 49,452

B. Excess of expenditures over appropriations

For the year ended September 30, 2023, there were no expenditures exceeding budget in the aggregate.

C. Deficit fund equity

There were no funds with a deficit fund balance in the year ended September 30, 2023.

III. DETAILED NOTES ON ALL FUNDS

1. CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits - At September 30, 2023, the carrying amount of the City's demand deposits was \$2,799,507 (bank balance, \$5,435,415). The balance in cash on hand was \$33,915 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-like investments and investments include: (amounts in thousands) Governmental Activities \$487,463, Business-type Activities \$311,599, Custodial Funds \$3,149, Pension Trust Investment Funds \$4,428.

As of September 30, 2023, the City had the following investments (amounts in thousands):

Cash, Cash-Like Investments	Fair Value	Avg Maturity (in days)	Credit Risk
Treasury	\$20,931	412	AA+
Agency	502,208	420	AAA
Pools	223,461	1	AAA
Non-Texas Municipal	15,845	311	AA+
Money Market Fund	36,979	1	AAA
	<u>\$ 799,424</u>		

The City has investments in government pools as of September 30, 2023 totaling \$223,461 (amounts in thousands) which are recorded at amortized cost or net asset value (NAV).

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. The above table lists Local Gov't Investment Pools and Money Market Funds with a 1 day weighted average maturity as the City only invests in government pools and funds that maintain a stable \$1 NAV (net asset value). 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
Venue Debt Service Reserve and Debt Service	7 Years	5 Years
Self Insurance	7 Years	5 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.

<u>Security</u>	<u>% of Portfolio</u>
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, TexStar, 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 and 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 \$223,461 and Money Market Funds of \$36,979 (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, 2023 (amounts in thousands):

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	9/30/2023	(Level 1)	(Level 2)
	(Level 3)		
Investments by Fair Value Level			
Treasury	20,931	-	20,931
Agency	502,208	-	502,208
Non-Texas Municipal	15,845	-	15,845
	538,984	-	538,984

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 FY23 was \$62,827,525,862 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, 2022 upon which the original FY23 levy was based, was \$35,737,311.

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, 2023, the City had a tax rate of \$0.5998 (\$0.4030 for general government and \$0.1968 for debt service) per \$100 assessed valuation with a tax margin of \$1.90 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 \$679,008,909 could be raised per year before the limit is reached, based on the current year's appraised net taxable value of approximately \$35,737,311.

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 cost of the stadium is \$1,109,951,954 with accumulated depreciation of \$335,887,338. The Stadium Lease is also within scope for implementation of GASB Statement No. 87, *Leases*. See also Note 1, Section J and also in Note 14.

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, 2023, outstanding conduit debt was \$117,155,000.

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 cost of the stadium is \$1,284,106,396 with accumulated depreciation of \$96,259,172.

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 were issued. 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, 2023, outstanding conduit debt was \$311,385,000.

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 as of September 30, 2023 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):

	(Amounts expressed in thousands)								
	General	Debt Service	Storm Water Utility	Water & Sewer	Streets Capital Projets	Convention & Event Services	Nonmajor & Other Funds	Internal Service Funds	Total
Receivables:									
Taxes	\$ 9,826	\$ 388	\$ -	\$ -	\$ -	\$ 1,370	\$ -	\$ -	\$ 11,584
Franchise Fees	5,692	-	-	-	-	-	-	-	5,692
Trade Accounts	-	-	1,806	14,331	-	-	-	-	16,137
Unbilled Trade Accounts	-	-	1,080	11,977	-	-	-	-	13,057
Special Assessments	-	-	-	-	122	-	-	-	122
Sales Taxes	16,601	8,280	-	-	-	-	4,140	-	29,021
Lease Agreements	56,689	-	-	2,859	-	29,917	273	-	89,738
PPP Receivable	59,839	-	-	-	-	-	-	-	59,839
Accrued Interest	2,438	163	-	39	-	38	-	6	2,684
Other	16,605	85	-	116	-	120	1,560	375	18,861
Gross Receivables	167,690	8,916	2,886	29,322	122	31,445	5,973	381	246,735
Less: Allowance for Uncollectibles	(4,926)	-	(67)	(1,918)	-	-	-	-	(6,911)
Net total Receivables	\$ 162,764	\$ 8,916	\$ 2,819	\$ 27,404	\$ 122	\$ 31,445	\$ 5,973	\$ 381	\$ 239,824

5. CAPITAL, LEASE AND SBITA ASSETS

Capital, lease and SBITA asset activity for the year ended September 30, 2023 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	\$ 294,329	\$ -	\$ -	\$ 294,329
Construction in progress-other	102,768	87,166	(53,827)	136,107
Total capital assets, not being depreciated	397,097	87,166	(53,827)	430,436
Capital, lease and SBITA assets, being depreciated/amortized:				
Buildings and improvements	2,679,722	16,378	-	2,696,100
Equipment	147,081	13,526	(4,595)	156,012
Right-to-Use Lease Assets	3,994	-	-	3,994
Right-to-Use SBITA Assets	2,792	1,623	-	4,415
Infrastructure	1,073,878	35,717	-	1,109,595
Total capital, lease and SBITA assets being depreciated/amortized	3,907,467	67,244	(4,595)	3,970,116
Less accumulated depreciation/amortization for:				
Buildings and improvements	573,934	62,612	-	636,546
Equipment	131,030	10,919	(4,575)	137,374
Right-to-Use Lease Assets	1,021	1,213	-	2,234
Right-to-Use SBITA Assets	-	1,506	-	1,506
Infrastructure	768,393	19,969	-	788,362
Total accumulated depreciation/amortization	1,474,378	96,219	(4,575)	1,566,022
Total capital, lease and SBITA assets being depreciated/amortized, net	2,433,089	(28,975)	(20)	2,404,094
Governmental activities capital, lease and SBITA assets, net	\$ 2,830,186	\$ 58,191	\$ (53,847)	\$ 2,834,530

*As restated for GASB Statement No. 96 implementation

	Balance at Beginning <u>Of Year</u>	<u>Additions</u>	<u>Retirements</u>	Balance at End <u>Of Year</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 23,757	\$ -	\$ -	\$ 23,757
Construction in progress	195,613	74,826	(62,009)	208,430
Total capital assets, not being depreciated	219,370	74,826	(62,009)	232,187
Capital assets, being depreciated:				
Buildings and improvements	9,261	-	-	9,261
Drainage System	154,848	10,356	-	165,204
Water and sewer system	1,075,181	60,257	-	1,135,438
Machinery and equipment	13,232	-	-	13,232
Total capital assets, being depreciated	1,252,522	70,613	-	1,323,135
Less accumulated depreciation for:				
Buildings and improvements	2,215	185	-	2,400
Drainage System	55,107	3,186	-	58,293
Water and sewer system	412,047	21,437	-	433,484
Machinery and equipment	12,649	164	-	12,813
Total accumulated depreciation	482,018	24,972	-	506,990
Total capital assets, being depreciated/amortized, net	770,504	45,641	-	816,145
Business-type activities capital assets, net	\$ 989,874	\$ 120,467	\$ (62,009)	\$ 1,048,332

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

Governmental activities:	
General government	\$ 56,753
Public safety	5,724
Parks and recreation	7,878
Public works	22,196
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	3,668
Total depreciation and amortization expense – governmental activities	<u>\$ 96,219</u>
Business-type activities:	
Storm water utility	\$ 3,193
Water and sewer	21,779
Total depreciation expense – business-type activities	<u>\$ 24,972</u>

(Amounts expressed in thousands)				
	Balance at Beginning <u>Of Year*</u>	Transfers and <u>Additions</u>	Transfers and <u>Retirements</u>	Balance at End <u>Of Year</u>
Arlington Housing Authority, Inc				
Capital and lease assets, being depreciated:				
Buildings and Improvements	677	-	-	677
Lease Assets	257	-	-	257
SBITA Assets	243			243
Furniture, equipment, and machinery	443	-	-	443
Total capital and lease assets, being depreciated/amortized	1,620	-	-	1,620
Less accumulated depreciation/amortization for:				
Furniture, buildings, lease and SBITA assets, machinery, and equipment	(886)	(147)	-	(1,033)
Total accumulated depreciation/amortization	(886)	(147)	-	(1,033)
Arlington Housing Authority, Inc.				
Capital Assets, net	\$ 734	\$ (147)	\$ -	\$ 587

*Balance at beginning of year has been restated for GASB Statement No. 96 implementation

(Amounts expressed in thousands)				
	Balance at Beginning <u>Of Year</u>	Transfers and <u>Additions</u>	Transfers and <u>Retirements</u>	Balance at End <u>Of Year</u>
Arlington Convention and Visitors Bureau, Inc.				
Capital assets, being depreciated:				
Machinery and equipment	\$ 5,193	176	(514)	\$ 4,855
Construction in progress	-	94	(9)	\$ 85
Total capital assets, being depreciated	5,193	176	(514)	4,940
Less accumulated depreciation for:				
Machinery, equipment, construction in progress	(818)	(220)	493	(545)
Total accumulated depreciation	(818)	(220)	493	(545)
Arlington Convention and Visitors Bureau, Inc.				
Capital Assets, net	\$ 4,375	\$ (44)	\$ (21)	\$ 4,395

6. PENSION AND EMPLOYEE RETIREMENT 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 cash balance pension plan in the state-wide Texas Municipal Retirement System (TMRS), one of 909 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 an audited publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmr.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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2,165
Inactive employees entitled to but not yet receiving benefits	1,498
Active Employees	<u>2,632</u>
	6,295

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 10.36% and 9.95% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$21,528,919.

D. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2022, and the Total Pension Liability (Asset) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date. Actuarial assumptions:

The Total Pension Liability in the December 31, 2022 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% per year

Salary increases are 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 2019 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 are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 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.

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. The assumptions were adopted in 2019 and first used in the December 31, 2019, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is 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 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 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public and Private Markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	10.0%	11.80%
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 (Asset)

Plan fiduciary net position as a percentage of the total pension liability	92.86%
Covered payroll	\$203,775,466
Net pension liability (asset) as a percentage of covered employee payroll	(53.37%)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) 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 (asset)	\$317,610,421	\$108,758,330	(\$62,985,406)

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.tmr.com

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

For the year ended September 30, 2023, the City recognized pension expense of \$21,528,919.

At September 30, 2023, 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	\$100,875,521	-
Changes of assumptions	621,421	-
Net difference between projected actual earnings on pension plan investments	23,429,050	-
Contributions subsequent to the measurement date	15,477,590	-
Total	\$140,403,583	-

\$15,477,590 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, 2024. 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:	
2024	\$ 15,542,331
2025	31,733,818
2026	32,117,259
2027	45,532,585
2028	-
Thereafter	-
Total	\$ 124,925,993

Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios - Current Period

Total pension liability

Service Cost	\$ 33,724,840
Interest (on the Total Pension Liability)	96,193,891
Change in benefit terms including substantively automatic status	-
Difference between expected and actual experience	19,402,794
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(70,654,888)
Net change in total pension liability	78,666,637
Total pension liability - beginning	1,443,559,703
Total pension liability - ending	<u>\$ 1,522,226,340</u>

Plan fiduciary net position

Contributions - employer	\$ 20,727,511
Contributions - employee	14,267,738
Net investment income	(114,144,630)
Benefit payments, including refunds of employee contributions	(70,654,888)
Administrative Expense	(987,348)
Other	1,178,200
Net change in plan fiduciary net position *	(149,613,416)
Plan fiduciary net position - beginning	1,563,081,426
Plan fiduciary net position - ending	<u>1,413,468,010</u>

Net pension liability/(asset) \$ 108,758,330

*May be off due to rounding

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 at June 30th each year 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 which 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, 2023, 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, 2023, was \$154,186 and was equal to the required contributions.

At the June 30, 2023 valuation and measurement date, the following employees were covered by the terms:

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	3,320
Active Employees	<u>908</u>
	4,260

Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of June 30, 2023 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, 2023 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 (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 10/01/2022	\$ 3,037,757	\$ 3,142,712	\$ (104,955)
Changes for the year:			
Service Cost	317,189	-	317,189
Interest	156,178	-	156,178
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions-employer	-	130,281	(130,281)
Contributions-employee	-	170,838	(170,838)
Net investment income	-	122,887	(122,887)
Benefit payments, including refunds of employee contributions	(145,580)	(145,580)	-
Administrative expense	-	(66,946)	66,946
Other changes	-	-	-
Net changes	327,787	211,480	116,307
Balance at 09/30/23	\$ 3,365,544	\$ 3,354,192	\$ 11,352

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

The following presents the net pension liability (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	\$309,731	\$11,352	(\$234,666)

Pension Plan Fiduciary Net Position

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

For the year ended September 30, 2023, the City recognized pension expense of \$20,702.

At September 30, 2023, 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	290,110	-
Contributions subsequent to the measurement date	117,000	-
Total	\$407,110	-

\$117,000 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, 2024. 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:	
2024	\$ 71,008
2025	90,679
2026	121,132
2027	7,291
2028	-
Thereafter	-
Total	\$ 290,110

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, 2023, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was \$289,308,000.

The City's total payroll during fiscal 2023 was \$227,472,000. The current year contribution was calculated based on a covered payroll of \$153,165,000, resulting in a required and actual employer contribution of \$4,230,000 and actual

employee contributions of \$10,925,000. The employer contribution represents 2.76 percent of the covered payroll. The employee contribution represents approximately 7.13 percent of the covered payroll.

There were no material changes to the Thrift plan during fiscal 2023. There were no related-party transactions. The Thrift Plan does not issue separate stand-alone financial statements.

City contributions for the above plans for the year ended September 30, 2023, are as follows (amounts in thousands):

TMRS	\$21,528
THRIFT	4,287
PSTDIP	<u>122</u>
	<u>\$25,937</u>

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, 2023. (amounts in thousands):

STATEMENT OF FIDUCIARY NET POSITION

ASSETS

Cash and cash-equivalents	\$	-
Investments		
Money market fund		22
Corporate bonds		644
Fixed income mutual bond funds		215
Common stock mutual bond funds		<u>224</u>
Total Investments		1,105
Total Assets	\$	<u>1,105</u>

LIABILITIES

Accounts payable and accrued liabilities	\$	-
Total Liabilities	\$	<u>-</u>

NET POSITION

Restricted for OPEB		<u>1,105</u>
Total Net Position	\$	<u>1,105</u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

ADDITIONS

Employer contributions	\$	14
Employee contributions		-
Net change in fair value of investments		60
Other additions (deductions)		<u>-</u>
Total Additions		<u>74</u>

DEDUCTIONS

Benefits		114
Plan administration		6
Other deductions		<u>-</u>
Total Deductions		<u>120</u>

Increase (Decrease) in Net Position (46)

Net Position, October 1		1,151
Net Position, September 30	\$	<u>1,105</u>

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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	11
Inactive, Nonretired Members	0
Active Members	<u>0</u>
	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, 2023, the City contributed \$14,689 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, 2022.

Actuarial assumptions:

The Total Disability Income Plan Liability in the December 31, 2022 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 offsets are assumed to increase by 1.38% 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 (Asset)

	Total OPEB Liability (a)	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at 10/01/2022	\$ 1,114,533	\$1,393,579	\$ (279,046)
Changes for the year:			
Service Cost	-	-	-
Interest on total OPEB liability	52,702	-	52,702
Change of benefit terms	-	-	-
Difference between expected and actual experience	24,873	-	24,873
Changes of assumptions or other inputs	-	-	-
Employer contributions	-	94,869	(94,869)
Net investment income	-	(184,849)	184,849
Benefit Payments	(120,988)	(120,988)	-
Administrative Expenses	-	(11,715)	11,715
Net changes	(43,413)	(222,683)	179,270
Balance at 9/30/23	1,071,120	1,170,896	(99,776)

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

Regarding the sensitivity of the net OPEB liability (asset) to changes in the Single Discount Rate, the following presents the plan's net OPEB liability (asset), calculated using a discount rate of 5.00%, as well as what the plan's net OPEB liability (asset) 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 (asset)	(\$15,716)	(\$99,776)	(\$173,053)

At September 30, 2023, 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	3,578	-
Net difference between projected and actual earnings on OPEB plan investments	164,032	-
Total	\$167,610	\$ -

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):

Year Ended	
September 30:	
2024	\$ 19,235
2025	38,217
2026	55,862
2027	50,718
2028	-
Thereafter	-
Total	\$ 164,032

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. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

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, 2022, there were 235 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 payment; 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 payment 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 payment, but may elect insurance benefits and pay the full premium.
4. Retirees who retired prior to 1/1/2008 have a City payment 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 payment was changed to a flat rate based on date of retirement. The payment for retirees over the age of 65 has \$50 of the payment 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, 2023 were \$5,768,000.

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	897
Inactive employees entitled to but not yet receiving benefits	235
Active Employees	<u>2,457</u>
	3,589

Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2022.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Individual Entry-Age
Discount Rate	4.05%
Inflation	2.50% per year
Salary Increases	3.50% to 11.50%, 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 published through 2019 to account for mortality improvements.
Health Care Trend Rates	Pre-65: Initial rate of 7.00% declining to an ultimate rate of 4.25% after 15 years; Post-65: Initial rate of 6.10% declining to an ultimate rate of 4.25% after 11 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; 70% 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 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022. The discount rate was based on Fidelity index's "20-Year Municipal GO AA Index" rate.

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 10/01/22	\$ 130,293,422
Changes for the year:	
Service Cost	3,207,862
Interest on total OPEB liability	2,375,998
Change of benefit terms	-
Difference between expected and actual experience	(9,774,732)
Changes of assumptions or other inputs	(21,217,754)
Benefit Payments	(5,534,007)
Net changes	(30,942,633)
Balance at 9/30/23	\$ 99,350,789

Covered-employee payroll	\$203,775,466
Total OPEB liability as a percentage of covered payroll	48.76%

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 4.05%, 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 3.05% or 1-percentage-point higher 5.05% than the current rate:

	Discount Rate (3.05%)	Discount Rate (4.05%)	Discount Rate (5.05%)
City's total OPEB liability	\$108,900,986	\$99,350,789	\$91,018,108

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	\$95,157,222	\$99,350,789	\$104,187,349

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	5,580,281	11,489,358
Changes of assumptions and other inputs	9,162,784	18,896,344
Benefit payments subsequent to the measurement date	3,797,795	-
Total	18,540,860	30,385,702

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:	
2024	\$ (1,018,736)
2025	(1,775,729)
2026	(1,711,400)
2027	(2,196,038)
2028	(4,537,164)
Thereafter	(4,403,570)
Total	\$ (15,642,637)

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 post-employment 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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,724
Inactive employees entitled to but not yet receiving benefits	451
Active Employees	<u>2,632</u>
	4,807

Payments

The total payment rate is for .30% of employee gross earnings, with .13% of that rate being the retiree portion. The City's payments to TMRS for the year ended September 30, 2023, were \$594,222.

Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2022.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2022 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	4.05%

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,

2022, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2014 through December 31, 2018.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 4.05%, up from 1.84% in the previous year. The discount rate was based on Fidelity index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 10/01/2022	\$ 13,026,516
Changes for the year:	
Service Cost	489,061
Interest on total OPEB liability	242,125
Change of benefit terms	-
Difference between expected and actual experience	72,889
Changes of assumptions or other inputs	(4,606,685)
Benefit Payments	(224,153)
Net changes	(4,026,763)
Balance at 9/30/23	\$ 8,999,753

Covered payroll	\$203,775,466
Total OPEB liability as a percentage of covered payroll	4.42%

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 4.05%, 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 (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	1% Decrease (3.05%)	Discount Rate (4.05%)	1% Increase (5.05%)
City's total OPEB liability	\$10,763,165	\$8,999,753	\$7,623,700

At September 30, 2023, 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	\$ -	\$ 160,598
Changes of assumptions and other inputs	-	2,267,064
Benefits subsequent to the measurement date	481,169	-
Total	\$ 481,169	\$ 2,427,662

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:	
2023	\$ (362,982)
2024	(294,145)
2025	(516,885)
2026	(760,669)
2027	(492,981)
Thereafter	-
Total	\$ (2,427,662)

Expenses (Reduction of Expenses)

The amount of expenses recognized for the current year for the OPEB plans this year is as follows:

HEALTH	4,565,124
DIP	57,445
Death Benefit	457,957
	<u>5,080,526</u>

8. DEBT AND LIABILITIES

General Obligation Bonds

On June 1, 2023, the City issued Permanent Improvement Bonds, Series 2023A of \$59,960,000 with an interest rate of 4.00 to 5.00 percent and serial maturities on August 15 from 2024 through 2043. Interest on the bonds is due every February 15 and August 15, beginning February 15, 2024. The bonds were issued to provide funds for: (i) designing, constructing, reconstructing, improving, renovating, expanding, equipping, and furnishing public safety facilities, including fire station facilities, police administrative facilities and evidence storage facilities, including the acquisition of land therefor; (ii) renovating, repairing, improving, and equipping existing City service and administrative facilities, including repair, replacement, and improvement of roofs, mechanical, electrical, plumbing, air conditioning, heating and ventilation equipment and systems, façade improvements, and improvements required by the Americans with Disabilities Act and other applicable laws; (iii) acquiring, developing, renovating and improving parks and open spaces for park and recreation purposes in and for the City; (iv) 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; (v) paying the costs of issuance of the 2023A Bonds. Total interest requirements for the Series 2023A bonds at a rate from 4.00 to 5.00 percent is \$30,560,114 in the aggregate.

On July 1, 2023, the City issued Permanent Improvement Refunding Bonds, Series 2023B of \$14,715,000 with an interest rate of 4.00 to 5.00 percent and serial maturities on August 15 from 2024 through 2043. Interest on the bonds is due every February 15 and August 15, beginning February 15, 2024. The bonds were issued to provide funds for: (i) refund certain currently outstanding revenue obligations of the City, in order to achieve debt service savings; and (ii) pay costs of issuance associated with the sale of the 2023B Bonds. Total interest requirements for the Series 2023A bonds at a rate from 4.00 to 5.00 percent is \$4,732,333 in the aggregate. This refunding saved the City \$773,000 with a present value of \$596,000.

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

Governmental activities	2-5%	337,120
Governmental activities refunding	1-5%	<u>120,230</u>
Total Governmental		<u>457,350</u>

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

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 35,700	\$ 18,877
2025	34,620	16,996
2026	34,700	15,395
2027	33,955	13,898
2028	31,420	12,349
2029-2033	141,190	43,269
2034-2038	102,420	18,370
2039-2043	<u>43,345</u>	<u>4,040</u>
	<u>\$ 457,350</u>	<u>\$ 143,194</u>

General obligation debt authorized and unissued as of September 30, 2023, amounted to \$310,965,000.

General Obligation Pension Bonds

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

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 9,035	\$ 2,317
2025	9,090	2,262
2026	9,155	2,197
2027	9,245	2,109
2028	9,345	2,009
2029-2033	48,795	7,975
2034-2038	<u>53,400</u>	<u>3,373</u>
	<u>\$ 148,065</u>	<u>\$ 22,242</u>

Certificates of Obligation

Annual debt service requirements to maturity for certificates of obligation of the primary government as of September 30, 2023 are as follows (amounts in thousands):

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 6,720	\$ 1,505
2025	5,960	1,260
2026	5,975	1,087
2027	4,595	871
2028	4,020	711
2029-2033	13,320	1,891
2034-2038	3,840	201
	<u>\$ 44,430</u>	<u>\$ 7,526</u>

Special Tax Revenue Debt

Annual debt service requirements to maturity for special tax revenue of the primary government as of September 30, 2023 are as follows (amounts in thousands):

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 7,150	\$ 22,784
2025	9,270	22,390
2026	10,300	21,921
2027	11,705	21,393
2028	13,215	20,793
2029-2033	82,915	92,923
2034-2048	352,335	125,392
	<u>\$ 486,890</u>	<u>\$ 327,596</u>

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.

On June 1, 2023, the City issued \$7,180,000 in Water and Wastewater System Revenue Bonds, Series 2023A. Proceeds from the sale of the Bonds are being used to provide funds for the purpose of improving and extending the System and paying the costs of issuing the Bonds. These bonds mature June 1 over a period from 2024 to 2043. Interest, at a rate of 4.00 to 5.00 percent, is \$3,477,051 in the aggregate.

On July 1, 2023, the City issued \$5,880,000 in Water and Wastewater System Revenue Refunding Bonds, Series 2023B. Proceeds from the sale of the Bonds are being used to provide funds for the purpose of refunding certain currently outstanding revenue obligations of the City and paying the costs of issuing the Bonds. These bonds mature June 1 over a period from 2024 to 2043. Interest, at a rate of 4.00 to 5.00 percent, is \$2,003,909 in the aggregate.

On June 27, the City issued \$4,705,000 in Municipal Drainage Utility System Revenue Bonds, Series 2023. Proceeds from the sale of the Bonds will be used for the purpose of providing funds to pay the costs of drainage improvements, including the acquisition and construction of equipment and facilities for the System and to pay costs of issuance associated with the sale of the Bonds. These bonds mature June 1 over a period from 2024 to 2043. Interest, at a rate of 4.00 to 5.00 percent, is \$2,966,674 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
2024	\$ 17,550	\$ 8,051	\$ 6,270	\$ 353	\$ 4,115	\$ 1,936
2025	16,730	7,419	6,270	337	4,070	1,816
2026	16,630	6,741	6,270	318	4,035	1,669
2027	16,635	5,998	6,270	298	4,005	1,527
2028	15,480	5,275	6,260	277	3,970	1,383
2029-2033	66,475	17,438	29,200	1,029	17,060	4,818
2034-2038	48,995	6,250	25,570	429	12,955	2,199
2039-2043	13,750	935	4,195	17	5,620	426
	<u>\$ 212,245</u>	<u>\$ 58,107</u>	<u>\$ 90,305</u>	<u>\$ 3,058</u>	<u>\$ 55,830</u>	<u>\$ 15,774</u>

Net revenues of the City's water operations have been pledged for repayment of the City's Water & Wastewater 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, 2023, net pledged revenues for the water enterprise fund were \$98,693,000 and debt service on the revenue bonds was \$24,245,000.

Gross revenues of the City's storm water utility have been pledged for repayment of the City's Storm Water Utility 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 drainage improvements of the City's Storm Water infrastructure. The pledge continues for the life of the bonds. For the year ended September 30, 2023, gross pledged revenues for the City's Storm Water Utility were \$21,120,000 and debt service on the revenue bonds was \$3,935,000.

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2023 (amounts expressed in thousands):

	<u>10/1/2022</u>	<u>Increases</u>	<u>Reductions</u>	<u>9/30/2023</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation debt	\$ 589,775	\$ 74,675	\$ (59,035)	\$ 605,415	\$ 44,735
Certificates of obligation	51,055	-	(6,625)	44,430	6,720
Special tax revenue debt	529,020	-	(42,130)	486,890	7,150
Premium on general bonds	33,216	9,136	(5,774)	36,578	-
Premium on special bonds	43,377	-	(3,280)	40,097	-
Discount on special bonds	<u>(1,911)</u>	<u>-</u>	<u>230</u>	<u>(1,681)</u>	<u>-</u>
Net governmental bonds payable	1,244,532	83,811	(116,614)	1,211,729	58,605
Compensated absences	41,757	9,371	(29,839)	21,289	\$ 1,450
Claims	10,215	5,343	(3,768)	11,790	6,773
Estimated pollution remediation	14	35	(14)	35	-
Net pension oblg.	(111,857)	213,559	-	101,702	-
Net other postemploy benefit oblg.	<u>133,726</u>	<u>-</u>	<u>(32,418)</u>	<u>101,308</u>	<u>-</u>
Total governmental long-term liabilities	<u>\$ 1,318,387</u>	<u>\$ 312,119</u>	<u>\$ (182,653)</u>	<u>\$1,447,853</u>	<u>\$ 66,828</u>
Business-type activities:					
Water and sewer bonds	\$ 322,986	\$ 13,060	\$ (33,496)	\$ 302,550	\$ 23,820
Premium on water and sewer bonds	14,016	1,509	(1,673)	13,852	-
Storm water utility bonds	55,060	4,705	(3,935)	55,830	4,115
Premium/Discount on storm water utility	<u>2,807</u>	<u>628</u>	<u>(99)</u>	<u>3,336</u>	<u>-</u>
Net water and sewer bonds payable	394,869	19,902	(39,203)	375,568	27,935
Compensated Absences	2,583	895	(2,150)	1,328	253
Net pension oblg.	(7,769)	14,838	-	7,069	-
Net other postemploy benefit oblg.	9,316	-	(2,273)	7,043	-
Rebatable arbitrage payable	<u>125</u>	<u>766</u>	<u>-</u>	<u>891</u>	<u>-</u>
Total business-type long-term liabilities	<u>\$ 399,124</u>	<u>\$ 36,401</u>	<u>\$ (43,626)</u>	<u>\$ 391,899</u>	<u>\$ 28,188</u>

Net Pension Liability/Asset and OPEB Liability/Asset – The net pension and OPEB liability represents the actuarially-determined liability for employees’ projected pension and OPEB benefit payments to be provided to current active and inactive employees; that is attributed to those employees’ past periods of service, less the pension plans and OPEB plan’s fiduciary net position. The city allocates pension and OPEB items between governmental activities and business type activities based on employee payroll funding. The other postemployment benefits are expected to be paid in future years from future resources.

9. PRIOR YEAR BOND REFUNDINGS

In FY23 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, 2023, previously defeased debt still outstanding amounted to \$0.

<u>Bond</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Amount</u>
Water and Wastewater System Revenue Bonds, Series 2012			
Serials	6/1/2029	3.250%	\$ 400,000
	6/1/2030	3.375%	830,000
	6/1/2031	3.500%	830,000
	6/1/2032	3.500%	830,000
			<u>\$ 2,890,000</u>
Water and Wastewater System Revenue Bonds, Series 2013A			
Serials	6/1/2026	4.000%	\$ 445,000
	6/1/2027	3.500%	445,000
	6/1/2028	3.625%	445,000
			<u>\$ 1,335,000</u>
Term 2031	6/1/2029	4.000%	\$ 445,000
	6/1/2030	4.000%	445,000
	6/1/2031	4.000%	445,000
			<u>\$ 1,335,000</u>
Term 2033	6/1/2032	4.000%	445,000
	6/1/2033	4.000%	445,000
			<u>\$ 890,000</u>
			<u><u>\$ 6,450,000</u></u>

10. INTERFUND TRANSACTIONS

A summary of interfund receivables and payables at September 30, 2023, is as follows (amounts in thousands):

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$9,030	\$ -
Nonmajor Funds	-	9,030
	<u>\$9,030</u>	<u>\$9,030</u>

The General Fund receivable represents cash provided to nonmajor funds and will be reimbursed in 2023.

Transfers between funds during the year were as follows (amounts in thousands):

	<u>Transfers Out</u>	<u>Transfers In</u>
Major Governmental Funds:		
General Fund	\$ 15,267	\$ 33,212
Street Capital Projects	4,915	4,751
Convention and Event Services	561	3,208
Debt Service Fund	-	<u>1,368</u>
Total Major Governmental Funds	20,743	42,539
Major Enterprise Fund-Water and Sewer	41,835	170
Major Enterprise Fund-Storm Water Utility	2,127	-
Other Funds:		
Nonmajor Governmental Funds	17,386	36,460
Internal Service Funds	-	<u>2,922</u>
Total All Funds	<u>\$82,091</u>	<u>\$82,091</u>

The Water and Sewer, Storm Water Utility, and Convention and Event Services transferred \$5,666,000 to the General Fund to cover their budgeted indirect costs.

The General Fund transferred \$8,026,000 to Street Maintenance Fund and Special Transportation (Handitrans) to cover budgeted operating expenses.

The Enterprise Funds transferred \$21,928,000 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 post-closure care costs in accordance with GASB No. 18, "*Accounting for Municipal Solid Waste Landfill Closure and Post-closure 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 historically reported 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.

On September 30, 2020, an amended agreement to Lease and Operate the landfill was signed with Republic to allow for potential expansion and extension of useful service life. This agreement effectively shifted responsibility for the costs related to closing the landfill and maintaining the landfill after closure from the City to Republic. As a result, the accrued liability and related trust fund asset were removed from the City's financial statements effective 9/30/2021.

In addition, the amendment changes the basis for the royalty paid to the City to a percentage of gross revenue. In exchange for providing additional financial assurances, Republic is no longer required to fund the trust and will gradually regain the funds they deposited over time. The agreement to disburse these trust funds was approved independent of the amended lease. As a result of that approval, the City received a one-time payment of \$6.5 million from the disbursement of the trust fund. The City will receive an additional \$6.5 million by 2045. These amounts are in addition to the potential increase in revenue from landfill operations due to changes in the usage and royalty fee structure.

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, 2023. 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):

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Street Construction	\$ 58,904	\$ 67,032
Park Construction	28,378	48,316
Traffic Construction	6,240	659
Fire Construction	8,975	1,258
Storm Water Utility Construction	50,428	18,541
Water and Sewer Construction	181,211	77,810
	<u>\$ 334,136</u>	<u>\$ 213,616</u>

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, 2023, 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 coverage 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 four claims for which payments have been received totaling \$146,702.13 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 2023 and 2022 were as follows (amounts in thousands):

	Workers Compensation		Health		Self Insurance Risk Management	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Unpaid claims, Oct. 1	\$ 3,385	\$ 3,906	\$ 2,587	\$ 2,461	\$ 4,243	\$ 3,752
Incurred Claims (including IBNRs and changes in estimates)	1,426	433	28,290	29,390	2,037	2,709
Claim payments	(1,434)	(954)	(28,119)	(29,264)	(625)	(2,218)
Unpaid claims, Sept. 30	<u>\$ 3,377</u>	<u>\$ 3,385</u>	<u>\$ 2,758</u>	<u>\$ 2,587</u>	<u>\$ 5,655</u>	<u>\$ 4,243</u>

14. LEASES AND SBITA

Leases

Per GASB Statement No. 87, a lease is defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction.

Lessee:

The City, as a lessee, has entered into lease agreements involving office buildings, facility space, a natatorium, radio communications equipment, golf cart equipment, parking lots, and wireless service agreements. The terms and conditions for these leases vary. Some leases are fixed, periodic payments over the lease term, which ranges

between 2-10 years. The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise. The related obligations are presented in the amounts equal to the present value of lease payments, payable during the remaining lease term. As the lessee, a lease liability and the associated lease asset is recognized on the government-wide Statement of Net Position.

The City did not incur expenses related to its leasing activities related to residual value guarantees, lease termination penalties or losses due to impairment. As a lessee, there are currently no agreements that include sale-leaseback and lease-leaseback transactions.

As of September 30, 2023 the City had minimum principal and interest payment requirements for its leasing activities, with a remaining term more than one year, as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2024	\$ 1,001,949	\$ 19,530	\$ 1,021,479
2025	301,353	9,289	310,642
2026	297,107	5,119	302,226
2027	70,177	2,718	72,895
2028	47,973	2,027	50,000
2029	119,743	2,089	121,832
	<u>\$ 1,838,301</u>	<u>\$ 40,772</u>	<u>\$ 1,879,073</u>

The following is a summary of lease liability transactions of the City for the year ended September 30, 2023 (amounts expressed in thousands):

	Balance beginning of year	Increases	Reductions	Balance at the End of the Year	Due Within One Year
Governmental activities:					
Leases payable	<u>\$ 2,921</u>	<u>\$ -</u>	<u>\$ (1,083)</u>	<u>\$ 1,838</u>	<u>\$ 1,002</u>

Lessor:

The City of Arlington is the Lessor related to Globe Life Field with Rangers Baseball, LLC. This lease existed at the beginning of the fiscal year and has 30 years remaining on contract. The City received combined annual payments of \$2,000,000. The City recognized net lease and interest revenue of \$710,040 in the fiscal year related to this lease. There were no inflows of resources recognized during the year ending September 30, 2023 for variable or other payments not previously included in the measurement of the lease receivable. As of September 30, 2023, the City's receivable for lease payments was \$50,224,153. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of September 30, 2023, the balance of the deferred inflow of resources was \$49,578,929.

The City of Arlington is the Lessor related to Cowboy's Stadium with Cowboys Stadium, LP. This lease existed at the beginning of the fiscal year and has 15 years remaining on the contract. The City received combined annual payments of \$2,000,000. The City recognized net lease and interest revenue of \$403,678 in the fiscal year related to this lease. There were no inflows of resources recognized during the year that ended September 30, 2023 for variable or other payments not previously included in the measurement of the lease receivable. As of September 30, 2023, the City's receivable for lease payments was \$28,152,723. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of September 30, 2023, the balance of the deferred inflow of resources was \$27,777,199.

Additionally, as the Lessor, the City leases City-owned properties such as buildings, office space, land, and a water pump station. These leases all had varying terms between 5 and 20 years. The City recognized \$161,666 in net lease and interest revenue during the current fiscal year related to these leases. As of September 30, 2023, the City's receivable for lease payments was \$11,361,335. Also, the City has deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of September 30, 2023, the balance of deferred inflow of resources was \$11,052,227.

The City measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured as the amount of the lease receivable, adjusted for lease payments received before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. The City uses the lessee's rate or the rate disclosed in the agreement. If the rate is not readily available, the City uses its estimated incremental borrowing rate as the discount rate. The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee. The related receivables are presented in the Statement of Net Position for the amounts equal to the present value of lease payments expected to be received during the lease term.

Excluded Leases – Regulated

The Aviation Department does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g. the U.S. Department of Transportation and the Federal Aviation Administration, between airports and air carriers and other aeronautical users. Regulated leases include the following:

Airport Leases

The Aviation Department has entered into lease agreements with various individuals and companies for the lease of various items which include buildings, hangar, terminal building leases, and tie-down. These contracts have various leases dates ranging from 1984 to 2052. The annual amount expected to be received from these various leases is \$958,000. The City recognized net lease and interest revenue of \$1,119,368 in the fiscal year related to these leases.

Fixed Based Operators

The Aviation Department has entered into several contracts with Fixed Base Operators (FBO) for the lease of certain airport land and buildings. An FBO is a commercial enterprise that provides aeronautical services such as fueling, aircraft parking and storage to the general aviation community, and therefore is considered to be a regulated lease. The contracts have various start and end dates ranging from 2004 through 2034. The annual amount expected to be received from these various leases is \$152,000. The City recognized net lease and interest revenue of \$189,271 in the fiscal year related to these leases.

Subscription-Based Information Technology Arrangements

Per GASB Statement No. 96, a subscription-based information technology arrangement (SBITA) is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The City has entered into subscription-based arrangements for cloud storage, infrastructure planning, budget, court, financial, security and IT support software. These subscriptions all had varying terms between two and four years. The measurement of the SBITA liabilities is based on the present value of subscription payments expected to be paid during the subscription term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, and residual value guarantee payments that are fixed in substance.

As of September 30, 2023, the City had minimum principal and interest payment requirements for its subscription activities, with a remaining term more than one year, as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2024	\$ 1,596,326	\$ 24,753	\$ 1,621,079
2025	1,145,434	6,955	1,152,389
2026	145,021	1,182	146,203
2027	47,498	283	47,781
	<u>\$ 2,934,280</u>	<u>\$ 33,172</u>	<u>\$ 2,967,452</u>

The following is a summary of SBITA liability transactions of the City for the year ended September 30, 2023 (amounts expressed in thousands):

	Balance beginning of year*	Increases	Reductions	Balance at the End of the Year	Due Within One Year
Governmental activities:					
SBITA payable	<u>\$ 2,792</u>	<u>\$ 1,623</u>	<u>\$ (1,481)</u>	<u>\$ 2,934</u>	<u>\$ 1,597</u>
Total leases and SBITA payable	<u>\$ 5,713</u>	<u>\$ 1,623</u>	<u>\$ (2,564)</u>	<u>\$ 4,772</u>	<u>\$ 2,599</u>

*As restated for GASB Statement No. 96 implementation

15. PUBLIC-PRIVATE PARTNERSHIPS (PPP)

The City is the transferor in a service concession arrangement PPP with Republic Waste Services of Texas, LTD as operator for the operation of the City of Arlington Landfill. The agreement conveys to the operator the right, either through licenses or permits, to operate and maintain the City of Arlington Landfill in compliance with the landfill permits which includes, but is not limited to, operating and maintaining the scales and scale house, determining the disposal rate for any waste or material to be accepted at or disposed of in the Landfill, and disposal of all waste acceptable for disposal at the City of Arlington Landfill. To the extent the agreement remains in full force and effect and the City is in material compliance with the terms and conditions of the agreement, Republic shall pay to the City a lump-sum payment of \$3,000,000 on or prior to May 2, 2045 in addition to monthly usage fees. The total receivable

associated with the above PPP Arrangement is \$59.8 million as of September 30, 2023 and the deferred inflows resulting from such arrangements are \$58.8 million as of September 30, 2023. The discount rate applied to the measurement of the receivable for installment payments was 1.4%. There were no variable payments received under the arrangement.

16. 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, 2023, 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	\$ 91,107	\$ 7,732	\$ 57,345	\$ 156,184
Capital assets	-	587	15,050	15,637
Total assets	<u>91,107</u>	<u>8,319</u>	<u>72,395</u>	<u>171,821</u>
Other liabilities and deferred inflows of resources	1,718	2,079	5,396	9,193
Total liabilities	<u>1,718</u>	<u>2,079</u>	<u>5,396</u>	<u>9,193</u>
Net position:				
Net investment in capital assets	-	322	7,648	7,970
Restricted	89,389	43	6,544	95,976
Unrestricted	-	5,875	52,807	58,682
Total net position	<u>\$ 89,389</u>	<u>\$ 6,240</u>	<u>\$ 66,999</u>	<u>\$ 162,628</u>

Condensed Schedule of Activities

	Arlington Tomorrow Foundation	Housing Authority	Other Discretely Presented Component Units	Total Discretely Presented Component Units
Expenses	\$ 2,143	\$ 43,123	\$ 14,517	\$ 59,783
Program Revenues:				
Charges for services	-	42,683	35,472	78,155
Operating grants and contributions	-	-	1,966	1,966
Capital grants and contributions	-	-	-	-
Net Program (Expense) Revenue	<u>(2,143)</u>	<u>(440)</u>	<u>22,921</u>	<u>20,338</u>
Interest Revenues	2,739	27	1,049	3,815
Other NonTax General Revenues	13,647	42	709	14,398
Change in Net Position	14,243	(371)	24,679	38,551
*Net position, October 1	75,146	6,611	42,320	124,077
Net position, September 30	<u>\$ 89,389</u>	<u>\$ 6,240</u>	<u>\$ 66,999</u>	<u>\$ 162,628</u>

*as restated

17. TAX ABATEMENTS

As of September 30, 2023, 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 taxable value 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/rebate, 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/rebate, 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 the 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 taxable value 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/rebate. 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 taxable value 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/rebate(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	1,167,507	304,100	1,786,318	300,829	-
Recruitment	955,551	6,553,648	-	-	-
Retention	4,454,704	-	-	-	25,000
Total Tax Abated	6,577,762	6,857,749	1,786,318	300,829	25,000

For the fiscal year ended September 30, 2023, the City's property tax revenues were reduced by \$6,577,762 under active tax abatement and Chapter 380 agreements for Development/Redevelopment, Recruitment, and Retention. Sales tax revenues were reduced by a total of \$6,857,749 for Development/Redevelopment and Recruitment abatements. Hotel occupancy tax revenues were reduced by \$1,786,318 and mixed beverage taxes were reduced by \$300,829 for Development/Redevelopment abatements. In addition to tax abatements/rebates, recipients qualified for \$25,000 in other commitments from the City in the form of fee waivers and hiring grants.

As a result of the City's tax abatement/rebate program, the property tax base increased by more than \$3 billion with property value growth of 2,979% above the base year value. The projects receiving abatements/rebates of the City's sales tax, hotel occupancy tax, and mixed beverage taxes generated more than \$17.7 million in local tax revenue, of which 51% was rebated.

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.

18. 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, 2023, the environmental remediation liability is \$35,000.

19. SUBSEQUENT EVENTS

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

APPENDIX C
FORM OF BOND COUNSEL OPINION

BRACEWELL

June __, 2024

\$ _____
CITY OF ARLINGTON, TEXAS
PERMANENT IMPROVEMENT BONDS
SERIES 2024A

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 follows:

CITY OF ARLINGTON, TEXAS PERMANENT IMPROVEMENT BONDS, SERIES 2024A, dated May 15, 2024, in the principal amount of \$_____.

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 ordinance adopted by the City Council of the Issuer authorizing their issuance (the “Bond Ordinance”) and the pricing certificate (the “Pricing Certificate”) executed pursuant thereto (the Bond Ordinance and Pricing Certificate together are referred to herein as the “Ordinance”).

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; 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 Ordinance.

In providing the opinions set forth herein, we have relied on representations and certifications of the City and other parties involved with the issuance of the Bonds with respect to matters solely

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within the knowledge of the City and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance, including, but not limited to, covenants relating to the tax-exempt status of the Bonds.

BASED ON SUCH EXAMINATION AND IN RELIANCE ON SUCH REPRESENTATIONS, CERTIFICATIONS, AND ASSUMPTIONS, 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 obligations of the Issuer;
- (B) A continuing ad valorem tax upon all taxable property within the City of Arlington, Texas necessary to pay the principal of and interest on the Bonds, has been levied and pledged irrevocably for such purposes, within the limits prescribed by law, and the total indebtedness of the Issuer, including the Bonds, does not exceed any constitutional, statutory or other limitation; 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 an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations.

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.

We express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, to 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. Further, in the event that the representations or certifications 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 Ordinance, 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.

BRACEWELL

June __, 2024

\$ _____
CITY OF ARLINGTON, TEXAS
PERMANENT IMPROVEMENT REFUNDING BONDS
SERIES 2024B

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 follows:

CITY OF ARLINGTON, TEXAS PERMANENT IMPROVEMENT REFUNDING BONDS, SERIES 2024B, dated May 15, 2024, in the principal amount of \$ _____.

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 ordinance adopted by the City Council of the Issuer authorizing their issuance (the “Bond Ordinance”) and the pricing certificate (the “Pricing Certificate”) executed pursuant thereto (the Bond Ordinance and Pricing Certificate together are referred to herein as the “Ordinance”).

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; an escrow agreement (the “Escrow Agreement”) between the Issuer and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “Escrow Agent”); a report (the “Report”) of Causey Demgen & Moore P.C. (the “Verification Agent”), verifying the sufficiency of the deposits made with the Escrow Agent for defeasance of the obligations being refunded (the “Refunded Obligations”); 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

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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 Ordinance.

In providing the opinions set forth herein, we have relied on representations and certifications of the City and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the City and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance, including, but not limited to, covenants relating to the tax-exempt status of the Bonds.

BASED ON SUCH EXAMINATION AND IN RELIANCE ON SUCH REPRESENTATIONS, CERTIFICATIONS, AND ASSUMPTIONS, 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 obligations of the Issuer;
- (B) A continuing ad valorem tax upon all taxable property within the City of Arlington, necessary to pay the principal of and interest on the Bonds, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law, and the total indebtedness of the Issuer, including the Bonds, does not exceed any constitutional, statutory or other limitation;
- (C) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Obligations pursuant to the Escrow Agreement, and therefore, the Refunded Obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in the Escrow Agreement; and
- (D) 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 an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations.

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.

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We express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, to 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. Further, in the event that the representations or certifications 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 Ordinance, 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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